

**Subject: 2024 City of Ottawa Consolidated Financial Statements**

**File Number: ACS2025-FCS-FIN-0006**

**Report to Audit Committee on 6 June 2025**

**and Council 25 June 2025**

**Submitted on May 28, 2025 by Isabelle Jasmin, Deputy City Treasurer, Corporate Finance, Finance and Corporate Services Department**

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**Ward: Citywide**

**Objet : États financiers consolidés de 2024 de la Ville d'Ottawa**

**Numéro de dossier : ACS2025-FCS-FIN-0006**

**Rapport au Comité de la vérification**

**le 6 juin 2025**

**et au Conseil le 25 juin 2025**

**Soumis le 28 mai 2025 par Isabelle Jasmin, Trésorière municipale adjointe, Services des finances municipales, Direction générale des finances et des services organisationnels**

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**Quartier : À l'échelle de la ville**

## **REPORT RECOMMENDATION**

**That the Audit Committee recommend Council approve the 2024 City of Ottawa Consolidated Financial Statements.**

## RECOMMANDATION DU RAPPORT

**Que le Comité de la vérification recommande au Conseil d'approuver les états financiers consolidés de 2024 de la Ville d'Ottawa.**

## EXECUTIVE SUMMARY

Section 294 of the *Municipal Act, 2001*, requires that the City prepare annual audited consolidated financial statements in accordance with generally accepted accounting principles recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

The Draft Consolidated Financial Statements (Document 1) have been prepared by management in accordance with Canadian Public Sector Accounting Standards established by PSAB of CPA Canada.

The City's external auditors KPMG LLP have also provided their audit results to date and outlined steps for completion in the attached report (Document 2).

## Financial Highlights

- The construction of the Light Rail Transit Stage 2 (Stage 2 LRT) continued to be a significant item on the consolidated financial statements.
- Other significant projects that are underway are the new Ottawa Police Service South facility, the Ādisōke Ottawa Public Library-Library and Archives Canada joint facility and the Zero Emission Bus program.
- Stage 2 LRT – Trillium Line achieved substantial completion in November 2024 and the Public Private Partnership (P3) Liability of \$136 million for financing was recognized and to be repaid over the term of the contract.
- Net long-term debt increased by \$66 million reflecting \$225 million of new debt issues and loans, which is offset by \$146 million of debt principal repayments as well as \$13 million of sinking fund earnings.
- Tangible capital assets increased primarily due to Stage 2 LRT construction, as well as assets contributed to the City from new housing infrastructure.
- Revenue from fees and user charges increased primarily due to more residents using public transit, higher water and sewer revenue, and increased registrations for recreation programs and arena rentals.

## RÉSUMÉ

L'article 294 de la *Loi de 2001 sur les municipalités* exige que la Ville prépare des états financiers consolidés et vérifiés chaque année conformément aux principes comptables généralement reconnus recommandés par le Conseil sur la comptabilité dans le secteur public (CCSP) de Comptables professionnels agréés du Canada (CPA Canada).

Les états financiers consolidés provisoires (document 1) ont été préparés par la direction conformément aux normes comptables du secteur public canadien, établies par le CCSP de CPA Canada.

Le vérificateur externe de la Ville, la société à responsabilité limitée KPMG, a aussi publié les résultats de la vérification et défini les étapes à réaliser dans le rapport ci-joint (document 2).

### Faits saillants des états financiers

- La construction de l'Étape 2 du train léger sur rail (Étape 2 du TLR) continue d'occuper une place importante dans les états financiers consolidés.
- D'autres projets importants sont en cours : la nouvelle installation Sud du Service de police d'Ottawa, l'installation partagée Ādisōke de la Bibliothèque publique d'Ottawa et de Bibliothèque et Archives Canada, et le Programme des autobus à émission zéro.
- L'Étape 2 du TLR de la Ligne Trillium a été achevée en grande partie en novembre 2024, et le passif du partenariat public-privé (PPP) de 136 millions de dollars a été comptabilisé.
- La dette nette à long terme a augmenté de 66 millions de dollars, reflétant 225 millions de dollars d'émissions de nouvelles dettes et de nouveaux prêts, qui sont compensés par le remboursement de 146 millions de dollars du capital de la dette ainsi que 13 millions de dollars de recettes issues du fonds d'amortissement.
- Les immobilisations corporelles ont augmenté principalement en raison de la construction de l'Étape 2 du TLR, ainsi que des actifs apportés à la Ville par les nouvelles infrastructures de logement.

- Les recettes ont augmenté essentiellement grâce aux frais d'utilisation versés par les résidents, qui sont plus nombreux à emprunter les transports en commun, à une hausse des recettes liées aux réseaux d'aqueduc et d'égouts, ainsi qu'aux frais d'utilisation générés par la hausse du nombre d'inscriptions aux programmes de loisirs et de locations des arénas.

## **BACKGROUND**

Section 294 of the *Municipal Act, 2001*, requires that the City prepare annual audited consolidated financial statements in accordance with generally accepted accounting principles recommended by PSAB of CPA Canada. These audited financial statements must be made available to the public.

On December 2, 2024, KPMG LLP provided an audit plan ([ACS2024-FCS-FIN-0012](#)) to Audit Committee and Council outlining the scope of key issues affecting the 2024 audit.

## **DISCUSSION**

The City's Draft 2024 Consolidated Financial Statements (Document 1) have been prepared by management in accordance with the Canadian Public Sector Accounting Standards established by PSAB of CPA Canada. These accounting policies require the reporting of revenues and expenses on an accrual basis of accounting. The accrual basis of accounting recognizes revenues and expenses, as they are incurred and measurable.

These consolidated financial statements include the operation of all local boards and agencies, such as the Ottawa Police Services Board, Ottawa Public Library Board, the Ottawa Community Housing Corporation, and the Business Improvement Areas. The City's investment in Hydro Ottawa is recorded in the consolidated financial statements on a modified equity basis.

### **Consolidated Financial Statements**

The consolidated financial statements are comprised of five individual statements and detailed notes to the consolidated financial statements.

The Consolidated Statement of Financial Position focuses on the City's assets (financial and non-financial) and liabilities. The difference between the liabilities and the financial assets is the City's net debt, which represents the liabilities that must be financed from future revenues.

The Consolidated Statement of Operations and Accumulated Surplus outlines the revenue, expenses, surplus, and changes in accumulated surplus for the year. It includes the combined financial activity of the operating, capital, and reserve funds of the City and its consolidated entities.

The Consolidated Statement of Change in Net Debt outlines the changes in net debt as a result of annual operations, tangible capital asset transactions, and changes in other non-financial assets.

The Consolidated Statement of Cash Flows summarizes the City's cash position and changes during the year based on sources and uses of cash.

The Consolidated Statement of Remeasurement Gains and Losses is where unrealized changes in fair value are recognized relating to the City's equity investments within the endowment fund. They will remain as unrealized until they are realized and then transferred to the consolidated statement of operations and accumulated surplus.

### **Key Terms**

It is important to highlight some key terms used in the consolidated financial statements from an accounting perspective, which differ from similar terms used from a budgeting perspective.

The consolidated financial statements are prepared using the **accrual basis of accounting (accruals)** which records expenses and revenues, for which the City expects to expend or receive cash in a future reporting period.

**Financial assets** are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

**Liabilities** represent obligations that must be paid over the short and long term. Liabilities include accounts payable and accrued liabilities, deferred revenue, employee future benefits and pension agreements, asset retirement obligations, environmental liabilities for contaminated sites, and liabilities for debt obligations including mortgages and capital lease obligations.

**Net debt** is the difference between financial assets and liabilities. It is a measure of the future revenues required to pay for past transactions.

**Non-financial assets** are comprised primarily of tangible capital assets which include roads, water and waste-water infrastructure, buildings and improvements, land, machinery, plant and equipment, vehicles, and assets under construction. Tangible capital assets represent the largest item on the City's Consolidated Statement of Financial Position. As tangible capital assets do not provide liquidity, and are generally used to deliver government services, they are reported separately with inventories and prepaid expenses, as non-financial assets.

The **annual surplus** is reported on the Consolidated Statement of Operations. An annual surplus represents the difference between the revenue and expenses of the City from an accrual accounting perspective.

**Accumulated surplus** is the overall equity. It represents the net of all the City's assets (financial and non-financial) and liabilities. These assets are available to service future generations.

**Reserves** comprise funds set aside for specific purposes by Council and are a component of accumulated surplus. Amounts received for specific purposes under legislation, regulation or agreement, such as development charges and gas tax funding, represent a liability and are reported as deferred revenue and not accumulated surplus.

### **Operating and Capital Budgets**

The City's operating and capital budgets are based upon a modified cash basis of accounting. This results in differences between the City's external financial statements, which are reported on an accrual basis, and its operating and capital budgets. PSAB accounting policies require that the consolidated financial statements show a comparison of the actual financial results for the period to those originally planned (budgeted). These policies also state that those "planned" (budgeted) results should be presented for the same scope of activities and on a basis consistent with that used for actual results. Since the City prepares its operating and capital budgets on a different basis from that used to account for transactions in the consolidated financial statements, it is necessary to provide a reconciliation of Council's approved budgets to the budget figures reported in the financial statements. This reconciliation is provided in Note 24 to the consolidated financial statements.

The City uses the modified accrual basis for budgeting because it is the most accurate way of determining how much taxation needs to be levied in any one year. It is the cash requirement that determines what the tax rate is and what tax rate increase may be required. The full accrual basis of accounting used in the consolidated financial statements includes expenses that do not need to be financed or tax levied for in the near term.

**Table 1: Consolidated Statement of Financial Position**

	<b>2024</b> <b>(in thousands \$000s)</b>	<b>2023</b> <b>(in thousands \$000s)</b>
<b>Financial Assets</b>		
Cash and cash equivalents	1,182,229	1,300,718
Accounts receivable	590,636	607,445
Investments	1,296,858	1,724,076
Investment in government business enterprise	555,491	529,669
Loan receivable	196,899	204,630
<i>Total financial assets</i>	<i>3,822,113</i>	<i>4,366,538</i>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,228,695	1,637,887
Deferred revenue	1,613,013	1,405,018
Employee future benefits and pension agreements	802,201	772,958
Asset retirement obligations	83,450	76,199
Net long-term debt	3,371,242	3,305,549
P3 Liability	135,759	0
Other liabilities	696,710	535,895
<i>Total liabilities</i>	<i>7,931,070</i>	<i>7,733,506</i>
<b>Net debt</b>	<b>(4,108,957)</b>	<b>(3,366,968)</b>
<b>Non-Financial Assets</b>		
Tangible capital assets	23,781,983	22,250,618
Other non-financial assets	124,226	116,528
<i>Total non-financial assets</i>	<i>23,906,209</i>	<i>22,367,146</i>
<b>Accumulated Surplus</b>	<b>19,797,252</b>	<b>19,000,178</b>

### **Analysis of the Consolidated Statement of Financial Position**

In 2023, the City received provincial and federal funding before the end of the year that was expected to be received in 2024, therefore leaving higher cash balances as compared with 2024.

Accounts receivable decreased by \$17 million mainly due to reduced funding claims outstanding at year end for Light Rail of \$93 million and Public Transit Infrastructure Fund (PTIF) of \$28 million, which was offset by increases in the amounts outstanding for property tax and water and sewer user charges of \$35 million, HST recoveries relating to Light Rail of \$33 million and Zero Emission Bus federal funding claims submitted and not yet paid of \$20 million, and extraordinary policing services of \$16 million.

Investments decreased by \$427 million mainly due to the transfer of more funds to cash and cash equivalents for payments on larger projects.

The investment in government business enterprise, which represents the net value of Hydro Ottawa, increased by \$26 million. This increase represents the net of the City's share of Hydro Ottawa net income of approximately \$42 million, accumulated other comprehensive income of \$4 million, offset by dividends paid from Hydro Ottawa to the City of \$20 million.

Accounts payable and accrued liabilities decreased by approximately \$409 million in 2024 related primarily to a reduction in the amounts owing of \$283 million for the Trillium Line, as it reached substantial completion in 2024, a reduction in the amount of the short-term promissory note of \$160 million as there weren't any significant LRT related payments required at the end of 2024 and a reduction in the childcare amounts owing of \$16 million as all funding was fully issued and reconciled in 2024. This was offset by increases in the amount of the Stage 2 Confederation Line Extension construction costs outstanding of \$50 million.

Deferred revenue increased by approximately \$208 million mainly due to government funding that was received but not yet recognized as revenue, because the related program expenditures have not yet been spent.

Employee future benefits and pension agreements liability increased by approximately \$29 million. The City engages the services of an actuarial consulting firm to provide a determination of the City's obligations with regards to post-retirement and post-employment benefits, as well as for WSIB benefits.

Net long-term debt increased by approximately \$66 million reflecting \$225 million of new debt issues which is offset by \$146 million of debt principal repayments as well as \$13 million of sinking fund earnings.

P3 liability is a new liability item to the financial statements due to a change in Public Sector Accounting Standards related to public-private partnerships (P3s). The amount relates to the Trillium Line Extension which reached substantial completion in November 2024, for the capital annual service payments financed by TNEXT and repaid by the City during the 27-year maintenance term. Per the new standard this is now recognized as a separate liability instead of included in the long-term debt.

The growth in tangible capital assets is due mainly to continued spending on the Stage 2 LRT, which accounted for approximately \$679 million, assets contributed from developers to the City of \$465 million and other larger project spending such as the Zero Emission Bus program of \$78 million and the Ādisōke Ottawa Public Library-Library and Archives Canada joint facility of \$49 million, which together make up \$1.271 billion of the total \$1.531 billion increase.

Accumulated surplus increased by \$797 million and is made up of increases in the City's investment in tangible capital assets of \$777 million, increases in the City's investment in Hydro Ottawa of \$26 million, increases in reserves of \$45 million which was offset by decreases of \$11 million in the City's Endowment Fund and increases in unfunded liabilities of \$40 million.

**Table 2: Consolidated Statement of Operations and Accumulated Surplus - Revenue (in thousands \$000s)**

<b>Revenue</b>	<b>2024 Budget</b>	<b>2024 Actual</b>	<b>2023 Actual</b>
Taxes	2,328,811	2,362,466	2,282,933
Government transfers	1,437,681	1,191,609	1,308,108
Fees and user charges	1,026,615	1,045,002	959,863
Contributed tangible capital assets	459,877	464,565	488,087
Development charges	173,322	171,373	170,256
Investment income	59,638	143,824	95,691
Fines and penalties	99,948	76,685	55,048
Other revenue	41,647	42,310	56,603
Share of earnings of government business enterprise	37,500	42,122	24,104
<b>Total revenue</b>	<b>5,665,039</b>	<b>5,539,956</b>	<b>5,440,693</b>

## **Analysis of Revenue**

The largest source of revenue is property tax revenue at 43 per cent, while government transfers and fees and user charges represent 22 per cent, and 19 per cent, respectively of the total consolidated revenue.

Taxation revenue increased by \$80 million to \$2.363 billion in 2024 (2023 - \$2.283 billion). This increase is made up of a tax levy increase of approximately \$102 million, an increase in the Municipal Accommodation Tax of \$5 million, which was offset by lower payments in lieu of taxes (PILT) of \$27 million. The majority of the decrease to payments in lieu of taxes is due to the one-time municipal PILT mitigation payment of \$35 million that was received in 2023, and no such payment was received in 2024. The tax levy increase includes a 2.5 per cent overall property tax increase combined with an increase in the assessment base due to new properties.

Government transfers revenue decreased by \$116 million to \$1.192 billion in 2024 (2023 \$1.308 billion). The decrease is mainly made up of decreases in the National Capital Extraordinary Policing Costs Program (\$24 million), decreases in demands for health services such as immunization programs (\$24 million), as well as decreases in Light Rail cost recovery funding for Stage 2 LRT (\$230 million). These were offset by increases in gas tax funding (\$39 million), social services funding related to increased caseloads (\$17 million), social housing programs relating to shelter and housing acceleration funding (\$76 million), and for an increase for the Zero Emission Bus program (\$30 million).

Fees and user charges revenue increased by \$85 million to \$1.045 billion in 2024 (2023 - \$960 million). Transit revenue increased by \$14 million as more residents are using public transit, water and sewer revenue increased by \$26 million due to rate increases and increased consumption, increases to public housing rentals of \$13 million relating to new buildings in use, increases for waste and recycling due to the user fee rate increase of \$11 million, as well as increases in recreation of \$11 million mainly due to increased registrations and arena rentals. There were also increases of \$10 million related to increases in permit fees (\$3 million), parking fees and parking and speed enforcement fines (\$4 million) as well as other small increases (\$3 million).

Contributed tangible capital assets represent assets that are donated or contributed to the City by developers. In 2024, contributed assets decreased by approximately \$23 million to \$465 million (2023 - \$488 million). The amounts vary from year-to-year based on the timing of development work.

Development charges applied to capital spending increased by \$1 million to \$171 million in 2024 (2023 - \$170 million). Development charges revenue is not recognized until the funds are spent for its intended purposes.

Fines and penalties increased in 2024 by \$22 million to \$77 million (2023- \$55 million) primarily due to increased road activity, as well as an increased number of automated speed enforcement cameras which resulted in higher provincial offences fees.

The City's share of earnings of a government business enterprise (Hydro Ottawa) increased to \$42 million in 2024 (2023 - \$24 million). This figure represents the net income of Hydro Ottawa as per their consolidated financial statements.

**Table 3: Consolidated Statement of Operations and Accumulated Surplus - Expenses (in thousands \$000s)**

<b>Expenses</b>	<b>2024 Budget</b>	<b>2024 Actual</b>	<b>2023 Actual</b>
General government	118,316	119,873	115,682
Protection to persons and property	723,344	764,178	758,321
Roads, traffic and parking	479,704	514,491	493,362
Transit	825,653	802,882	781,055
Environmental services	518,400	544,812	517,004
Health services	230,813	240,216	258,974
Social and family services	803,594	719,366	724,130
Social housing	366,990	497,553	435,553
Recreation and cultural services	414,233	429,924	404,117
Planning and development	105,731	113,107	87,639
<b>Total expenses</b>	<b>4,586,778</b>	<b>4,746,402</b>	<b>4,575,837</b>

### **Analysis of Expenses**

General government expenses increased by \$4 million to \$120 million in 2024 (2023 - \$116 million).

Protection to persons and property increased by \$6 million in 2024 to \$764 million (2023 - \$758 million). Specific increases include compensation costs and group insurance benefits.

Roads, traffic and parking expenses increased by \$21 million to \$514 million in 2024 (2023 - \$493 million) primarily due to higher repairs and maintenance expenditures, higher amortization on assets and higher loss on disposal of assets.

Transit expenses increased by \$22 million to \$803 million in 2024 (2023 - \$781 million) primarily due to increased compensation costs and fleet maintenance expenditures.

Environmental services increased by \$28 million in 2024 to \$545 million (2023 - \$517 million) due to increases in repairs and maintenance expenditures and higher amortization on assets.

Health services decreased by \$19 million to \$240 million in 2024 (2023 - \$259 million) primarily related to the reduction in COVID-19 related activities and a reduced demand for immunization.

Social and family services decreased by \$5 million to \$719 million in 2024 (2023 - \$724 million). There was a decrease in child care of \$32 million due to prior year recoveries that were reconciled and returned to the province, mainly for the Canada Wide Early Learning and Child Care System. This was offset by increases to social security caseloads and benefits of \$27 million.

Social housing increased by \$62 million to \$498 million in 2024 (2023 - \$436 million) mainly due to one-time shelter funding from the province in order to mitigate shelter demand as well as increased affordable housing program expenditures.

Recreation and cultural services increased by \$26 million to \$430 million in 2024 (2023 - \$404 million) due to operating costs relating to an increase in part time hours for recreation and library programs, increased repairs and maintenance and utility expenditures.

Planning and development increased by \$25 million to \$113 million in 2024 (2023 - \$88 million) primarily due to increased operating costs for new initiatives relating to climate change and resiliency, increases for Municipal Accommodation Agreements as well as increased costs relating to Brownsfield due to a number of new property submissions.

### **External Audit**

The City's external auditors performed an audit of the Draft Consolidated Financial Statements. Under accounting standards, the City's external auditors are required to extend their subsequent events review procedures up until Council approves the Draft City of Ottawa Consolidated Financial Statements (Document 1).

These audit procedures include the review of bank statements, payments and receipts in the subsequent period, as well as additional standard inquiries. In order to reduce the amount of post-audit review, this report should be brought for Council's review at the earliest opportunity. Once Council approves the Draft City of Ottawa Consolidated Financial Statements (Document 1), the City will receive the signed audit report at which time the statements will be considered final and be posted on the City's web site.

### **Financial Information Return**

In addition to consolidated financial statements, the City also prepares an annual financial information return for submission to the province, based on the financial results contained in the consolidated financial statements. That information is also available publicly through the Province of Ontario's financial information web site.

### **FINANCIAL IMPLICATIONS**

There are no financial implications to this report.

### **LEGAL IMPLICATIONS**

There are no legal impediments to approving the recommendation in this report.

### **COMMENTS BY THE WARD COUNCILLOR(S)**

This report is administrative and City wide in nature and does not require comments by Ward Councillors.

### **ACCESSIBILITY IMPACTS**

Finance and Corporate Services adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts.

### **TERM OF COUNCIL PRIORITIES**

This report supports the 2023-2026 Term of Council Priorities and the City's commitment to financial sustainability and transparency.

### **SUPPORTING DOCUMENTATION**

Document 1 – Draft 2024 City of Ottawa Consolidated Financial Statements

Document 2 – KPMG Audit Results, Consolidated Financial Statements

**DISPOSITION**

Once Council approves the Draft 2024 City of Ottawa Consolidated Financial Statements (Document 1), the City will receive the signed audit report at which time the statements will be considered final and will be posted on the City's web site.