

Consolidated Financial Statements

The City of Ottawa

December 31, 2021

MANAGEMENT'S REPORT

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management of the City of Ottawa [the "City"].

The consolidated financial statements are prepared by management, in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The consolidated financial statements necessarily include some amounts that are based on the best estimates and judgments of management. Financial data elsewhere in the report is consistent with that in the consolidated financial statements.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for the preparation of consolidated financial statements.

The Auditor General's office reports directly to City Council ["Council"] and, on an ongoing basis, carries out its audit program to ensure internal controls and their application are reviewed and financial information is tested and independently verified.

Council fulfils its responsibility for financial reporting through its Audit Committee and Finance and Economic Development Committee.

Ernst & Young LLP, Chartered Professional Accountants, have been appointed by Council to express an opinion on the City's consolidated financial statements. Their report follows.

Steve Kanellakos
City Manager
Ottawa, Canada

Wendy Stephanson
Chief Financial Officer
Ottawa, Canada

Independent auditor's report

To the Mayor and Members of Council

Opinion

We have audited the consolidated financial statements of the **City of Ottawa** [the "City"], which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of operations and accumulated surplus, the consolidated statement of change in net debt and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Canada
June 23, 2022

THE CITY OF OTTAWA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021, with comparative information as at December 31, 2020 [dollars in thousands]

Table 1 - Consolidated statement of financial position - Financial assets

| Financial assets | 2021 | 2020 |
|---|------------------|-------------|
| Cash and cash equivalents | \$709,280 | \$974,811 |
| Accounts receivable [note 3] | 995,943 | 814,786 |
| Investments [note 4] | 1,711,196 | 1,174,679 |
| Investment in government business enterprise [note 5] | 507,295 | 480,224 |
| Loan receivable [note 6] | 219,051 | 224,243 |
| Total financial assets | 4,142,765 | 3,668,743 |

Table 2 - Consolidated statement of financial position - Liabilities

| Liabilities | 2021 | 2020 |
|--|------------------|-------------|
| Accounts payable and accrued liabilities [note 7] | 1,437,383 | 946,238 |
| Deferred revenue [note 8] | 1,011,774 | 928,707 |
| Employee future benefits and pension agreements [note 9] | 728,210 | 706,628 |
| Accrued interest | 29,091 | 29,071 |
| Landfill closure and post-closure [note 10] | 36,800 | 38,039 |
| Contaminated sites [note 11] | 6,784 | 7,510 |
| Net long-term debt [note 12] | 3,039,703 | 2,954,052 |
| Mortgages payable [note 13] | 313,500 | 277,113 |
| Other liabilities [note 14] | 55,784 | 67,810 |
| Capital lease obligations [note 15] | 79,037 | 85,232 |
| Total liabilities | 6,738,066 | 6,040,400 |

| | | |
|-----------------|--------------------|-------------|
| Net debt | (2,595,301) | (2,371,657) |
|-----------------|--------------------|-------------|

Table 3 - Consolidated statement of financial position - Non-financial assets

| Non-financial assets | 2021 | 2020 |
|--------------------------------------|---------------------|--------------|
| Tangible capital assets [note 16] | 19,636,263 | 18,033,022 |
| Inventories | 52,109 | 51,303 |
| Prepaid expenses | 39,416 | 31,865 |
| Total non-financial assets | 19,727,788 | 18,116,190 |
| Accumulated surplus [note 17] | \$17,132,487 | \$15,744,533 |

Contingencies, commitments and contractual rights [note 18]

The accompanying notes are an integral part of these consolidated financial statements.

THE CITY OF OTTAWA

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31, 2021, with comparative information for the year ended December 31, 2020 [dollars in thousands]

Table 4 - Consolidated statement of operations and accumulated surplus - Revenue

| Revenue | 2021 Budget [note 23] | 2021 Actual | 2020 Actual |
|---|--------------------------------------|------------------------|------------------------|
| Taxes available for municipal purposes [note 19] | \$2,042,047 | \$2,022,302 | \$1,944,683 |
| Government transfers | 1,507,260 | 1,622,478 | 1,493,210 |
| Fees and user charges | 852,175 | 772,857 | 743,391 |
| Contributed tangible capital assets | 419,035 | 532,071 | 363,556 |
| Development charges | 137,769 | 208,393 | 169,683 |
| Investment income | 49,846 | 61,257 | 50,716 |
| Fines and penalties | 45,800 | 41,073 | 35,617 |
| Other revenue | 49,140 | 23,067 | 44,215 |
| Share of earnings of government business enterprise [note 5] | 33,300 | 47,356 | 34,120 |
| Total revenue | 5,136,372 | 5,330,854 | 4,879,191 |

Table 5 - Consolidated statement of operations and accumulated surplus - Expenses

| Expenses | 2021 Budget [note 23] | 2021 Actual | 2020 Actual |
|---|--------------------------------------|------------------------|------------------------|
| General government | 111,450 | 108,433 | 103,481 |
| Protection to persons and property | 666,543 | 663,964 | 628,673 |
| Roads, traffic and parking | 485,354 | 421,652 | 415,144 |
| Transit | 802,234 | 719,757 | 737,369 |
| Environmental services | 515,365 | 451,934 | 424,270 |
| Health services | 236,665 | 294,234 | 216,679 |
| Social and family services | 583,314 | 502,889 | 535,892 |
| Social housing | 273,977 | 354,510 | 302,952 |
| Recreation and cultural services | 415,903 | 346,481 | 346,493 |
| Planning and development | 99,568 | 79,561 | 74,541 |
| Total expenses [note 20] | 4,190,373 | 3,943,415 | 3,785,494 |
| Annual surplus | 945,999 | 1,387,439 | 1,093,697 |
| Accumulated surplus, beginning of the year | 15,131,586 | 15,744,533 | 14,652,429 |
| Other comprehensive income (loss) | 515 | 515 | (1,593) |
| Accumulated surplus, end of the year | \$16,078,100 | \$17,132,487 | \$15,744,533 |

The accompanying notes are an integral part of these consolidated financial statements.

THE CITY OF OTTAWA

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the year ended December 31, 2021, with comparative information for the year ended December 31, 2020 *[dollars in thousands]*

Table 6 - Consolidated statement of change in net debt

| Consolidated statement of change in net debt | 2021 Budget [note 23] | 2021 Actual | 2020 Actual |
|---|--------------------------------------|------------------------|------------------------|
| Annual surplus | \$945,999 | \$1,387,439 | \$1,093,697 |
| Acquisition of tangible capital assets including contributed assets | (2,018,111) | (2,047,060) | (1,389,982) |
| Amortization of tangible capital assets | 392,726 | 392,726 | 392,691 |
| Loss on disposal of tangible capital assets | 47,862 | 47,862 | 39,935 |
| Proceeds on disposal of tangible capital assets | 3,231 | 3,231 | 4,739 |
| Supply of inventories | (806) | (806) | (15,291) |
| Prepaid expenses | (7,551) | (7,551) | (1,864) |
| Change in net debt | (636,650) | (224,159) | 123,925 |
| Net debt, beginning of the year | (3,032,416) | (2,371,657) | (2,493,989) |
| Other comprehensive income (loss) | 515 | 515 | (1,593) |
| Net debt, end of the year | (3,668,551) | (2,595,301) | (2,371,657) |

The accompanying notes are an integral part of these consolidated financial statements.

THE CITY OF OTTAWA

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021, with comparative information for the year ended December 31, 2020 [dollars in thousands]

Table 7 - Consolidated statement of cash flows - Operating activities

| OPERATING ACTIVITIES | 2021 | 2020 |
|---|--------------------|-------------|
| Annual surplus | \$1,387,439 | \$1,093,697 |
| Items not affecting cash | | |
| Share of earnings of government business enterprise | (47,356) | (34,120) |
| Amortization of tangible capital assets | 392,726 | 392,691 |
| Contributed tangible capital assets | (532,071) | (363,556) |
| Loss on disposal of tangible capital assets | 47,862 | 39,935 |
| Cash provided by operating activities, adjusted for non-cash items | 1,248,600 | 1,128,647 |
| Changes in non-cash assets and liabilities | | |
| Increase in accounts receivable | (181,157) | (136,115) |
| Increase in inventories | (806) | (15,291) |
| Increase in prepaid expenses | (7,551) | (1,864) |
| Decrease in loan receivable | 5,192 | 533 |
| Increase in accounts payable and accrued liabilities | 491,145 | 45,887 |
| Increase in deferred revenue | 83,067 | 182,432 |
| Increase in employee future benefits and pension agreements | 21,582 | 14,316 |
| Increase in accrued interest | 20 | 157 |
| (Decrease) increase in landfill closure and post-closure liabilities | (1,239) | 3,508 |
| Decrease in liabilities for contaminated sites | (726) | (914) |
| (Decrease) increase in other liabilities | (12,026) | 67,810 |
| Cash provided by operating activities | 1,646,101 | 1,289,106 |

Table 8 - Consolidated statement of cash flows - Capital activities

| CAPITAL ACTIVITIES | 2021 | 2020 |
|---|--------------------|-------------|
| Acquisition of tangible capital assets | (1,514,989) | (1,026,426) |
| Proceeds on disposal of tangible capital assets | 3,231 | 4,739 |
| Cash applied to capital activities | (1,511,758) | (1,021,687) |

Table 9 - Consolidated statement of cash flows - Investing activities

| INVESTING ACTIVITIES | 2021 | 2020 |
|---|------------------|-------------|
| Net purchase of investments | (536,517) | (148,108) |
| Dividends from Hydro Ottawa Holding Inc. | 20,800 | 22,600 |
| Cash applied to investing activities | (515,717) | (125,508) |

THE CITY OF OTTAWA

CONSOLIDATED STATEMENT OF CASH FLOWS [CONTINUED]

For the year ended December 31, 2021, with comparative information for the year ended December 31, 2020 *[dollars in thousands]*

Table 10 - Consolidated statement of cash flows - Financing activities

| FINANCING ACTIVITIES | 2021 | 2020 |
|--|------------------|-------------|
| Proceeds from new long-term debt issued | 271,369 | 310,795 |
| Interest earned on sinking funds | (4,639) | (3,511) |
| Debt principal repayments: | | |
| Net long-term debt | (134,711) | (124,459) |
| Mortgages payable | (9,981) | (9,842) |
| Capital lease obligations | (6,195) | (5,776) |
| Cash provided by financing activities | 115,843 | 167,207 |

Table 11 - Consolidated statement of cash flows - Change in cash and cash equivalents

| Change in cash and cash equivalents | 2021 | 2020 |
|--|------------------|-------------|
| (Decrease) increase in cash and cash equivalents during the year | (265,531) | 309,118 |
| Cash and cash equivalents, beginning of the year | 974,811 | 665,693 |
| Cash and cash equivalents, end of the year | \$709,280 | \$974,811 |

The accompanying notes are an integral part of these consolidated financial statements.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

1. NATURE OF BUSINESS

The City of Ottawa [the “City”] was created through provincial legislation on December 20, 1999 and commenced operations on January 1, 2001.

The City is responsible for providing municipal services such as employment and financial assistance; long-term care; community services and libraries; emergency and protective services including police, fire and ambulance; and transportation, utilities and public works, including roads, sewers and wastewater, drinking water, waste collection and disposal.

As sole shareholder of Hydro Ottawa Holding Inc. [“Hydro Ottawa”] and the Ottawa Community Housing Corporation [“OCHC”], the City also provides hydro and housing services to the residents of Ottawa. In 2009, the Ottawa Community Lands Development and the Manotick Mill Quarter Community Development Corporations were created for the purpose of promoting and undertaking community improvements in the City by managing real property.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board [“PSAB”] of the Chartered Professional Accountants of Canada.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Basis of consolidation

The consolidated financial statements of the City reflect the assets, liabilities, revenue and expenses for the activities of all committees of Council and the following boards, Business Improvement Areas ["BIAs"] and entities:

| | |
|---|----------------------------------|
| The Police Services Board | The Carp Road Corridor BIA |
| The Ottawa Public Library Board | The Carp Village BIA |
| The Ottawa Board of Health | The Vanier BIA |
| The Ottawa Community Housing Corporation | The Manotick BIA |
| Manotick Mill Quarter Community Development Corporation | The Sparks Street Mall Authority |
| Ottawa Community Lands Development Corporation | The Somerset Village BIA |
| The Bank Street BIA | The Preston Street BIA |
| The Westboro Village BIA | The Byward Market BIA |
| The Sparks Street BIA | The Downtown Rideau BIA |
| The Somerset Street Chinatown BIA | The Barrhaven BIA |
| The Glebe BIA | The Wellington West BIA |
| The Heart of Orleans BIA | The Kanata North BIA |
| | The Bells Corners BIA |
| | The Kanata Central BIA |

All interfund assets, liabilities, revenue and expenses have been eliminated.

Condensed supplementary information for the Ottawa Public Library Board is provided in Appendix 1.

Hydro Ottawa and its subsidiaries are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises *[see note 5]*. These corporations follow International Financial Reporting Standards ["IFRS"]. Under the modified equity basis, the business enterprise's accounting policies are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated. Other comprehensive income or loss of the enterprise is recorded directly to the City's accumulated surplus and net debt.

School boards

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements as school boards are separate entities and the City does not control or have any involvement in the operations of school boards.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 [dollars in thousands]

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Use of estimates and measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions on such areas as employee benefits liabilities, property tax assessment appeals, legal claims provisions, landfill closure and post-closure liabilities, liabilities for contaminated sites, and contributed tangible capital assets. These estimates and assumptions are based on the City's best information and judgment and actual amounts may differ significantly from these estimates.

Revenue and expenses

Revenue and expenses are reported on the accrual basis of accounting, which recognizes revenue as it is earned and measurable; expenses are recognized as they are incurred and measurable, as a result of receipt of goods or services.

Tax revenue

Annually, the City bills and collects property tax revenue for municipal purposes, provincial education taxes on behalf of the Province of Ontario [the "Province"], payment in lieu of taxes, local improvements and other charges [see note 19]. The authority to levy and collect property taxes is established under the *Municipal Act, 2001*, the *Assessment Act*, the *Education Act*, and other legislation.

Taxation revenue consists of non-exchange transactions. It is recognized in the period to which the assessment relates where reasonable estimates of amounts can be made. Annual revenue also includes adjustments related to prior years, which were not estimable until the current year.

Government transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction. Government transfers are recognized in the fiscal years during which events giving rise to the transfer occur, provided the transfers are authorized, eligibility criteria and stipulations have been met and reasonable estimates of the amounts can be made.

In addition, the City provides transfers to individuals or organizations. These transfers are recognized as expenses once they are authorized and eligibility criteria, if any, are met.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Fees and user charges

Fees and user charges relate to transit fares; utility charges; water, wastewater, and solid waste; licensing fees; fees for use of various programming; and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Contributed tangible capital assets

Contributed tangible capital assets represent assets that are donated or contributed to the City by developers and are recognized as revenue in the year the assets are contributed based on fair market value at the date of contribution.

Development charges

Development charges are one-time fees levied by the City on new residential and non-residential properties to help fund a portion of the growth-related capital infrastructure. The authority to introduce development charges is provided by provincial legislation, and the operational details and schedule of charges are outlined in the City's by-law. Development charges are determined and accounted for by type of service component. The amount of charges varies by dwelling type and by location within the City reflecting different actual costs of establishing and providing the service. The underlying intent of development charges is that growth pays for growth and that the financing of capital costs required to service new growth does not place a burden on existing taxpayers.

Actual funding transfers to capital projects are made in accordance with regulations that stipulate that development charges may only be applied to projects when costs are incurred. Growth-related spending authority is approved annually as part of the City's budgeting process, with only those capital projects included in the current Development Charges Background Study being eligible for funding. Development charge fund balances are monitored annually through the capital budget approval process to ensure they are in compliance with the overall policies adopted by Council. Development charges are recognized as revenue when the related expenses are incurred.

Investment income

Investment income is recorded as revenue in the period in which it is earned. Investment income also includes income for the City's Endowment Fund and is in accordance with the investment policy and procedures adopted by City Council.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Other revenue

Other revenue includes revenue from land sales, cash in lieu of parkland, and other miscellaneous revenue. Amounts received relating to revenue that will be earned in a subsequent year are deferred and reported as deferred revenue.

Financial instruments

The City's financial instruments consist of cash and cash equivalents, accounts receivable, investments, loan receivable, accounts payable and accrued liabilities, accrued interest, net long-term debt, mortgages payable and other liabilities.

The City uses derivative financial instruments consisting of bank swaps to reduce its exposure to interest rate risk related to its debt. The City does not use financial instruments for trading or speculative purposes.

The City uses bank swaps to manage commodity price fluctuations. These bank swaps are used to set a fixed price for a specific quantity over a defined term and settle on specific dates commensurate with the defined term. Swaps result in a payment or receipt of funds to or from the counterparty to the transaction. Gains (receipts) or losses (payments) are recognized in the same period as the delivery of the underlying commodity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with original maturities of 90 days or less from the date when the securities are purchased.

Investments

Investments are recorded at amortized cost less amounts written off to reflect a permanent decline in value. Investments consist of authorized investments pursuant to provisions of the *Municipal Act* and comprise financial instruments issued by the Canadian government and Schedule I, II, and III banks, as well as asset-backed securities and eligible commercial paper. Included within investments are specific investments for the endowment fund consisting of Canadian equities and corporate bonds as authorized by Provincial Regulation 438/97. All investments are in accordance with the Investment Policy approved by City Council. Investments with original maturity dates of more than 90 days are classified as investments on the consolidated statement of financial position.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Loan receivable

A loan receivable is recognized by the City on its consolidated statement of financial position when the City has the contractual right to receive cash from the borrower. The loan receivable is initially recorded at cost. If circumstances warrant the revaluation of a loan, the City will report the loan receivable net of any related valuation allowance/write-down. Changes in valuation allowances, if applicable, will be recognized in expenses in the consolidated statement of operations and accumulated surplus. Interest revenue on a loan receivable is recognized when earned and is reflected in the consolidated statement of operations and accumulated surplus.

Deferred revenue

Certain amounts are received in advance pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected in advance for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the year during which the related expenses are incurred provided eligibility criteria and stipulations have been met.

Employee benefit plans

The City has adopted the following policies with respect to employee benefit plans:

[a] The costs of post-employment benefits are recognized as a liability when the event that obligates the City occurs. The costs are actuarially determined using projected future income payments, health care continuation costs, and fees paid to independent administrators of these plans, calculated on a present value basis.

[b] The costs of post-retirement benefits are recognized as a liability when the event that obligates the City occurs. The costs are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs, and plan investment performance.

[c] Past service costs for plan amendments related to prior-period employee services are accounted for in the period of the plan amendment. The effects of gain or loss from settlements or curtailments are expensed in the period during which they occur. Net actuarial gains and losses related to employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefits are discounted using current interest rates on City-issued long-term bonds.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

[d] The costs of workplace safety and insurance obligations are recognized as a liability when the event that obligates the City occurs. The liability is actuarially determined and is based upon an estimate of future claims to be insured. This is based on a number of assumptions including future interest rates, inflation rates, and the history of claims with City employees.

[e] The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs; costs include projected future income payments, health care continuation costs, and fees paid to independent administrators of these plans, calculated on a present value basis.

Pension agreements

The City has adopted the following policies with respect to pension agreements:

[a] The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due.

[b] The actuarial valuation is determined using the projected unit credit method prorated on credited service. It is also based on management's best estimates and assumptions that include assumptions for employee retirement ages, salary escalation, and plan investment performance, which are used for discounting benefits. Plan assets are valued using a market-related value, determined over a three-year period.

Legal claims and contingencies

Estimated costs to settle legal claims and possible legal claims are determined based on available information. Where the costs are deemed to be likely and can be reasonably estimated, claims are reported as an expense on the consolidated statement of operations and accumulated surplus and a liability on the consolidated statement of financial position. Where costs are deemed not to be determinable, no liability is reported on the consolidated statement of financial position.

Landfill closure and post-closure liabilities

The estimated costs to close and maintain solid waste landfill sites are based on future expenses for 25 years, adjusted for inflation and discounted to current dollars. These costs are reported as a liability on the consolidated statement of financial position.

Contaminated sites

Criteria to recognize a liability for contaminated sites are as follows:

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

- [i] An environmental standard exists;
- [ii] Contamination exceeds the standard;
- [iii] The City is directly responsible or accepts responsibility for the contamination;
- [iv] It is expected that future economic benefits will be given up; and
- [v] A reasonable estimate of the amount can be made.

When all the criteria for recognition are met, the City accrues a liability for the estimated amount of future remediation costs of contaminated sites no longer in productive use.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives beyond the current year and are not intended for sale in the ordinary course of operations.

[a] Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of an asset. The costs, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives, as follows:

Table 12 - Useful life of tangible capital assets

| Asset - Useful life - Years | Minimum | Maximum |
|------------------------------------|----------------|----------------|
| Buildings and improvements | 20 | 100 |
| Linear-roads | 50 | 75 |
| Linear-water/wastewater | 50 | 100 |
| Linear-Light Rail Transit ["LRT"] | 30 | 100 |
| Land improvements | 50 | 200 |
| Machinery, plant and equipment | 5 | 50 |
| Vehicles | 5 | 30 |

Assets under construction are not amortized. All assets start amortization in the month following the in-service date.

[b] Contributed tangible capital assets

Tangible capital assets received as contributions have been recorded at their fair market value at the date of receipt and are included in revenue in the year of contribution.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

[c] Intangible assets

Intangible assets and natural resources are not recognized as assets in the consolidated financial statements.

[d] Interest capitalization

The City's tangible capital asset policy does not allow for the capitalization of interest costs incurred by the City associated with the acquisition or construction of a tangible capital asset.

[e] Leases

Leases are classified as operating or capital leases. Leases that transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases and recorded as a liability. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

[f] Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

Reserves

Reserves comprise funds set aside for specific purposes by Council *[see note 17]*. Reserves set aside by legislation, regulation, or agreement are reported as deferred revenue on the consolidated statement of financial position.

Contractual rights and obligations

Contractual rights reflect future rights to economic resources arising from contracts and/or agreements that will result in both an asset and revenue in future fiscal periods. For the year ended December 31, 2021, the City is not aware of any contracts and/or agreements that would result in contractual rights.

Contractual obligations represent obligations that will result in liabilities upon the completion of agreed-upon terms specified in contracts and/or agreements in future fiscal periods. For further details regarding the City's contractual obligations, including the nature, extent and timing of these types of transactions, please see note 18.

Future accounting pronouncements

Standards effective for fiscal years beginning on or after April 1, 2022 (in effect for the City for the fiscal year ending on December 31, 2023)

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2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

PS 1201 Financial Statement Presentation ("PS 1201") replaces PS 1200 to conform to PS 3450 Financial Instruments ("PS 3450"), and requires a new statement of remeasurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the remeasurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships.

PS 3041 Portfolio Investments ("PS 3041") replaces PS 3040 and has removed the distinction between temporary and portfolio investments. This section was amended to conform to PS 3450 and now includes pooled investments in its scope. Upon adoption of PS 3450 and PS 3041, PS 3030 Temporary Investments ("PS 3030") will no longer apply.

PS 2601 Foreign Currency Translation ("PS 2601") replaces PS 2600 and requires exchange rates to be adjusted to the rate in effect at the financial statement date for monetary assets and liabilities denominated in foreign currency and non-monetary items included in the fair value category. Unrealized gains and losses are to be presented in the statement of remeasurement gains and losses. Gains and losses on long-term monetary assets and liabilities are amortized over the remaining term of the item.

PS 3450 Financial Instruments ("PS 3450") establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments that are quoted in an active market; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of remeasurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities.

PS 3280 Asset Retirement Obligations ("PS 3280") requires entities to record asset retirement obligations. An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset. Asset retirement costs associated with a tangible capital asset controlled by the entity increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner. Asset retirement costs associated with an asset no longer in productive use are expensed. Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset or an expense, depending on the nature of the re-measurement and whether the asset remains in productive use. Upon adoption of PS 3280, landfill closure and post-

THE CITY OF OTTAWA
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2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

closure liabilities will fall under this new standard and PS 3270 Solid Waste Landfill Closure and Post-Closure Liability ("PS 3270") will no longer apply.

Standards effective for fiscal years beginning on or after April 1, 2023 (in effect for the City for the fiscal year ending on December 31, 2024)

PS 3400 Revenue ("PS 3400") proposes a framework that includes two categories of revenue – exchange transactions or unilateral transactions. Revenue from an exchange transaction is recognized when the public sector entity has satisfied the performance obligation(s). If no performance obligation is present, it would be unilateral revenues. Unilateral revenues are recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim on economic resources.

PS 3160 Public Private Partnerships ("P3s") ("PS 3160") identifies requirements on how to account for and disclose transactions in which public sector entities procure major infrastructure assets and/or services from private sector entities. Recognition of assets arising from P3 arrangements is ultimately dependent on whether public sector entities control the purpose and use of the assets, access to the future economic benefits and exposure to the risks associated with the assets, and significant residual interest in the asset, if any, at the end of the term of P3s. Measurement of the asset and related liability will also be dependent on the overall model used to compensate the private sector entity.

PSG-8 Purchased Intangibles provides guidelines on accounting and reporting for purchased intangibles. Concurrently, PS 1000 Financial Statement Concepts has been amended to remove the prohibition against recognizing intangibles purchased in an exchange transaction in public sector financial statements.

The City continues to assess the impacts of the above standards. While the timing of standards adoption may vary, certain standards must be adopted concurrently. The requirements in PS 1201, PS 3450, PS 2601 and PS 3041 must be implemented at the same time.

The City has not adopted any new accounting standards for the fiscal year ended on December 31, 2021.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

3. ACCOUNTS RECEIVABLE

Accounts receivable comprise the following:

Table 13 - Accounts receivable

| Accounts receivable | 2021 | 2020 |
|----------------------------------|------------------|-------------|
| Taxes and user charges | \$173,191 | \$185,852 |
| Federal government | 317,562 | 282,635 |
| Provincial government | 397,625 | 263,310 |
| Trade | 107,565 | 82,989 |
| Total accounts receivable | \$995,943 | \$814,786 |

4. INVESTMENTS

Fair market values for City investments are based on pricing sources that gather data on a daily basis from secondary market trading activity. Investments comprise the following:

Table 14 - 2021 investments breakdown

| Investments | Cost | 2021 | |
|-----------------------------------|--------------------|--------------------------|-----------------------|
| | | Fair market value | Carrying value |
| Federal government bonds | \$553,712 | \$548,218 | \$553,712 |
| Provincial government bonds | 517,955 | 516,245 | 517,955 |
| Municipal government bonds | 278,383 | 278,563 | 278,383 |
| Corporate (fixed income) | 142,365 | 142,179 | 142,365 |
| Externally managed endowment fund | 154,229 | 202,488 | 154,229 |
| Other | 64,552 | 78,196 | 64,552 |
| Total | \$1,711,196 | \$1,765,889 | \$1,711,196 |

Table 15 - 2020 investments breakdown

| Investments | Cost | 2020 | |
|-----------------------------------|--------------------|--------------------------|-----------------------|
| | | Fair market value | Carrying value |
| Federal government bonds | \$359,143 | \$363,930 | \$359,143 |
| Provincial government bonds | 218,912 | 226,961 | 218,912 |
| Municipal government bonds | 239,371 | 247,555 | 239,371 |
| Corporate (fixed income) | 152,178 | 153,916 | 152,178 |
| Externally managed endowment fund | 163,305 | 199,888 | 163,305 |
| Other | 41,770 | 52,441 | 41,770 |
| Total | \$1,174,679 | \$1,244,691 | \$1,174,679 |

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

4. INVESTMENTS [CONTINUED]

Included in the City's municipal government bonds portfolio are City of Ottawa debentures at coupon rates varying from 4.60% to 5.30% [2020 – 3.40% to 5.30%] with a carrying value of \$56 [2020 – \$924].

The holdings of the endowment fund are managed by external portfolio managers engaged by the City and are in accordance with the investment policy and procedures adopted by City Council. Based upon market value, as at December 31, 2021, the endowment fund was distributed between cash and treasury bills (2.4%), Canadian bonds (34.1%) and Canadian equities (63.5%).

"Other" consists of units of the One Investment Program equity portfolio operated by a subsidiary of the Municipal Finance Officers' Association of Ontario.

The average yield on investments held as at December 31, 2021 is 1.18% [2020 – 1.36%]. Investments mature from March 3, 2022 to December 1, 2048 [2020 – January 7, 2021 to June 3, 2065].

According to the investment policy for the endowment fund adopted by City Council, investment earnings are paid to the City at the lesser of 6.5% and the actual earnings of the endowment fund, provided that the market value of the fund is not reduced below the original \$200,000 investment. In 2021, \$29,675 [2020 – \$13,000] was distributed from the endowment fund to the City.

5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE

Investment [100% owned] in Hydro Ottawa

The following table provides condensed supplementary financial information for Hydro Ottawa under IFRS:

Table 16 - Hydro Ottawa condensed financial information - Assets

| Assets [As at December 31] | 2021 | 2020 |
|-----------------------------------|------------------|-------------|
| Current assets | \$207,465 | \$260,310 |
| Capital assets | 2,013,433 | 1,903,389 |
| Other assets | 141,512 | 127,108 |
| Total assets | 2,362,410 | 2,290,807 |

THE CITY OF OTTAWA
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DECEMBER 31, 2021 *[dollars in thousands]*

5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE [CONTINUED]

Table 17 - Hydro Ottawa condensed financial information - Liabilities

| Liabilities [As at December 31] | 2021 | 2020 |
|--|------------------|-------------|
| Current liabilities | 413,365 | 428,635 |
| Other liabilities | 1,441,750 | 1,381,948 |
| Total liabilities | 1,855,115 | 1,810,583 |
| Net assets | \$507,295 | \$480,224 |

Table 18 - Hydro Ottawa condensed financial information - Net assets

| Net assets consisting of investment in Hydro Ottawa [As at December 31] | 2021 | 2020 |
|--|------------------|-------------|
| Common shares [100%] | \$228,453 | \$228,453 |
| Retained earnings | 277,523 | 250,967 |
| Accumulated other comprehensive income | 1,319 | 804 |
| Net assets | \$507,295 | \$480,224 |

Table 19 - Hydro Ottawa condensed financial information - Results of operations

| Results of operations [For the year ended December 31] | 2021 | 2020 |
|---|--------------------|-------------|
| Total revenue | \$1,164,577 | \$1,272,593 |
| Total expenses | 1,117,221 | 1,238,473 |
| Net income | \$47,356 | \$34,120 |

The City, as holder of common shares in Hydro Ottawa, is entitled to receive dividends as declared by Hydro Ottawa's Board of Directors. Dividends in the amount of \$20,800 [2020 – \$22,600] were received in 2021 related to 2020 operations. Dividends totalling \$23,700 have been declared and are to be received in 2022 related to Hydro Ottawa's 2021 operations. During the year, the City purchased electricity from Hydro Ottawa at prices and terms approved by the Ontario Energy Board. In addition, the following transactions took place during the year:

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5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE [CONTINUED]

Table 20 - Transactions with Hydro Ottawa

| Services purchased from Hydro Ottawa by the City | 2021 | 2020 |
|---|----------------|-------------|
| Energy management consulting | \$4,809 | \$8,559 |
| Other services | 16,602 | 11,354 |
| Fees paid to the City by Hydro Ottawa | 2021 | 2020 |
| Property taxes, fuel, permits and other services | \$4,484 | \$5,689 |

As at December 31, 2021, Hydro Ottawa's accounts receivable include \$10,550 [2020 – \$19,581] due in respect of the transactions above, while Hydro Ottawa's accounts payable and accrued liabilities include \$456 [2020 – \$372] due to the City and its subsidiaries.

6. LOAN RECEIVABLE

Table 21 - Loan receivable

| | 2021 | 2020 |
|------------------------|------------------|-------------|
| Loan receivable | \$219,051 | \$224,243 |

In 2017, the City executed an Assignment and Assumption Agreement with the long-term lenders for Stage 1 of the light rail project. With this agreement, the long-term lenders transferred all their rights and obligations under the existing credit agreement with Project Co (borrower) to the City (assignee). The loan receivable was issued at an interest rate of 4.89% and matures on June 30, 2047. Loan repayments, consisting of principal and interest, are received on a quarterly basis. With each payment, the principal amount of the loan is reduced and the interest portion of the payment is recorded by the City as interest revenue.

Table 22 - Principal payments on light rail loan receivable

| | |
|---------------------------|------------------|
| Principal payments | |
| 2022 | \$7,038 |
| 2023 | 7,382 |
| 2024 | 7,731 |
| 2025 | 7,984 |
| 2026 | 7,928 |
| 2027 and thereafter | 180,988 |
| Total | \$219,051 |

In 2021, interest revenue of \$10,908 [2020 – \$10,992] on the loan receivable has been reflected as investment income on the consolidated statement of operations and accumulated surplus.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

Table 23 - Accounts payable and accrued liabilities

| Accounts payable and accrued liabilities | 2021 | 2020 |
|---|--------------------|-------------|
| Trade payables and accruals | \$1,257,611 | \$807,311 |
| Payroll accruals and deductions | 179,772 | 138,927 |
| Total accounts payable and accrued liabilities | \$1,437,383 | \$946,238 |

8. DEFERRED REVENUE

Deferred revenue, set aside for specific purposes by legislation, regulation or agreement, comprises the following.

Table 24 - Deferred revenue

| Deferred revenue | 2021 | 2020 |
|-------------------------------|--------------------|-------------|
| Development charges | \$724,301 | \$684,874 |
| Other government transfers | 103,932 | 98,014 |
| Other deferred revenue | 75,378 | 54,930 |
| Building code | 33,691 | 30,473 |
| Cash in lieu of parkland | 74,472 | 60,416 |
| Total deferred revenue | \$1,011,774 | \$928,707 |

9. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS

Employee future benefits and pension agreements liabilities comprise the following:

Table 25 - Employee future benefits and pension agreements

| Employee future benefits and pension agreements | 2021 | 2020 |
|--|------------------|-------------|
| Employee future benefits | \$710,950 | \$690,392 |
| City of Ottawa Superannuation Fund COLA liability | 17,260 | 16,236 |
| Total | \$728,210 | \$706,628 |

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 [dollars in thousands]

9. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

[a] Employee future benefits

Employee future benefit liabilities of the City as at December 31, 2021, with comparative information for 2020, are as follows:

Table 26 - Employee future benefits

| Employee future benefits | 2021 | 2020 |
|---|------------------|-------------|
| Post-retirement benefits | \$238,168 | \$229,712 |
| Post-employment benefits | 370,928 | 351,630 |
| Workplace Safety and Insurance Board ["WSIB"] | 101,854 | 109,050 |
| Total | \$710,950 | \$690,392 |

The defined benefit plans relating to post-retirement and post-employment provide a variety of benefits to retirees and active and long-term disabled employees, including income, medical, dental, and life insurance; workers' compensation; and sick leave benefits.

The City is a Schedule 2 employer under the *Workplace Safety and Insurance Act* and, as such, assumes full responsibility for financing its workplace safety insurance costs. The accrued obligation represents the present value of future benefits on existing claims.

The continuity for post-retirement, post-employment, and WSIB benefits for 2021 is as follows:

Table 27 - Employee future benefits continuity

| Employee future benefits continuity | Post-retirement | Post-employment | WSIB | Total |
|--|------------------------|------------------------|------------------|------------------|
| Balance, at the beginning of the year | \$229,712 | \$351,630 | \$109,050 | \$690,392 |
| Current service costs/cost of new claims | 12,013 | 54,940 | 17,593 | 84,546 |
| Interest cost | 3,989 | 5,638 | 2,555 | 12,182 |
| Amortization of actuarial loss | 1,079 | 1,587 | 3,327 | 5,993 |
| Benefits paid | (8,625) | (42,867) | (30,671) | (82,163) |
| Balance, at the end of the year | \$238,168 | \$370,928 | \$101,854 | \$710,950 |

Expenses for post-retirement and post-employment benefits and WSIB in the amount of \$102,721 [2020 – \$90,916] are recorded on the consolidated statement of operations and accumulated surplus.

The liability for post-retirement and post-employment benefits is calculated based on an estimate of future outlays required under contractual agreements with various City employee bargaining units. These estimates are based on a number of assumptions regarding the expected costs of benefits, which are dependent on the demographic

THE CITY OF OTTAWA
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9. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

makeup of the various groups, future interest rates, and inflation rates. The liability for WSIB is calculated based on an estimate of future claims to be insured. This is based on a number of assumptions including future interest rates, inflation rates, and the history of claims with City employees. The City engages the services of an actuarial consulting firm to provide a determination of the City's obligation for post-retirement and post-employment benefits, as well as for WSIB benefits.

Due to the complexities in valuing the plans, actuarial valuations are conducted on a periodic basis. The liabilities for post-retirement and post-employment benefits reported in these consolidated financial statements are based on a valuation as of September 30, 2021 with an extrapolation to December 31, 2021. The liability for WSIB benefits reported in these consolidated financial statements is based on a valuation as of December 31, 2018 with an extrapolation to December 31, 2021.

Gains or losses are generated each year due to changes in assumptions and corrections or clarifications to the plan design previously provided by the City. These gains or losses are amortized over the expected average remaining service life of the related employee groups beginning in the year following the gain or loss. Amortization of the 2021 actuarial gain of \$47,394 [2020 – loss of \$56,005] for post-retirement and post-employment benefits will commence in fiscal 2022. Amortization of the 2021 actuarial loss of \$40,431 [2020 – loss of \$41,490] for WSIB will commence in fiscal 2022.

The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations and benefit cost for post-retirement, post-employment benefits and WSIB are as follows:

Table 28 - Actuarial assumptions

| Actuarial assumptions | 2021 | 2020 |
|------------------------------|---|---|
| Discount rate | 2.20% | 2.60% |
| Inflation rate | 2.00% | 2.00% |
| Salary increase rate | 1.50% to 2.50% in 2021 1.75% to 2.50% in 2022 1.80% to 2.50% thereafter | 1.50% to 2.50% in 2020 1.50% to 2.50% in 2021 1.75% to 2.50% thereafter |
| Health care inflation rate | 5.90% grading down to 4.00% in 2040 | 5.90% grading down to 4.00% in 2040 |

An employee benefits reserve has been established to help reduce the future impact of employee future benefit obligations. As at December 31, 2021, the balance in the employee benefits reserve was \$81,379 [2020 – \$71,237] [see note 17].

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9. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

[b] Pension agreements

[i] Ontario Municipal Employees' Retirement Fund

The City makes contributions to the Ontario Municipal Employees Retirement System ["OMERS"], which is a multi-employer pension plan, on behalf of most of its employees.

The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. The City's contribution to the OMERS plan for 2021 totalled \$127,444 [2020 – \$133,428] for current services and is included as an expense on the consolidated statement of operations and accumulated surplus. These contributions were matched with identical employee contributions for both years.

As OMERS is a multi-employer pension plan, the City does not recognize in its consolidated financial statements any share of the pension plan deficit of \$69,000 [2020 deficit – \$7,600,000] as this is a joint responsibility of all Ontario municipalities and their employees.

The amount contributed for past service to OMERS for the year ended December 31, 2021 totalled \$532 [2020 – \$691] and is included as an expense on the consolidated statement of operations and accumulated surplus.

[ii] City of Ottawa Superannuation Fund

The City sponsors the City of Ottawa Superannuation Fund ["COSF"], a defined benefit plan that provides retirement benefits to employees based on length of service and rates of pay. With the introduction of OMERS, the COSF became a closed group in 1965. As at December 31, 2021, there were no active members and 442 pension recipients. Pension payments during 2021 amounted to \$16,930 [2020 – \$15,894]. No employee or matching employer contributions to this pension plan for current service were required in 2021 or 2020. Employer contributions for past service were nil in 2021 [2020 – nil].

The pension fund assets disclosed are based on a valuation method whereby the capital gains and losses on the assets are partially recognized in the year in which they are incurred, and the remainder are recognized in the following two years. The reported accrued benefit liability (asset) is as follows:

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

Table 29 - City of Ottawa Superannuation Fund pension accrued benefit liability (asset)

| City of Ottawa Superannuation Fund | 2021 | 2020 |
|--|------------------|-------------|
| Pension fund assets – end of the year | \$142,762 | \$146,773 |
| Accrued benefit obligation – end of the year | 123,435 | 140,516 |
| Plan surplus | 19,327 | 6,257 |
| Unamortized actuarial gains (losses) | 12,870 | (7,278) |
| Valuation allowance | 6,457 | 13,535 |
| Accrued benefit liability (asset) | \$0 | \$0 |

Table 30 - Superannuation fund pension-related expenses (income)

| Expenses | 2021 | 2020 |
|---------------------------------------|----------------|-------------|
| Amortization of actuarial losses | \$7,278 | \$6,328 |
| Pension interest income | (200) | (533) |
| Change in valuation allowance | (7,078) | (4,396) |
| Total pension-related expenses | \$0 | \$1,399 |

There is no remaining service life in this plan.

The actuarial valuation performed for accounting purposes was based on a number of assumptions that are based on management's best estimates and are in accordance with accepted actuarial practice. The inflation rate was estimated at 3.00% per year for two years and 2.00% thereafter [2020 – 2.00% per year] and the discount rate for the plan was estimated at 3.60% per year [2020 – 3.20% per year].

The accrued benefit obligations and benefit cost levels will change in the future as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of true experience gains or losses.

The City pays for the indexation of COSF from 55% of inflation to 100% of inflation. This top-up to the cost of living adjustment ["COLA"] is approved each year through the City's budget process. The estimated pension obligation if the indexation provided by the City stops after January 1, 2022 is \$17,260. This amount is included in the total employee future benefits and pension agreements liabilities on the consolidated statement of financial position.

Emerging experience, differing from the assumptions, will result in gains or losses that will be included in future accounting valuations.

The last filed actuarial valuation for funding purposes dated December 31, 2020 quantified a surplus of \$6,900 [December 31, 2019 surplus – \$6,200] on a going concern basis.

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9. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

The market value of the assets of the plan as at December 31, 2021 amounted to \$147,192 [2020 – \$155,097].

[iii] Ottawa-Carleton Regional Transit Commission Employees' Pension Plan

The City sponsors the Ottawa-Carleton Regional Transit Commission ["OC Transpo"] Employees' Pension Plan, a defined benefit plan that provides retirement benefits to employees based on length of service and rates of pay. Effective January 1, 1999, OC Transpo adopted the OMERS pension plan for all employees and new hires to accrue future benefits. Members retiring with both pre-1999 and post-1998 service will receive pension incomes under both plans. Net pension payments during 2021 amounted to \$33,493 [2020 – \$33,394]. No employee or matching employer contributions to this pension plan for current service were required in 2021 or 2020. Employer contributions for past service during 2021 amounted to \$0 [2020 – \$2].

The pension fund assets disclosed are based on a valuation method whereby the capital gains and losses on the assets are partially recognized in the year in which they are incurred, and the remainder are recognized in the following two years. The reported pension asset is as follows:

Table 31 - OC Transpo Employees' pension asset

| OC Transpo Employees' Pension Plan | 2021 | 2020 |
|--|------------------|-------------|
| Pension fund assets – end of the year | \$703,370 | \$663,113 |
| Accrued benefit obligation – end of the year | 545,901 | 578,507 |
| Plan surplus | 157,469 | 84,606 |
| Unamortized actuarial gains (losses) | 57,131 | (8,609) |
| Valuation allowance | 100,338 | 93,215 |
| Reported pension asset | \$0 | \$0 |

Table 32 - OC Transpo Employees' pension-related expenses

| Expenses | 2021 | 2020 |
|---------------------------------------|------------------|-------------|
| Amortization of actuarial gains | \$(3,570) | \$(12,260) |
| Pension interest income | (3,553) | (4,937) |
| Change in valuation allowance | 7,123 | 17,199 |
| Total pension-related expenses | \$0 | \$2 |

The expected average remaining service life of this plan is four years.

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9. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

The market value of the assets of the plan as at December 31, 2021 amounted to \$730,237 [2020 – \$720,230].

The actuarial valuation performed for accounting purposes was based on a number of assumptions that are based on management's best estimates and are in accordance with accepted actuarial practice. The inflation rate was estimated at 3.00% per year for two years and 2.00% thereafter [2020 – 2.00% per year], the discount rate for the plan was estimated at 4.60% per year [2020 – 4.20% per year], and long-term salary forecasts for actuarial purposes were estimated at 3.00% per year [2020 – 3.00% per year].

The accrued benefit obligations and benefits cost levels will change in the future as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of true experience gains or losses.

Emerging experience, differing from the assumptions, will result in gains or losses that will be included in future accounting valuations.

The last filed actuarial valuation for funding purposes dated January 1, 2021 quantified a solvency surplus of \$24,112 [2020 surplus – \$17,321]. In 2021, the City contributed an amount of \$0 [2020 – \$2] to the plan. With a surplus in the plan, no solvency special payments were required in 2021, and the City was able to reduce the total amount outstanding under the letter of credit by \$7,322 for 2021, bringing the balance down to \$72,389 [from \$79,711 in 2020] as allowed under the applicable legislation.

10. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES

The *Environmental Protection Act* (Ontario) sets out the regulatory requirements for the closure and maintenance of landfill sites. Under this Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are included in operating expenses over the estimated remaining life of the landfill sites based on usage. The liability for closure and post-closure active and inactive sites is reported on the consolidated statement of financial position.

Table 33 - Landfill closure and post-closure liabilities

| Landfill closure and post-closure liabilities | 2021 | 2020 |
|--|-----------------|-------------|
| Active sites | \$22,471 | \$23,360 |
| Inactive sites | 14,329 | 14,679 |
| Total | \$36,800 | \$38,039 |

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10. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES [CONTINUED]

Active sites

The City has two active landfill sites, Trail Road Landfill and Springhill. The City has responsibilities for all costs relating to closure and post-closure care for these active landfill sites. As at December 31, 2021, the remaining capacity of the Trail Road site is approximately 4,222,640 [2020 – 4,571,061] cubic metres, all of which is expected to be used by the year 2036 [2020 – used by 2036]. The remaining capacity at the Springhill site is approximately nil [2020 – nil] cubic metres.

Closure of the Trail Road Landfill and Springhill sites will involve covering the sites, implementing drainage control, and installing groundwater monitoring wells and gas recovery facilities. Post-closure care activities for these sites are expected to occur for approximately 25 years.

The Springhill site is no longer accepting waste but is not closed. The City is currently engaged in discussions with the site manager and a strategy is being developed with regards to the next steps to be taken.

The estimated liability for the landfill sites is based on future expenses, adjusted for inflation based on the Consumer Price Index 10-year average rate of 1.68% [2020 – 1.64%] and discounted to current dollars using the City's average long-term borrowing rate of 2.83% [2020 – 2.45%]. This estimate amounts to \$22,471 as at December 31, 2021 [2020 – \$23,360]. In order to help reduce the future impact of these obligations, the City has established reserves for the care of these sites. As at December 31, 2021, the balance in these reserves was \$6,539 [2020 – \$6,125] and is included within other discretionary reserves *[see note 17]*.

Estimated total undiscounted expenses over the 25-year post-closure period amount to approximately \$37,823 [2020 – \$37,823].

Inactive sites

The City has identified 44 inactive or closed landfill sites. Of the total, 15 sites require ongoing monitoring over the next 25 years. Post-closure care activities for landfill sites will involve surface and groundwater monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

The estimated liability for the inactive or closed landfill sites is based on future expenses, adjusted for inflation based on the Consumer Price Index 3-year average rate of 2.57% [2020 – 1.64% Consumer Price Index 10-year average rate] and discounted to current dollars using the City's average long-term borrowing rate of 2.83% [2020 – 2.45%]. The estimated present value of future expenditures for post-closure care for inactive sites as at December 31, 2021 is \$14,329 [2020 – \$14,679]. Estimated total undiscounted expenses over the post-closure period amount to approximately \$15,052 [2020 – \$15,837].

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

11. CONTAMINATED SITES

Contaminated sites are a result of a contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environment standard. The liability relates to sites that are not in productive use and for which the City is responsible or has accepted responsibility for remediation, future economic benefits will be given up, and costs can be reasonably estimated.

Liabilities are recorded for the estimated costs related to the management and remediation of contaminated sites where the City is likely to be obligated to incur costs. The liability estimate includes costs that are directly attributable to remediation activities and reflects the costs required to bring the site up to the current environmental standard for its use prior to contamination. The assumptions used in estimating the liability include a unique assessment of the depth of soil to be removed and disposed for each property as well as excavation, trucking and backfilling soft costs.

The City recognized an estimated liability of \$6,784 [2020 – \$7,510] for remediation of 36 [2020 – 42] contaminated land sites based on the estimated costs of removal and replacement of contaminated soil.

THE CITY OF OTTAWA
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12. NET LONG-TERM DEBT

[a] Net long-term debt reported on the consolidated statement of financial position comprises the following:

Table 34 - Net long-term debt

| Net long-term debt | 2021 | 2020 |
|--|--------------------|-------------|
| Installment and sinking fund debentures issued at various rates of interest ranging from 1.80% to 6.00%, and maturing from May 31, 2022 to July 30, 2053 | \$2,693,640 | \$2,533,515 |
| Stage 1 light rail debt, including credit assignment and assumption agreement offset by loan receivable | 510,577 | 519,798 |
| Bank loan agreements and interest rate exchange agreements | 22,408 | 33,473 |
| Total value of sinking fund deposits, which have accumulated to the end of the year to retire sinking fund debentures included in the above amount | (186,922) | (132,734) |
| Total | \$3,039,703 | \$2,954,052 |

[b] Principal payments in future years, net of interest to be earned on sinking funds, are as follows:

Table 35 - Principal payments on net long-term debt

| Principal payments | |
|---------------------------|--------------------|
| 2022 | \$129,419 |
| 2023 | 129,805 |
| 2024 | 134,988 |
| 2025 | 134,908 |
| 2026 | 118,323 |
| 2027 and thereafter | 1,649,359 |
| Total | \$2,296,802 |

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

12. NET LONG-TERM DEBT [CONTINUED]

Principal payments will be funded from tax and rate-supported operations. It is estimated that interest to be earned by the sinking fund will amount to approximately \$742,901, which together with the amount of \$2,296,802 shown above will be used to retire the outstanding total debt of \$3,039,703.

The City has entered into interest rate swap agreements to manage the volatility of interest rates. The City converted notional floating rate debt totalling \$22,408 [2020 – \$33,473] to fixed rate debt with interest rates ranging from 1.705% to 5.92%. The related derivative agreements are in place until the maturity of the debts in 2022, 2025 and 2031.

These interest rate swaps qualify, and have been designated by the City, as cash flow hedging items against the floating rate long-term debt. The City has assessed the hedging relationship as effective. If the interest rate swaps were cancelled as at December 31, 2021, the City would pay the market value of \$327 [2020 – \$1,417].

The City has entered into bank swap agreements to improve budget certainty for commodity costs. As at December 31, 2021, the City had set bank swaps in place to hedge 30,100,000 litres [2020 – 22,000,000 litres] of diesel fuel for the 2022 and 2023 calendar years with expiry dates ranging from January 2022 to December 2023 [2020 – January 2021 to June 2022]. The City has assessed the relationship as effective. If the commodity swaps were cancelled as at December 31, 2021, the City would receive from the swap counterparty the market value of \$2,355 [2020 – City would pay \$2,865].

[c] As part of the public-private partnership arrangement, the Rideau Transit Group ["RTG"] had obtained \$225,000 of debt financing and \$75,000 of equity financing to pay for the construction of the light rail project. At the revenue service availability date, the City started to repay the total of \$300,000 to RTG as part of the capital annual service payments and substantial completion payments over the life of the light rail. This long-term debt is at an interest rate of 6.47% and will mature on May 24, 2048.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

12. NET LONG-TERM DEBT [CONTINUED]

[d] In 2017, the City executed an Assignment and Assumption Agreement with the long-term lenders for Stage 1 of the light rail project. With this agreement, the long-term lenders transferred all their rights and obligations under the existing credit agreement with Project Co (borrower) to the City (assignee), and in exchange, the City issued debentures in the equivalent principal amount with the equivalent repayment profile and interest rate to the long-term lenders. The debentures issued by the City were at an interest rate of 4.89% and mature on June 30, 2047.

Principal payments in future years for the combined amount of Stage 1 light rail debt, including the assignment and assumption agreement noted above, are as follows:

Table 36 - Principal payments on Stage 1 light rail debt

| Principal payments | |
|---------------------------|------------------|
| 2022 | \$11,367 |
| 2023 | 12,011 |
| 2024 | 12,647 |
| 2025 | 13,271 |
| 2026 | 13,548 |
| 2027 and thereafter | 447,733 |
| Total | \$510,577 |

13. MORTGAGES PAYABLE

Table 37 - Mortgages payable

| Mortgages payable | 2021 | 2020 |
|--|------------------|-------------|
| Mortgages payable on housing properties at various rates ranging from 1.70% to 6.75% guaranteed by the Canada Mortgage and Housing Corporation with maturity dates ranging from June 1, 2023 to May 27, 2071 and debentures payable to Infrastructure Ontario maturing from 2036 to 2051 with interest rates ranging from 2.71% to 4.96% | \$310,240 | \$273,853 |
| Forgivable loans related to Canada Ontario Affordable Housing Program and Residential Rehabilitation Assistance Program | 3,260 | 3,260 |
| Total | \$313,500 | \$277,113 |

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

13. MORTGAGES PAYABLE [CONTINUED]

[a] Public housing debentures issued by Canada Mortgage and Housing Corporation in the amount of \$2,656 [2020 – \$5,189] related to OCHC have not been included in these consolidated financial statements as they are the responsibility of the Province.

Mortgages and forgivable loans on housing properties are governed by operating agreements with the Province and/or Canada Mortgage and Housing Corporation and involve no direct or indirect obligation to the City.

With respect to the debenture payable to Infrastructure Ontario of \$246,425 [2020 – \$229,906], per OCHC's direction, the City has transferred directly to Infrastructure Ontario amounts equivalent to the annual principal and interest payments owing on the debentures of \$14,904 [2020 – \$14,070]. These payments form part of the annual subsidy provided by the City to OCHC, which is calculated based on OCHC's annual information return.

Mortgages for five OCHC properties were refinanced in 2021 after detailed appraisals were conducted. The revised appraisals allowed OCHC to borrow additional funds while maintaining the same annual payments on the debt for the refinanced properties, providing \$20,583 of funding to be utilized for future capital repairs.

[b] Principal repayments in future years are as follows:

Table 38 - Principal repayments on mortgages payable

| Principal repayments | |
|-----------------------------|------------------|
| 2022 | \$10,495 |
| 2023 | 10,861 |
| 2024 | 10,974 |
| 2025 | 11,437 |
| 2026 | 11,921 |
| 2027 and thereafter | 257,812 |
| Total | \$313,500 |

The principal payments in 2021 totaled \$9,981 [2020 – \$9,842].

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

14. OTHER LIABILITIES

Other liabilities comprise the following:

Table 39 - Other liabilities

| Other liabilities | 2021 | 2020 |
|--------------------------------|-----------------|-----------------|
| Brownfields | \$55,784 | \$56,752 |
| Hydro Ottawa note payable | 0 | 11,058 |
| Total other liabilities | \$55,784 | \$67,810 |

[a] Brownfields

Brownfields are abandoned, vacant, or underutilized properties where past actions have resulted in actual or perceived environmental contamination and/or derelict or deteriorated buildings. They are usually, but not exclusively, former industrial or commercial properties.

The Ottawa Brownfields Community Improvement Program is a framework that promotes brownfield development within the City. The program contains financial incentives that encourage the remediation, rehabilitation and adaptive reuse of brownfield properties in Ottawa. The brownfields program is a grant equivalent to 100% of the incremental municipal property tax increase for up to 10 years based on a percentage of eligible costs. The applicants will initially pay for the entire cost of rehabilitation. When the City receives the incremental property taxes that result from the rehabilitation project, the City will reimburse the applicant in the form of an annual grant based on the executed legal agreement and the parameters of the applicable program.

The liability of brownfields is estimated by calculating the present value stream of the relevant incremental property tax for up to 10 years for each property site. The incremental tax is the difference between the projected property tax and the current property tax for each property site.

The estimated present value of future expenditures for brownfields at December 31, 2021 is \$55,784 [2020 – \$56,752]. Estimated total undiscounted expenses for brownfields amount to approximately \$59,656 [2020 – \$59,423].

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

14. OTHER LIABILITIES [CONTINUED]

Table 40 - Estimated brownfield payments by year

| Estimated brownfield payments | |
|--------------------------------------|-----------------|
| 2022 | \$682 |
| 2023 | 2,389 |
| 2024 | 11,234 |
| 2025 | 6,362 |
| 2026 | 7,072 |
| Thereafter | 28,045 |
| Total | \$55,784 |

[b] Hydro Ottawa note payable

The City entered into an agreement in 2016 with Hydro Ottawa for the conversion of 58,000 streetlights to LED at a guaranteed fixed price with a payback period of six years. The installation began in 2016 and was completed in 2021.

The note payable was interest bearing at a fixed rate of 3%. The City made quarterly payments to Hydro Ottawa based on a combination of electricity savings, maintenance savings and capital expenditure savings until such time as the note was repaid in full, which occurred during 2021.

Table 41 - Hydro Ottawa note payable

| | 2021 | 2020 |
|---------------------------|-------------|-----------------|
| Hydro Ottawa note payable | \$0 | \$11,058 |

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

15. CAPITAL LEASE OBLIGATIONS

The City leases the following facilities and equipment as detailed below:

Table 42 - Capital lease obligations

| Capital lease obligations | Office building | Paramedic services building | Shenkman Arts Centre |
|----------------------------------|------------------------|------------------------------------|-----------------------------|
| Total lease term | 24 years | 30 years | 30 years |
| Lease term end date | February 2026 | December 2035 | January 2039 |
| Interest rate | 6.00% | 5.79% | 4.99% |
| Purchase option | \$10,000 | nil | nil |

Future minimum payments for the above capital leases are as follows:

Table 43 - Future minimum payments on capital leases

| Future payments | Office building | | Paramedic services building | | Shenkman Arts Centre | | Total | |
|------------------------|------------------------|-----------------|------------------------------------|-----------------|-----------------------------|-----------------|------------------|-----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | \$4,764 | \$1,535 | \$769 | \$816 | \$1,097 | \$1,544 | \$6,630 | \$3,895 |
| 2023 | 5,050 | 1,250 | 813 | 772 | 1,115 | 1,488 | 6,978 | 3,510 |
| 2024 | 5,353 | 947 | 858 | 724 | 1,161 | 1,433 | 7,372 | 3,104 |
| 2025 | 5,674 | 625 | 906 | 675 | 1,280 | 1,372 | 7,860 | 2,672 |
| 2026 | 11,050 | 0 | 956 | 622 | 1,502 | 1,304 | 13,508 | 1,926 |
| Thereafter | 0 | 0 | 11,365 | 2,719 | 25,324 | 8,070 | 36,689 | 10,789 |
| Total | \$31,891 | \$4,357 | \$15,667 | \$6,328 | \$31,479 | \$15,211 | \$79,037 | \$25,896 |

The \$11,050 of principal repayments for the office building in 2026 includes the \$10,000 purchase option.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

16. TANGIBLE CAPITAL ASSETS

Table 44 - Tangible capital assets - cost

| Cost | Buildings and improvements | Infrastructure | | | Land | Land improvements |
|-----------------------------|-----------------------------------|-----------------------|--------------------------------|------------------|------------------|--------------------------|
| | | Linear roads | Linear water/wastewater | LRT | | |
| Balance, beginning of year | \$2,305,583 | \$4,399,543 | \$6,852,231 | \$1,701,681 | \$2,905,042 | \$755,582 |
| Additions | 42,044 | 164,932 | 516,059 | 336 | 36,950 | 24,381 |
| Disposals | (8,577) | (21,750) | (17,952) | 0 | (801) | (2,102) |
| Balance, end of year | 2,339,050 | 4,542,725 | 7,350,338 | 1,702,017 | 2,941,191 | 777,861 |

Table 45 - Tangible capital assets - accumulated amortization

| Accumulated amortization | Buildings and improvements | Infrastructure | | | Land | Land improvements |
|------------------------------------|-----------------------------------|-----------------------|--------------------------------|--------------------|--------------------|--------------------------|
| | | Linear roads | Linear water/wastewater | LRT | | |
| Balance, beginning of year | 1,037,911 | 1,766,328 | 1,652,185 | 38,490 | 0 | 294,474 |
| Disposals | (7,593) | (14,061) | (5,811) | 0 | 0 | (1,797) |
| Amortization expense | 44,300 | 92,056 | 82,100 | 28,878 | 0 | 15,210 |
| Balance, end of year | 1,074,618 | 1,844,323 | 1,728,474 | 67,368 | 0 | 307,887 |
| Net book value, end of year | \$1,264,432 | \$2,698,402 | \$5,621,864 | \$1,634,649 | \$2,941,191 | \$469,974 |

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 [dollars in thousands]

16. TANGIBLE CAPITAL ASSETS [CONTINUED]

Table 46 - Tangible capital assets - cost (continued)

| Cost | Machinery, plant and equipment | Vehicles | Assets under construction | Total 2021 | Total 2020 |
|-----------------------------|---|------------------|--------------------------------------|---------------------|-------------------|
| Balance, beginning of year | \$1,822,134 | \$1,587,628 | \$1,787,204 | \$24,116,628 | \$22,895,619 |
| Additions | 45,497 | 70,028 | 1,146,833 | 2,047,060 | 1,389,982 |
| Disposals | (11,960) | (107,115) | (9,607) | (179,864) | (168,973) |
| Balance, end of year | 1,855,671 | 1,550,541 | 2,924,430 | 25,983,824 | 24,116,628 |

Table 47 - Tangible capital assets - accumulated amortization (continued)

| Accumulated amortization | Machinery, plant and equipment | Vehicles | Assets under construction | Total 2021 | Total 2020 |
|-------------------------------------|---|------------------|--------------------------------------|---------------------|-------------------|
| Balance, beginning of year | 709,468 | 584,750 | 0 | 6,083,606 | 5,815,214 |
| Disposals | (11,159) | (88,350) | 0 | (128,771) | (124,299) |
| Amortization expense | 45,836 | 84,346 | 0 | 392,726 | 392,691 |
| Balance, end of year | 744,145 | 580,746 | 0 | 6,347,561 | 6,083,606 |
| Net book value, end of year | \$1,111,526 | \$969,795 | \$2,924,430 | \$19,636,263 | \$18,033,022 |

Assets under construction

During 2021, the City acquired \$2,047,060 [2020 – \$1,389,982] of assets under construction. As assets were placed into service, transfers in the amount of \$900,227 [2020 – \$973,451] were made from assets under construction to the respective asset classes to arrive at a net balance of \$1,146,833 [2020 – \$416,531] disclosed above.

Works of art and historical treasures

Ottawa City Council approved a Public Art Program ["PAP"] in 1985 to maintain and circulate the City's corporate art collection. The City's PAP collection includes over 1,700 works of art. The City also owns the Firestone Art Collection, consisting of 1,605 historical Canadian works of art produced from 1900 to 1980, which is housed and managed by the Ottawa Art Gallery. Works of art are not recorded in the City's consolidated financial statements.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. TANGIBLE CAPITAL ASSETS [CONTINUED]

Contributed tangible capital assets

The value of contributed tangible capital assets received during 2021 amounts to \$532,071 [2020 – \$363,556] and is included in additions disclosed above.

17. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surpluses, reserves, and equity in government business enterprise ["GBE"].

Table 48 - Accumulated surplus

| Accumulated surplus comprises the following: | 2021 | 2020 |
|---|---------------------|--------------|
| Invested in tangible capital assets | \$16,387,689 | \$14,905,166 |
| Capital fund – unfinanced capital outlay | 353,118 | 596,167 |
| Endowment fund | 148,788 | 157,526 |
| Employee future benefits and pension agreements | (728,210) | (706,628) |
| Landfill closure and post-closure liabilities | (36,800) | (38,039) |
| Brownfields | (55,784) | (56,752) |
| Contaminated sites | (6,784) | (7,510) |
| Other | (116,674) | (99,969) |
| Total before reserves and equity in GBE | 15,945,343 | 14,749,961 |
| Reserves | | |
| Restricted reserves | | |
| Gas tax | 96,422 | 19,432 |
| Total restricted reserves | 96,422 | 19,432 |
| Discretionary reserves | | |
| Environmental services | 157,599 | 150,681 |
| Transit | 51,979 | 23,668 |
| Housing | 72,081 | 76,077 |
| Employee benefits | 81,379 | 71,237 |
| Tax stabilization | 76,488 | 51,455 |
| Parking | 23,845 | 22,427 |
| City wide | 98,692 | 71,151 |
| Corporate fleet | 5,813 | 4,348 |
| Other | 15,551 | 23,872 |
| Total discretionary reserves | 583,427 | 494,916 |
| Total reserves | 679,849 | 514,348 |
| Equity in GBE [note 5] | 507,295 | 480,224 |
| Accumulated surplus | \$17,132,487 | \$15,744,533 |

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

18. CONTINGENCIES, COMMITMENTS AND CONTRACTUAL RIGHTS

[a] Through the course of its normal operations, the City becomes involved in various claims and legal proceedings. Litigation is subject to many uncertainties and the outcome of individual matters is difficult to predict. A provision for these claims has been recorded in the consolidated financial statements based on management's best estimate, based upon an analysis of specific claims and historical experience with similar claims. Any amendment to amounts accrued will be recorded once new information becomes available. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. If the outcome of a claim is undeterminable, then no liability accrual is recorded, and any additional losses related to these undeterminable claims will be recorded in the period during which the liability becomes determinable. Amounts recorded in the accounts have not been separately disclosed in the consolidated financial statements as disclosure may adversely impact the outcome.

[b] The City has the following future contractual obligations for capital works:

Table 49 - Contractual obligations for capital works

| Contractual obligations for capital works | |
|--|-------------|
| 2022 | \$2,390,171 |
| 2023 | 22,319 |
| 2024 | 21,699 |
| 2025 | 261,963 |
| 2026 | 2,274 |
| 2027 and thereafter | 458 |

[c] The City is committed to the following payments over the next five years under operating lease agreements for building and equipment:

Table 50 - Building and equipment lease payments

| Building and equipment lease payments | |
|--|----------|
| 2022 | \$18,417 |
| 2023 | 13,795 |
| 2024 | 10,585 |
| 2025 | 7,233 |
| 2026 | 5,629 |

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. CONTINGENCIES, COMMITMENTS AND CONTRACTUAL RIGHTS [CONTINUED]

[d] On August 30, 2019, Stage 1 of the O-Train Confederation Line achieved Revenue Service Availability ["RSA"] and the maintenance contract became effective on that date. The City has committed to making a series of monthly service payments during the 28-year maintenance and service term ending May 2048. Commitments for Monthly Service Payments ["MSP"] for capital construction costs deferred beyond the construction period, as well as for maintenance costs associated with the light rail system and vehicles, began on the RSA date. Annual payments will be adjusted as service levels change, and a portion will be adjusted for inflation, in accordance with the project agreement. The City has also committed to a series of payments for lifecycle costs, and for maintenance costs that will vary with service kilometres. The City reviews all invoices to ensure that all contractual obligations under the Project Agreement are met by the vendor. Invoices from October 2019 to April 2020, reflecting the system performance of September 2019 to March 2020, were still in dispute as of December 31, 2021, and no payments were made for those months. MSP payments were made for the invoice period from May 2020 to August 2021, taking into account performance deductions related to system performance of April 2020 to July 2021. An accrual was recorded for the disputed periods based on the City's most current estimates of the MSP and performance deductions for those periods. Amounts recorded in the accounts have not been separately disclosed in the consolidated financial statements as disclosure may adversely impact the outcome of the disputed items.

[e] As at December 31, 2021, Hydro Ottawa has total open commitments amounting to \$98,524 for 2022 to 2028. The commitments relate to a call centre services agreement, distribution-related construction projects, overhead and underground services, and other services related to Hydro Ottawa's activities.

[f] The City has commitments for the purchase of ice rental time for annual amounts of \$1,357, \$7,116 and \$16,381, which are paid in two installments in accordance with three public-private partnership agreements. These commitments are set to expire in 2027, 2034 and 2043, respectively. Throughout the COVID-19 pandemic in 2021, the City continued to make payments on the partnership agreement to purchase ice rental time but only while the rinks were open for operations.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

18. CONTINGENCIES, COMMITMENTS AND CONTRACTUAL RIGHTS [CONTINUED]

[g] The City has entered into guarantees of loans amounting to \$132,720 arranged to provide financing for the development of ice rinks, the construction of a paramedic headquarters facility, the development of an arts centre, and Lansdowne Park roof replacement under public-private partnerships. The City's guarantees for ice rinks, the paramedic facility and Lansdowne roof replacement also cover the borrowers' obligations under interest rate derivative agreements to manage the volatility of interest rates. The total amount outstanding under guarantees as of December 31, 2021 is \$108,573. The City has converted floating rate debt in the amount of \$98,300 for fixed rate debt ranging from 2.849% to 6.49% on four guarantees. The related derivative agreements are in place until the maturity of the debts in 2044. The City's guarantee of the loan in connection with the arts centre facility does not involve interest rate derivative agreements since the loans are on a fixed interest rate basis.

[h] On June 28, 2010, City Council authorized a payment covenant guarantee that may require the City to make annual payments of up to \$1,463 in respect of a loan in the amount of \$20,700 for the construction and operation of a trade and exhibition centre. The covenant agreement was signed by the City on April 15, 2011 and expires on April 15, 2041. No payments have been made on this guarantee in 2021 [2020 – nil].

[i] On October 12, 2012, the City entered into an agreement with Ottawa Sports and Entertainment Group ["OSEG"] to revitalize Lansdowne Park. The Master Limited Partnership agreement was established to manage the construction and future net positive cash flows that will be distributed based on a waterfall of priorities as set out in the agreement. The net positive cash flows will be distributed with priority to life cycle reserves, then OSEG Partners return on contributed equity, and then to the City for return on deemed equity, with any remaining cash balances to be evenly split between the City and OSEG. In 2020, Council approved a ten-year extension to the agreement to December 31, 2054. Due to COVID-19, Lansdowne Park experienced a significant decrease in revenues due to events not being held. OSEG put measures in place to reduce costs and requested a transfer of \$4.7 million from the capital life-cycle fund to manage cash flow over the next three years.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

18. CONTINGENCIES, COMMITMENTS AND CONTRACTUAL RIGHTS [CONTINUED]

[j] In 2017, City Council and the Ottawa Public Library Board approved partnering with Library and Archives Canada to build a new joint facility that brings together the creative services of a public library and the public services of a national library and archives. The final design plans of the joint facility were approved in April 2021 and the City's Supply Services branch, in May 2021, released the tender for the construction of the joint facility. As at the end of 2021, construction was just beginning on the new facility. Construction is planned to continue until late 2025, with the official opening taking place in 2026. The Library and Archives Canada portion of the building is funded by the federal government. For the City's portion of the building, capital costs incurred up to December 31, 2021 were \$17,763. Future commitments for the City portion of the building amount to \$161,275 for 2022 to 2026 inclusive.

19. TAXES AVAILABLE FOR MUNICIPAL PURPOSES

Table 51 - Taxes available for municipal purposes

| Taxes available for municipal purposes | 2021 | 2020 |
|---|--------------------|-------------|
| Property taxes | \$2,282,421 | \$2,229,720 |
| Payment in lieu of taxes | 164,374 | 176,075 |
| Local improvements and other charges | 15,300 | 13,024 |
| Less education taxes | (439,793) | (474,136) |
| Total taxes available for municipal purposes | \$2,022,302 | \$1,944,683 |

20. EXPENSES BY OBJECT

The consolidated statement of operations and accumulated surplus represents the expenses by function; the following classifies those same expenses by object:

Table 52 - Expenses by object

| Expenses by object | 2021 | 2020 |
|---------------------------------------|--------------------|-------------|
| Salaries, wages and employee benefits | \$1,912,549 | \$1,770,191 |
| Contracted and general services | 416,319 | 431,721 |
| Materials, equipment and supplies | 533,847 | 523,036 |
| Interest charges | 135,812 | 135,771 |
| Rent and financial expenses | 56,045 | 39,081 |
| External transfers | 485,040 | 491,219 |
| Interfunctional | (36,785) | (38,150) |
| Amortization | 392,726 | 392,691 |
| Loss on disposal | 47,862 | 39,934 |
| Total expenses | \$3,943,415 | \$3,785,494 |

THE CITY OF OTTAWA
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DECEMBER 31, 2021 *[dollars in thousands]*

21. SEGMENTED INFORMATION
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2021

Table 53 - Consolidated schedule of segment disclosure

| REVENUE | General Government | Protection | Roads, Traffic and Parking | Transit | Environmental Services | Health Services |
|-------------------------------------|-----------------------|--------------------|----------------------------------|------------------|---------------------------|--------------------|
| Taxes | \$2,022,302 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Government transfers – provincial | 19,398 | 36,502 | 6,855 | 470,401 | 10,392 | 203,216 |
| Government transfers – federal | 332 | 1,146 | 2,260 | 349,441 | 4,100 | 3,911 |
| Fees and user charges | 19,780 | 69,589 | 23,850 | 64,241 | 458,980 | 2,043 |
| Contributed tangible capital assets | 0 | 0 | 76,307 | 0 | 426,951 | 0 |
| Development charges | 4,307 | 1,724 | 35,687 | 121,453 | 38,699 | 0 |
| Fines and penalties | 20,828 | 18,143 | 0 | 2,000 | 0 | 0 |
| Other | 107,557 | 1,755 | 305 | 3,220 | 178 | 0 |
| Total revenue | 2,194,504 | 128,859 | 145,264 | 1,010,756 | 939,300 | 209,170 |
| EXPENSES | General Government | Protection | Roads, Traffic and Parking | Transit | Environmental Services | Health Services |
| Salaries and benefits | 97,056 | 546,173 | 132,156 | 336,727 | 92,281 | 237,004 |
| Contracts and general services | 6,329 | 40,282 | 82,816 | 90,518 | 107,935 | 16,243 |
| Materials, equipment and supplies | 25,948 | 53,673 | 84,870 | 112,597 | 58,834 | 23,362 |
| Interest charges | 326 | 1,664 | 19,543 | 57,637 | 29,422 | 931 |
| Rent and financial expenses | 13,799 | 9,879 | (516) | 13,712 | 5,190 | 3,168 |
| External transfers | (626) | 11,661 | (38) | (29,303) | 345 | (358) |
| Interfunctional | (35,532) | (12,475) | (20,092) | 12,812 | 33,736 | 8,766 |
| Amortization | 1,115 | 12,753 | 114,383 | 107,894 | 111,945 | 5,051 |
| Loss (gain) on disposal | 18 | 354 | 8,530 | 17,163 | 12,246 | 67 |
| Total expenses | 108,433 | 663,964 | 421,652 | 719,757 | 451,934 | 294,234 |
| ANNUAL SURPLUS (DEFICIT) | \$2,086,071 | \$(535,105) | \$(276,388) | \$290,999 | \$487,366 | \$(85,064) |

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

21. SEGMENTED INFORMATION [CONTINUED]
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2021

Table 54 - Consolidated schedule of segment disclosure (continued)

| REVENUE | Social and Family Services | Social Housing | Recreation and Cultural Services | Planning and Development | Total |
|-------------------------------------|----------------------------------|--------------------|--|-----------------------------|--------------------|
| Taxes | \$0 | \$0 | \$0 | \$0 | \$2,022,302 |
| Government transfers – provincial | 347,470 | 112,507 | 13,053 | 29 | 1,219,823 |
| Government transfers – federal | 29 | 39,500 | 1,922 | 14 | 402,655 |
| Fees and user charges | 16,616 | 71,594 | 25,567 | 20,597 | 772,857 |
| Contributed tangible capital assets | 0 | 0 | 20,188 | 8,625 | 532,071 |
| Development charges | 1,114 | 422 | 911 | 4,076 | 208,393 |
| Fines and penalties | 0 | 0 | 102 | 0 | 41,073 |
| Other | 0 | 7,049 | 6,218 | 5,398 | 131,680 |
| Total revenue | 365,229 | 231,072 | 67,961 | 38,739 | 5,330,854 |
| EXPENSES | Social and Family Services | Social Housing | Recreation and Cultural Services | Planning and Development | Total |
| Salaries and benefits | 175,348 | 54,358 | 200,130 | 41,316 | 1,912,549 |
| Contracts and general services | 15,221 | 3,268 | 40,740 | 12,967 | 416,319 |
| Materials, equipment and supplies | 20,453 | 79,624 | 64,241 | 10,245 | 533,847 |
| Interest charges | 630 | 10,970 | 12,156 | 2,533 | 135,812 |
| Rent and financial expenses | (8,385) | 13,385 | 1,150 | 4,663 | 56,045 |
| External transfers | 305,898 | 170,815 | 11,812 | 14,834 | 485,040 |
| Interfunctional | (8,403) | 337 | (8,642) | (7,292) | (36,785) |
| Amortization | 2,103 | 13,123 | 23,976 | 383 | 392,726 |
| Loss (gain) on disposal | 24 | 8,630 | 918 | (88) | 47,862 |
| Total expenses | 502,889 | 354,510 | 346,481 | 79,561 | 3,943,415 |
| ANNUAL SURPLUS (DEFICIT) | \$(137,660) | \$(123,438) | \$(278,520) | \$(40,822) | \$1,387,439 |

THE CITY OF OTTAWA
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DECEMBER 31, 2021 *[dollars in thousands]*

21. SEGMENTED INFORMATION [CONTINUED]
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2020

Table 55 - 2020 Consolidated schedule of segment disclosure

| REVENUE | General Government | Protection | Roads, Traffic and Parking | Transit | Environmental Services | Health Services |
|-------------------------------------|-----------------------|--------------------|----------------------------------|------------------|---------------------------|--------------------|
| Taxes | \$1,944,683 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Government transfers – provincial | 11,608 | 32,722 | 9,325 | 368,737 | 18,533 | 133,413 |
| Government transfers – federal | 146 | 2,521 | 2,617 | 325,095 | 16,041 | 402 |
| Fees and user charges | 15,197 | 60,024 | 21,457 | 88,068 | 425,693 | 2,664 |
| Contributed tangible capital assets | 0 | 0 | 56,323 | 0 | 290,426 | 0 |
| Development charges | 6,015 | 2,154 | 37,450 | 77,505 | 30,120 | 0 |
| Fines and penalties | 20,382 | 13,748 | 0 | 0 | 0 | 0 |
| Other | 69,604 | 1,502 | 66 | 19,848 | 1,494 | 0 |
| Total revenue | 2,067,635 | 112,671 | 127,238 | 879,253 | 782,307 | 136,479 |
| EXPENSES | General Government | Protection | Roads, Traffic and Parking | Transit | Environmental Services | Health Services |
| Salaries and benefits | 91,542 | 510,793 | 127,965 | 327,175 | 86,919 | 170,740 |
| Contracts and general services | 9,970 | 48,637 | 94,363 | 96,772 | 104,695 | 11,071 |
| Materials, equipment and supplies | 22,172 | 53,896 | 86,558 | 107,914 | 54,840 | 18,765 |
| Interest charges | 321 | 1,853 | 21,050 | 55,352 | 29,360 | 987 |
| Rent and financial expenses | 13,806 | 2,659 | (8,745) | 14,220 | 1,835 | 1,597 |
| External transfers | (415) | 11,131 | (362) | (19,680) | 1,012 | (215) |
| Interfunctional | (34,917) | (13,800) | (19,913) | 11,453 | 32,429 | 8,239 |
| Amortization | 1,000 | 12,784 | 113,578 | 113,426 | 106,064 | 5,458 |
| Loss (gain) on disposal | 2 | 720 | 650 | 30,737 | 7,116 | 37 |
| Total expenses | 103,481 | 628,673 | 415,144 | 737,369 | 424,270 | 216,679 |
| ANNUAL SURPLUS (DEFICIT) | \$1,964,154 | \$(516,002) | \$(287,906) | \$141,884 | \$358,037 | \$(80,200) |

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 [dollars in thousands]

21. SEGMENTED INFORMATION [CONTINUED]
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2020

Table 56 - 2020 Consolidated schedule of segment disclosure (continued)

| REVENUE | Social and Family Services | Social Housing | Recreation and Cultural Services | Planning and Development | Total |
|---|----------------------------------|-------------------|--|-----------------------------|--------------------|
| Taxes | \$0 | \$0 | \$0 | \$0 | \$1,944,683 |
| Government transfers – provincial | 391,414 | 94,867 | 17,826 | 1,278 | 1,079,723 |
| Government transfers – federal | 0 | 59,613 | 6,283 | 769 | 413,487 |
| Fees and user charges | 18,025 | 73,326 | 21,195 | 17,742 | 743,391 |
| Contributed tangible capital assets | 0 | 0 | 16,807 | 0 | 363,556 |
| Development charges | (175) | 387 | 2,007 | 14,220 | 169,683 |
| Fines and penalties | 0 | 0 | 1,487 | 0 | 35,617 |
| Other | 0 | 22,032 | 2,719 | 11,786 | 129,051 |
| Total revenue | 409,264 | 250,225 | 68,324 | 45,795 | 4,879,191 |
| EXPENSES | Social and Family Services | Social Housing | Recreation and Cultural Services | Planning and Development | Total |
| Salaries and benefits | 167,480 | 49,262 | 200,799 | 37,516 | 1,770,191 |
| Contracts and general services | 10,301 | 927 | 43,701 | 11,284 | 431,721 |
| Materials, equipment and supplies | 23,808 | 85,333 | 61,328 | 8,422 | 523,036 |
| Interest charges | 736 | 11,145 | 12,342 | 2,625 | 135,771 |
| Rent and financial expenses | 5,096 | 7,428 | (1,845) | 3,030 | 39,081 |
| External transfers | 334,659 | 137,480 | 14,344 | 13,265 | 491,219 |
| Interfunctional | (8,182) | (689) | (8,167) | (4,603) | (38,150) |
| Amortization | 1,993 | 13,895 | 24,065 | 428 | 392,691 |
| Loss (gain) on disposal | 1 | (1,829) | (74) | 2,574 | 39,934 |
| Total expenses | 535,892 | 302,952 | 346,493 | 74,541 | 3,785,494 |
| ANNUAL SURPLUS (DEFICIT) | \$(126,628) | \$(52,727) | \$(278,169) | \$(28,746) | \$1,093,697 |

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

21. SEGMENTED INFORMATION [CONTINUED]

The City is responsible for providing a wide range of services to its citizens, including police, fire, ambulance, public transit, and water.

The City reports on functional areas and programs in its consolidated financial statements similar to the reporting reflected as part of the Ontario Financial Information Return.

These functional areas represent segments for the City, and expanded disclosure by object has been reflected in the above consolidated schedules of segmented disclosure.

A brief description of each segment follows:

- General government consists of Council, administration, and Ontario Property Assessment.
- Protection consists of police, fire, and other protective services. These groups maintain the safety and security of all citizens by reducing or eliminating loss of life and property, by maintaining law enforcement, and preserving peace and good order.
- Roads, traffic and parking include parking, signs and signals, streetlights and the maintenance of roads within the City.
- Transit services provide local public transportation for citizens. They also include other transportation services such as planning and development.
- Environmental services include water supply and distribution, wastewater treatment, storm sewer systems and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.
- Health services include paramedic and health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.
- Social and family services include social assistance, long-term care, and childcare services. Social assistance services determine, issue, and monitor clients' eligibility for financial, social, and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Childcare services provide subsidized childcare spaces and provide funding for wage subsidy, pay equity, and special needs.
- Social housing, with the partnership of 120 community-based agencies, provides a range of services, including housing, emergency shelters, outreach, search, and stabilization to people in the community.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

21. SEGMENTED INFORMATION [CONTINUED]

- Recreation and cultural services include parks and recreation, culture, and libraries. Parks and recreation services develop and deliver high-quality recreational programs, and develop and maintain recreation facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Culture services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile, virtual, and telephone services.
- Planning and development services manage urban development for residential and business interests, as well as infrastructure and parks.

Program support costs for expenses have been allocated to other functions using guidelines and methodologies reflected in the Ontario Financial Information Return.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 2.

22. PUBLIC LIABILITY INSURANCE

The City self-insures for public liability claims up to a specific amount, and outside coverage is in place for claims in excess of these limits.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

23. BUDGET AMOUNTS

Budget data presented in these consolidated financial statements is based upon the 2021 operating and capital budgets approved by Council on December 9, 2020. Council-approved budgets are prepared on a modified accrual basis, which differs from budget amounts reported on the consolidated statement of operations and accumulated surplus, which are prepared in accordance with Canadian public sector accounting standards. The table below reconciles the approved budget with the budget figures reported in these consolidated financial statements using the accrual basis of accounting.

Table 57 - Budget reconciliation

| Budget reconciliation | |
|---|--------------------|
| Revenues | |
| Adopted budget operating and capital | \$4,725,159 |
| Contributed tangible capital assets | 419,035 |
| Timing differences between capital budget and spending | 585,308 |
| Consolidated entities | 172,953 |
| Reclassification of investment income | 31,773 |
| Hydro Ottawa Holding Inc. equity pickup | 13,300 |
| Transfers from reserves | (607,516) |
| Proceeds of debt issued | (162,236) |
| Reclassifications and eliminations | (41,404) |
| Total budgeted revenues for financial statement purposes | \$5,136,372 |
| Expenses | |
| Adopted budget operating and capital | \$4,725,159 |
| Timing differences between capital budget and spending | 843,220 |
| Amortization | 466,401 |
| Consolidated entities | 172,953 |
| Change in other obligations to be funded in future years | 21,987 |
| Change in employee future benefits and pension agreements | 35,104 |
| Acquisition of tangible capital assets | (1,232,650) |
| Transfers to reserves | (644,409) |
| Debt principal repayments | (152,390) |
| Reclassifications and eliminations | (45,002) |
| Total budgeted expenses for financial statement purposes | \$4,190,373 |
| Budgeted annual surplus | \$945,999 |

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

24. RELATED PARTY TRANSACTIONS

The City enters into transactions with its subsidiary corporations in the normal course of business, under terms and conditions similar to those that apply to unrelated parties. All material related party transactions are either disclosed below or in the relevant notes. These transactions are measured at their exchange amounts.

Streetlighting LED conversion

In 2014, the City entered into an agreement with a subsidiary of Hydro Ottawa to convert 58,000 streetlights to LED at a guaranteed fixed price with a payback period of six years. The installation began in 2016 and was completed in 2021.

25. IMPACT OF COVID-19

Throughout 2021, the City continued to track all COVID-19 financial impacts, including increases in expenses responding to the pandemic, cost savings due to temporary closure of facilities and reduced service levels, and revenue reductions primarily for transit and recreational services. The total net impact of COVID-19 for fiscal 2021 was \$325.3 million, which was fully recovered from provincial and federal government COVID-19 funding, including the Safe Restart Agreement, Social Services Relief Fund, Ministry of Health, Temporary Pandemic Pay, and various other service-specific funding allocations.

Tracking of COVID-19 financial impacts will continue in 2022. The upper levels of government have shown a continued commitment to provide funding to offset the financial impacts that COVID-19 has had on municipalities. It is not possible to reliably estimate the length and severity of the pandemic and its impact on the financial position and financial results of the City in future periods.

The COVID-19 related funding recorded by the City is shown as government transfers on the consolidated statement of operations and accumulated surplus.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

APPENDIX 1 - CONDENSED SUPPLEMENTARY INFORMATION

OTTAWA PUBLIC LIBRARY BOARD

As at December 31, 2021, with comparative information for 2020 *[dollars in thousands]*

The Ottawa Public Library Board is consolidated with the City. The following table provides condensed supplementary information for the Ottawa Public Library Board.

Table 58 - Ottawa Public Library Board - Financial position

| Financial position | 2021 | 2020 |
|---------------------------|-----------------|-------------|
| Financial assets | \$63,702 | \$60,912 |
| Liabilities | 45,098 | 41,017 |
| Net assets | 18,604 | 19,895 |

Table 59 - Ottawa Public Library Board - Non-financial assets

| Non-financial assets | 2021 | 2020 |
|-----------------------------------|-----------------|-------------|
| Tangible capital assets | 61,546 | 54,765 |
| Total non-financial assets | 61,546 | 54,765 |
| Accumulated surplus | \$80,150 | \$74,660 |

Consolidated statement of operations and accumulated surplus

For the year ended December 31, 2021, with comparative information for 2020 *[dollars in thousands]*

Table 60 - Ottawa Public Library Board - Consolidated statement of operations and accumulated surplus - Revenue

| Revenue | 2021 | 2020 |
|--|-----------------|-------------|
| City of Ottawa | \$56,192 | \$52,735 |
| Province of Ontario - Ministry of Tourism, Culture and Sport | | |
| Operating funding (Public Library Operating Grant) | 1,210 | 1,210 |
| Pay equity funding (Public Library Operating Grant) | 170 | 170 |
| Development charges | (467) | 430 |
| Other | 1,870 | 609 |
| Total revenue | 58,975 | 55,154 |

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 *[dollars in thousands]*

APPENDIX 1 - CONDENSED SUPPLEMENTARY INFORMATION [CONTINUED]

Table 61 - Ottawa Public Library Board - Consolidated statement of operations and accumulated surplus - Expenses

| Expenses | 2021 | 2020 |
|---|-----------------|-------------|
| Operating expenditures | 53,485 | 48,032 |
| Total expenses | 53,485 | 48,032 |
| Annual surplus | 5,490 | 7,122 |
| Accumulated surplus, beginning of the year | 74,660 | 67,538 |
| Accumulated surplus, end of the year | \$80,150 | \$74,660 |