

Consolidated Financial Statements

The City of Ottawa

December 31, 2019

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, 2019, 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, 2019, 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.

Other information included in the City's 2019 Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement

of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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.

[Signature of the name of the audit firm, the personal name of the auditor, or both, as appropriate for the province]

[Auditor address]

[Date]

THE CITY OF OTTAWA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019, with comparative information as at December 31, 2018 *[dollars in thousands]*

Table 1 - Consolidated statement of financial position - Financial assets

Financial assets	2019	2018
Cash and cash equivalents	\$665,693	\$347,875
Accounts receivable <i>[note 3]</i>	678,671	648,303
Investments <i>[note 4]</i>	1,026,571	1,229,247
Investment in government business enterprise <i>[note 5]</i>	470,297	462,975
Total financial assets	2,841,232	2,688,400

Table 2 - Consolidated statement of financial position - Liabilities

Liabilities	2019	2018
Accounts payable and accrued liabilities <i>[note 6]</i>	900,351	1,355,224
Deferred revenue <i>[note 7]</i>	746,275	588,707
Employee future benefits and pension agreements <i>[note 8]</i>	692,312	652,413
Accrued interest	28,914	27,529
Landfill closure and post-closure <i>[note 9]</i>	34,531	25,690
Contaminated sites <i>[note 10]</i>	8,424	8,633
Net long-term debt <i>[note 11]</i>	2,557,194	1,912,085
Mortgages payable <i>[note 12]</i>	276,212	266,490
Capital lease obligations <i>[note 13]</i>	91,008	96,415
Total liabilities	5,335,221	4,933,186
Net debt	(2,493,989)	(2,244,786)

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

Non-financial assets	2019	2018
Tangible capital assets <i>[note 14]</i>	17,080,405	15,980,167
Inventories	36,012	33,881
Prepaid expenses	30,001	26,205
Total non-financial assets	17,146,418	16,040,253
Accumulated surplus <i>[note 15]</i>	\$14,652,429	\$13,795,467

Contingencies, commitments and contractual rights *[note 16]*

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, 2019, with comparative information for the year ended December 31, 2018 *[dollars in thousands]*

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

Revenue	2019 Budget [note 21]	2019 Actual	2018 Actual
Taxes available for municipal purposes <i>[note 17]</i>	\$1,857,172	\$1,864,760	\$1,776,722
Government transfers	937,282	1,083,242	957,513
Fees and user charges	892,042	903,328	857,795
Contributed tangible capital assets	474,514	474,514	318,684
Development charges	132,242	127,164	80,032
Investment income	37,342	45,866	48,550
Fines and penalties	32,042	37,897	35,439
Other revenue	62,868	63,245	43,513
Share of earnings of government business enterprise <i>[note 5]</i>	30,129	32,429	42,138
Total revenue	4,455,633	4,632,445	4,160,386

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

Expenses	2019 Budget [note 21]	2019 Actual	2018 Actual
General government	109,224	108,960	113,541
Protection to persons and property	635,365	637,309	601,818
Roads, traffic and parking	408,196	433,170	412,620
Transit	695,384	697,815	582,903
Environmental services	425,885	427,317	388,684
Health services	179,453	180,945	175,583
Social and family services	554,312	537,006	552,559
Social housing	290,658	301,255	290,699
Recreation and cultural services	377,801	372,347	331,752
Planning and development	72,484	76,552	101,134
Total expenses [note 18]	3,748,762	3,772,676	3,551,293
Annual surplus	706,871	859,769	609,093
Accumulated surplus, beginning of the year	13,792,895	13,795,467	13,181,827
Other comprehensive income (loss)	(2,807)	(2,807)	4,547
Accumulated surplus, end of the year	\$14,496,959	\$14,652,429	\$13,795,467

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, 2019, with comparative information for the year ended December 31, 2018 *[dollars in thousands]*

Table 6 - Consolidated statement of change in net debt

Consolidated statement of change in net debt	2019 Budget [note 21]	2019 Actual	2018 Actual
Annual surplus	\$706,871	\$859,769	\$609,093
Acquisition of tangible capital assets including contributed assets	(1,476,281)	(1,476,281)	(988,441)
Amortization of tangible capital assets	358,131	358,131	336,087
Loss (gain) on disposal of tangible capital assets	16,444	16,444	(11,314)
Proceeds on disposal of tangible capital assets	1,468	1,468	23,963
Supply of inventories	(2,131)	(2,131)	517
Prepaid expenses	(3,796)	(3,796)	70
Change in net debt	(399,294)	(246,396)	(30,025)
Net debt, beginning of the year	(2,295,170)	(2,244,786)	(2,219,308)
Other comprehensive income (loss)	(2,807)	(2,807)	4,547
Net debt, end of the year	(2,697,271)	(2,493,989)	(\$2,244,786)

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, 2019, with comparative information for the year ended December 31, 2018 *[dollars in thousands]*

Table 7 - Consolidated statement of cash flows - Operating activities

OPERATING ACTIVITIES	2019	2018
Annual surplus	\$859,769	\$609,093
Items not affecting cash		
Share of earnings of government business enterprise	(32,429)	(42,138)
Amortization of tangible capital assets	358,131	336,087
Contributed tangible capital assets	(474,514)	(318,684)
Loss (gain) on disposal of tangible capital assets	16,444	(11,314)
Cash provided by operating activities, adjusted for non-cash items	727,401	573,044
Changes in non-cash assets and liabilities		
Decrease (increase) in accounts receivable	(30,368)	(137,682)
Decrease (increase) in inventories	(2,131)	517
Decrease (increase) in prepaid expenses	(3,796)	70
Increase (decrease) in accounts payable and accrued liabilities	(454,873)	135,907
Increase in deferred revenue	157,568	106,088
Increase in employee future benefits and pension agreements	39,899	31,023
Increase (decrease) in accrued interest	1,385	(1,525)
Increase in landfill closure and post-closure liabilities	8,841	476
Decrease in liabilities for contaminated sites	(209)	(584)
Cash provided by operating activities	443,717	707,334

Table 8 - Consolidated statement of cash flows - Capital activities

CAPITAL ACTIVITIES	2019	2018
Acquisition of tangible capital assets	(1,001,767)	(669,757)
Proceeds on disposal of tangible capital assets	1,468	23,963
Cash applied to capital activities	(1,000,299)	(645,794)

Table 9 - Consolidated statement of cash flows - Investing activities

INVESTING ACTIVITIES	2019	2018
Net sale of investments	202,676	7,889
Dividends from Hydro Ottawa Holding Inc.	22,300	21,900
Cash provided by investing activities	224,976	29,789

THE CITY OF OTTAWA

CONSOLIDATED STATEMENT OF CASH FLOWS [CONTINUED]

For the year ended December 31, 2019, with comparative information for the year ended December 31, 2018 *[dollars in thousands]*

Table 10 - Consolidated statement of cash flows - Financing activities

FINANCING ACTIVITIES	2019	2018
Proceeds from new long-term debt issued	789,464	9,015
Interest earned on sinking funds	(4,145)	(4,401)
Debt principal repayments		
Net long-term debt	(120,803)	(116,487)
Mortgages payable	(9,685)	(9,762)
Capital lease obligations	(5,407)	(5,078)
Cash provided by (applied to) financing activities	649,424	(126,713)

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

Change in cash and cash equivalents	2019	2018
Increase (decrease) in cash and cash equivalents during the year	317,818	(35,384)
Cash and cash equivalents, beginning of the year	347,875	383,259
Cash and cash equivalents, end of the year	\$665,693	\$347,875

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

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 *[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.

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, 2019 [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 17]. 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, 2019 *[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, 2019 *[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, accounts payable and accrued liabilities, accrued interest, net long-term debt, and mortgages payable.

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. Investments for the Endowment Fund also include Canadian equities and corporate bonds as authorized by Provincial Regulation 438/97 and 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, 2019 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Deferred revenue

Certain amounts are received 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 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.

[d] The costs of workplace safety and insurance obligations are recognized as a liability when the event that obligates the City occurs. The costs are actuarially determined and expensed in the period they occur.

[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.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

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 reasonably determinable, 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

When all the criteria for recognition are met, the City accrues a liability for the estimated cost to remediate contaminated sites to the level necessary to allow the property to meet the environmental standards appropriate to its current or prior use.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

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
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] Contributions of 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.

[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.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

[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 15]*. Reserves set aside by legislation, regulation, or agreement are reported as deferred revenue on the consolidated statement of financial position.

Future accounting pronouncements

Standards effective for fiscal years beginning on or after April 1, 2018

- [i] PS 3430 Restructuring Transactions** ("PS 3430") establishes how to record assets, liabilities, revenues, and expenses related to restructuring transactions as well as disclosure requirements for the recipient and transferor. The City did not have any applicable restructuring transactions meeting the criteria established within PS 3430.

Standards effective for fiscal years beginning on or after April 1, 2021

- [ii] PS 1201 Financial Statement Presentation** ("PS 1201") was amended 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.
- [iii] PS 3401 Portfolio Investments** ("PS 3401") 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.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

[iv] **PS 2601 Foreign Currency Translation** ("PS 2601") 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.

[v] **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.

[vi] **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. This new section will be effective for fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.

Standards effective for fiscal years beginning on or after April 1, 2022

PS 3400 Revenue ("PS 3400") was recently issued and 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. This new section will be effective for fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.

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

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2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

requirements in PS 1201, PS 3450, PS 2601 and PS 3401 must be implemented at the same time.

3. ACCOUNTS RECEIVABLE

Accounts receivable comprise the following:

Table 13 - Accounts receivable

Accounts receivable	2019	2018
Taxes and user charges	\$165,218	\$155,506
Federal government	323,313	250,657
Provincial government	132,939	154,375
Trade	57,201	87,765
Total accounts receivable	\$678,671	\$648,303

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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 - 2019 investments breakdown

Investments	Cost	2019	
		Fair market value	Carrying value
Federal government bonds	\$128,043	\$129,202	\$128,043
Provincial government bonds	202,216	205,097	202,216
Municipal government bonds	209,170	211,087	209,170
Corporate (fixed income)	289,772	290,277	289,772
Endowment <i>[note 2]</i>	166,440	198,848	166,440
Other	30,930	40,344	30,930
Total	\$1,026,571	\$1,074,855	\$1,026,571

Table 15 - 2018 investments breakdown

Investments	Cost	2018	
		Fair market value	Carrying value
Federal government bonds	\$203,340	\$203,314	\$203,340
Provincial government bonds	249,391	248,767	249,391
Municipal government bonds	185,900	185,683	185,900
Corporate (fixed income)	389,027	388,491	389,027
Endowment <i>[note 2]</i>	171,413	185,377	171,413
Other	30,176	34,664	30,176
Total	\$1,229,247	\$1,246,296	\$1,229,247

Included in the City's municipal government bonds portfolio are City of Ottawa debentures at coupon rates varying from 3.05% to 5.30% [2018 – 3.05% to 6.20%] with a carrying value of \$1,781 [2018 – \$7,374].

The holdings of the Endowment Fund are selected by professional portfolio managers engaged by the City and are in accordance with the investment policy and procedures adopted by City Council. The City determines the market value of the Fund to be maintained and on a market value basis; as at December 31, 2019, the Endowment Fund was distributed between cash and near cash investments (2.5%), Canadian bonds (36.7%) and Canadian equities (60.8%).

“Other” consists of externally managed guaranteed investment certificates, and units of the One Investment Program equity portfolio operated by a subsidiary of the Municipal Finance Officers' Association of Ontario.

THE CITY OF OTTAWA
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4. INVESTMENTS [CONTINUED]

The average yield on investments held as at December 31, 2019 is 2.26% [2018 – 2.18%]. Investments mature from January 10, 2020 to June 3, 2065 [2018 – January 10, 2019 to December 1, 2064].

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 2019, \$13,411 [2018 – \$6,162] 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

Financial position [As at December 31]	2019	2018
Current assets	\$317,786	\$208,337
Capital assets	1,746,867	1,573,661
Other assets	97,831	73,618
Total assets	2,162,484	1,855,616

Table 17 - Hydro Ottawa condensed financial information - Liabilities

Liabilities	2019	2018
Current liabilities	373,690	404,994
Other liabilities	1,318,497	987,647
Total liabilities	1,692,187	1,392,641
Net assets	\$470,297	\$462,975

Table 18 - Hydro Ottawa condensed financial information - Net assets

Net assets consisting of investment in Hydro Ottawa	2019	2018
Common shares [100%]	\$228,453	\$228,453
Retained earnings	239,447	229,318
Accumulated other comprehensive income	2,397	5,204
Net assets	\$470,297	\$462,975

THE CITY OF OTTAWA
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5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE [CONTINUED]

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

Results of operations [For the year ended December 31]	2019	2018
Total revenue	\$1,178,394	\$1,138,562
Total expenses	1,145,872	1,096,424
Net income	\$32,522	\$42,138

The difference between the share of earnings of government business enterprise (\$32,429) on the consolidated statement of operations and accumulated surplus and the net income on Hydro Ottawa's financial statements (\$32,522) of \$93 reflects an adjustment made to Hydro Ottawa's retained earnings due to a reclassification of a non-controlling interest on sales of shares. The City, as holder of common shares in Hydro Ottawa, is entitled to receive dividends related to 2019 operations as declared by Hydro Ottawa's Board. Dividends in the amount of \$22,300 [2018 – \$21,900] were received in 2019 related to 2018 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:

Table 20 - Transactions with Hydro Ottawa

Services purchased from Hydro Ottawa by the City	2019	2018
Energy management consulting	\$4,585	\$3,890
Other services	18,647	16,384
Fees paid to the City by Hydro Ottawa	2019	2018
Property taxes, fuel, permits and other services	\$5,155	\$3,336

As at December 31, 2019, Hydro Ottawa's accounts receivable include \$16,965 [2018 – \$14,980] due in respect of the transactions above, while Hydro Ottawa's accounts payable and accrued liabilities include \$170 [2018 – \$54] due to the City and its subsidiaries.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

Table 21 - Accounts payable and accrued liabilities

Accounts payable and accrued liabilities	2019	2018
Trade payables and accruals	\$751,534	\$1,218,864
Payroll accruals and deductions	148,817	136,360
Total accounts payable and accrued liabilities	\$900,351	\$1,355,224

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. DEFERRED REVENUE

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

Table 22 - Deferred revenue

Deferred revenue	2019	2018
Development charges	\$566,477	\$430,161
Other government transfers	44,769	36,898
Other deferred revenue	55,740	51,485
Building code	31,196	31,177
Cash in lieu of parkland	48,093	38,986
Total deferred revenue	\$746,275	\$588,707

8. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS

Employee future benefits and pension agreements liabilities comprise the following:

Table 23 - Employee future benefits and pension agreements

Employee future benefits and pension agreements	2019	2018
Employee future benefits	\$677,425	\$652,413
City of Ottawa Superannuation Fund	(1,399)	0
City of Ottawa Superannuation Fund COLA Liability	16,286	0
Total	\$692,312	\$652,413

[a] Employee future benefits

Employee future benefit liabilities of the City as at December 31, 2019, with comparative information for 2018, are as follows:

Table 24 - Employee future benefits

Employee future benefits	2019	2018
Post-retirement benefits	\$224,439	\$221,970
Post-employment benefits	335,506	304,708
Workplace Safety and Insurance Board ["WSIB"]	117,480	125,735
Total	\$677,425	\$652,413

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 OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 [dollars in thousands]

8. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

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 2019 is as follows:

Table 25 - Employee future benefits continuity

Employee future benefits continuity	Post-retirement	Post-employment	WSIB	Total
Balance, at the beginning of the year	\$221,970	\$304,708	\$125,735	\$652,413
Current service costs/cost of new claims	7,360	56,685	15,119	79,164
Interest cost	5,710	11,242	3,800	20,752
Amortization of actuarial loss (gain)	(2,911)	6,875	(1,646)	2,318
Benefits paid	(7,690)	(44,004)	(25,528)	(77,222)
Balance, at the end of the year	\$224,439	\$335,506	\$117,480	\$677,425

Expenses for post-retirement and post-employment benefits and WSIB in the amount of \$102,233 [2018 – \$106,333] 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 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, 2019 with an extrapolation to December 31, 2019. 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, 2019.

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

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DECEMBER 31, 2019 *[dollars in thousands]*

8. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

beginning in the year following the gain or loss. Amortization of the 2019 actuarial gain of \$41,274 [2018 – gain of \$29,095] for post-retirement and post-employment benefits will commence in fiscal 2020. Amortization of the 2019 actuarial loss of \$13,663 [2018 – gain of \$14,125] for WSIB will commence in fiscal 2020.

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 26 - Actuarial assumptions

Actuarial assumptions	2019	2018
Discount rate	3.20%	3.20%
Inflation rate	2.00%	2.00%
Salary increase rate	2.00% to 2.50% in 2020 2.00% to 2.50% in 2021 2.00% to 2.50% thereafter	1.99% to 2.50% in 2019 2.00% to 2.50% in 2020 2.00% 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, 2019, the balance in the employee benefits reserve was \$59,949 [2018 – \$57,568] *[see note 15]*.

[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 2019 totalled \$126,970 [2018 – \$123,028] 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 surplus of \$1,531,000 [2018 deficit – \$2,790,000] as this is a joint responsibility of all Ontario municipalities and their employees.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 [dollars in thousands]

8. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

The amount contributed for past service to OMERS for the year ended December 31, 2019 totalled \$739 [2018 – \$739] and is included as an expense on the consolidated statement of operations and accumulated surplus.

[iii] 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, 2019, there were no active members and 506 pension recipients. Pension payments during 2019 amounted to \$16,716 [2018 – \$17,355]. No employee or matching employer contributions to this pension plan for current service were required in 2019 or 2018. Employer contributions for past service were nil in 2019 [2018 – nil].

The reported accrued benefit liability is as follows:

Table 27 - City of Ottawa Superannuation Fund pension accrued benefit liability

City of Ottawa Superannuation Fund	2019	2018
Pension fund assets – end of the year	\$156,361	\$164,146
Accrued benefit obligation – end of the year	143,359	145,728
Plan surplus	13,002	18,418
Unamortized actuarial gains (losses)	(6,328)	10,248
Valuation allowance	17,931	8,170
Accrued benefit liability (asset)	\$(1,399)	\$0

Table 28 - Superannuation fund pension-related expenses (income)

Expenses	2019	2018
Amortization of actuarial gains	\$(10,248)	\$(10,742)
Pension interest income	(912)	(371)
Change in valuation allowance	9,761	8,170
Total pension-related income	\$(1,399)	\$(2,943)

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. Inflation rate was estimated at 2.00% [2018 – 2.00%] and the discount rate for the plan was estimated at 4.10% [2018 – 4.95%].

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

The City of Ottawa 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 of Ottawa stops after January 1, 2020 is \$16,286.

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, 2017 quantified a surplus of \$8,900 [December 31, 2016 deficit – \$2,500] on a going concern basis.

The market value of the assets of the plan as at December 31, 2019 amounted to \$161,289 [2018 – \$158,814].

[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 2019 amounted to \$31,781 [2018 – \$31,873]. No employee or matching employer contributions to this pension plan for current service were required in 2019 or 2018. Employer contributions for past service during 2019 amounted to nil [2018 – \$15].

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 year. The reported pension asset is as follows:

Table 29 - OC Transpo Employees' pension asset

OC Transpo Employees' Pension Plan	2019	2018
Pension fund assets – end of the year	\$648,645	\$639,423
Accrued benefit obligation – end of the year	546,849	544,362
Plan surplus	101,796	95,061
Unamortized actuarial gains	25,780	42,473
Valuation allowance	76,016	52,588
Reported pension asset	\$0	\$0

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8. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

Table 30 - OC Transpo Employees' pension-related expenses

Expenses	2019	2018
Amortization of actuarial gain	\$(18,581)	\$(15,295)
Pension interest income	(4,848)	(3,901)
Change in valuation allowance	23,429	19,210
Total pension-related expenses	\$0	\$14

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

The market value of the assets of the plan as at December 31, 2019 amounted to \$679,427 [2018 – \$620,348].

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 2.00% [2018 – 2.00%], the discount rate for the plan was estimated at 4.85% [2018 – 5.10%], and long-term salary forecasts for actuarial purposes were estimated at 3.25% [2018 – 3.25%].

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, 2019 quantified a solvency deficit of \$7,794 [2018 – \$28,936]. The solvency deficit is being amortized over five years starting in 2019. In 2019, the City contributed an amount of nil [2018 – \$15] to the plan and increased the amount secured by a letter of credit by \$1,559 [2018 – \$5,787] in lieu of additional contributions, bringing the total amount outstanding under the letter of credit to \$88,729 [2018 – \$87,170].

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9. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES

The *Ontario Environmental Protection Act* 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 31 - Landfill closure and post-closure liabilities

Landfill closure and post-closure liabilities	2019	2018
Active sites	\$19,824	\$12,261
Inactive sites	14,707	13,429
Total	\$34,531	\$25,690

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, 2019, the remaining capacity of the Trail Road site is approximately 5,579,177 [2018 – 6,074,527] cubic metres, all of which is expected to be used by the year 2041 [2018 – 2043]. The remaining capacity at the Springhill site is approximately nil [2018 – 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. A third-party consultant's plan to cap stages 1 to 4 is expected in late 2020.

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 1.74% [2018 – 1.55%] and discounted to current dollars using the City's average long-term borrowing rate of 2.78% [2018 – 3.31%]. This estimate amounts to \$19,824 as at December 31, 2019 [2018 – \$12,261]. 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, 2019, the balance in these reserves was \$5,714 [2018 – \$5,249] and is included with other discretionary reserves [see note 15].

Estimated total undiscounted expenses over the 25-year post-closure period amount to approximately \$38,681 [2018 – \$30,087].

THE CITY OF OTTAWA
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9. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES [CONTINUED]

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 10-year average rate of 1.74% [2018 – 1.55%] and discounted to current dollars using the City's average long-term borrowing rate of 2.78% [2018 – 3.31%]. The estimated present value of future expenditures for post-closure care for inactive sites as at December 31, 2019 is \$14,707 [2018 – \$13,429]. Estimated total undiscounted expenses over the 25-year post-closure period amount to approximately \$12,516 [2018 – \$15,149].

10. 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 benefit 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 \$8,424 [2018 – \$8,633] for remediation of 41 [2018 – 41] contaminated land sites based on the estimated costs of removal and replacement of contaminated soil.

THE CITY OF OTTAWA
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11. NET LONG-TERM DEBT

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

Table 32 - Net long-term debt

Net long-term debt	2019	2018
Installment and sinking fund debenture issued at various rates of interest ranging from 1.20% to 6.00%, and maturing from April 19, 2020 to July 30, 2053	\$2,309,254	\$1,989,564
Stage 1 light rail debt	298,789	-
Bank loan agreements and interest rate exchange agreements	44,244	54,727
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	(95,093)	(132,206)
Total	\$2,557,194	\$1,912,085

[b] Principal payments including contributions to the sinking fund in future years are as follows:

Table 33 - Principal payments on net long-term debt

Principal payments	
2020	\$123,926
2021	122,432
2022	110,174
2023	110,216
2024	115,049
2025 and thereafter	1,376,151
Total	\$1,957,948

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11. 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 \$599,246, which together with the amount of \$1,957,948 shown above will be used to retire the outstanding total debt of \$2,557,194.

The City has entered into interest rate swap agreements to manage the volatility of interest rates. The City converted notional floating rate debt totalling \$44,244 [2018 – \$54,727] 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 2021, 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, 2019, the City would pay the market value of \$265 [2018 – receive \$76].

The City has entered into bank swap agreements to improve budget certainty for commodity costs. As at December 31, 2019, the City had set bank swaps in place to hedge 38,150,000 litres [2018 – 53,200,000 litres] of diesel fuel for the 2020 and 2021 calendar years with expiry dates ranging from January 2020 to September 2021 [2018 – January 2019 to December 2020]. The City has assessed the relationship as effective. If the commodity swaps were cancelled as at December 31, 2019, the City would pay the swap counterparty the market value of \$768 [2018 – \$5,206].

[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.

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11. 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 City has netted the long-term receivable from Project Co with the long-term payable to the long-term lenders for the principal amount of \$225,000 on the consolidated statement of financial position. The key economic terms of the loan receivable are identical but not all the terms and conditions imposed on Project Co were transferred to the debenture agreement. The debentures issued by the City were issued at an interest rate of 4.89% and mature on June 30, 2047. Principal payments in future years are as follows:

Table 34 - Principal repayments on light rail debt

Principal payments	
2020	\$533
2021	5,192
2022	7,038
2023	7,382
2024	7,731
2025 and thereafter	196,900
Total	\$224,776

The City has also netted revenue received from Project Co with expenses paid to long-term lenders for debt servicing in the amount of \$11,008 [2018 – \$11,012] on the consolidated statement of operations and accumulated surplus.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 *[dollars in thousands]*

12. MORTGAGES PAYABLE

Table 35 - Mortgages payable

Mortgages payable	2019	2018
Mortgages payable on housing properties at various rates ranging from 2.70% to 6.75% guaranteed by the Canada Mortgage and Housing Corporation with maturity dates ranging from January 1, 2020 to January 1, 2044 and debentures payable to Infrastructure Ontario maturing from 2036 to 2049 with interest rates ranging from 2.95% to 4.96%	\$272,952	\$263,230
Forgivable loans related to Canada Ontario Affordable Housing Program and Residential Rehabilitation Assistance Program	3,260	3,260
Total	\$276,212	\$266,490

[a] Public housing debentures issued by Canada Mortgage and Housing Corporation in the amount of \$9,155 [2018 – \$15,185] 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 \$223,691 [2018 – \$206,982], 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 \$12,948 [2018 – \$12,302]. 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 four OCHC properties were refinanced in 2019 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 \$18,936 of funding to be utilized for future capital repairs.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 [dollars in thousands]

12. MORTGAGES PAYABLE [CONTINUED]

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

Table 36 - Principal repayments on mortgages payable

Principal repayments	
2020	\$9,660
2021	9,904
2022	10,196
2023	10,239
2024	10,019
2025 and thereafter	226,194
Total	\$276,212

The principal payments in 2019 totaled \$9,686 [2018 – \$9,762].

13. CAPITAL LEASE OBLIGATIONS

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

Table 37 - Capital lease obligations

Capital lease obligations	Office building	Paramedic services building	Shenkman Arts Centre
Lease term	24 years	30 years	30 years
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 38 - 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
2020	\$4,240	\$2,060	\$690	\$898	\$846	\$1,640	\$5,776	\$4,598
2021	4,495	1,805	729	858	971	1,595	6,195	4,258
2022	4,764	1,535	769	815	1,097	1,544	6,630	3,894
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
Thereafter	16,724	625	13,228	4,016	28,105	9,375	58,057	14,016
Total	\$40,626	\$8,222	\$17,087	\$8,083	\$33,295	\$17,075	\$91,008	\$33,380

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 [dollars in thousands]

14. TANGIBLE CAPITAL ASSETS FOR 2019 WITH COMPARATIVES FOR 2018

Table 39 - Tangible capital assets - cost

Cost	Buildings and improvements	Infrastructure		Land	Land improvements
		Linear roads	Linear water/wastewater		
Balance, beginning of year	\$2,272,898	\$4,027,148	\$6,074,509	\$2,840,995	\$700,075
Additions	596,698	1,028,686	423,583	45,105	56,143
Disposals	(333)	(8,266)	(4,534)	0	(3,108)
Balance, end of year	2,869,263	5,047,568	6,493,558	2,886,100	753,110

Table 40 - Tangible capital assets - accumulated amortization

Accumulated amortization	Buildings and improvements	Infrastructure		Land	Land improvements
		Linear roads	Linear water/wastewater		
Balance, beginning of year	944,872	1,592,306	1,508,238	0	263,499
Disposals	(120)	(995)	(3,028)	0	(1,735)
Amortization expense	51,597	90,496	73,995	0	16,223
Balance, end of year	996,349	1,681,807	1,579,205	0	277,987
Net book value, end of year	\$1,872,914	\$3,365,761	\$4,914,353	\$2,886,100	\$475,123

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 [dollars in thousands]

14. TANGIBLE CAPITAL ASSETS FOR 2019 WITH COMPARATIVES FOR 2018
[CONTINUED]

Table 41 - Tangible capital assets - cost (continued)

Cost	Machinery, plant and equipment	Vehicles	Assets under construction	Total 2019	Total 2018
Balance, beginning of year	\$1,568,628	\$1,046,171	\$2,954,610	\$21,485,034	\$20,532,977
Additions	322,933	586,396	(1,583,263)	1,476,281	988,441
Disposals	(3,424)	(45,407)	(624)	(65,696)	(36,384)
Balance, end of year	1,888,137	1,587,160	1,370,723	22,895,619	21,485,034

Table 42 - Tangible capital assets - accumulated amortization (continued)

Accumulated amortization	Machinery, plant and equipment	Vehicles	Assets under construction	Total 2019	Total 2018
Balance, beginning of year	622,074	573,878	0	5,504,867	5,192,515
Disposals	(2,559)	(39,347)	0	(47,784)	(23,735)
Amortization expense	48,013	77,807	0	358,131	336,087
Balance, end of year	667,528	612,338	0	5,815,214	5,504,867
Net book value, end of year	\$1,220,609	\$974,822	\$1,370,723	\$17,080,405	\$15,980,167

Assets under construction

During 2019, the City acquired \$1,476,281 [2018 – \$988,441] of assets under construction. As assets were placed into service, transfers in the amount of \$3,059,544 [2018 – \$769,181] were made from assets under construction to the respective asset classes to arrive at a net balance of (\$1,583,263) [2018 – \$219,260] 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
DECEMBER 31, 2019 *[dollars in thousands]*

14. TANGIBLE CAPITAL ASSETS FOR 2019 WITH COMPARATIVES FOR 2018
[CONTINUED]

Contributed tangible capital assets

The value of contributed tangible capital assets received during 2019 amounts to \$474,514 [2018 – \$318,684] and is included in additions disclosed above.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 *[dollars in thousands]*

15. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus, reserves, and equity in government business enterprise.

Table 43 - Accumulated surplus

Accumulated surplus comprises the following:	2019	2018
Invested in tangible capital assets	14,128,839	\$13,677,648
Capital fund – unfinanced capital outlay	327,854	(233,944)
Endowment fund	161,614	168,170
Employee future benefits and pension agreements	(692,312)	(652,413)
Landfill closure and post-closure liabilities	(34,531)	(25,690)
Brownfields	(55,375)	(53,119)
Contaminated sites	(8,424)	(8,633)
Other	(94,607)	(65,700)
Total	13,733,058	12,806,319

Table 44 - Accumulated surplus (continued)

Reserves	2019	2018
Restricted reserves		
Gas tax	73,764	102,752
Total restricted reserves	73,764	102,752
Discretionary reserves		
Environmental services	107,973	132,674
Transit	14,486	59,946
Housing	83,567	76,765
Employee benefits	59,949	57,567
Tax stabilization	27,615	31,249
Parking	23,753	27,605
City wide	37,272	18,780
Corporate fleet	9,574	7,280
Other	11,121	11,555
Total discretionary reserves	375,310	423,421
Total reserves	449,074	526,173
Equity in government business enterprise		
[note 5]	470,297	462,975
Accumulated surplus	\$14,652,429	\$13,795,467

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 *[dollars in thousands]*

16. CONTINGENCIES, COMMITMENTS AND CONTRACTUAL RIGHTS

[a] In the course of its business, the City becomes involved in various claims and legal proceedings. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. A provision for these claims has been recorded in the consolidated financial statements based on management's best estimate of the likely outcome. Should claims be settled for amounts other than established accruals, which could be material to the financial results in the year of settlement, the outstanding amounts will be offset against operations as incurred.

[b] The City has the following contractual obligations for capital works over the next five years:

Table 45 - Contractual obligations for capital works

Contractual obligations for capital works	
2020	\$3,713,985
2021	3,610
2022	1,965
2023	106
2024	454

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

Table 46 - Building and equipment lease payments

Building and equipment lease payments	
2020	\$16,401
2021	12,029
2022	7,460
2023	5,570
2024	4,636

[d] On August 30, 2019, Stage 1 of the O-Train Confederation Line achieved Revenue Service Availability and the maintenance contract became effective on that date.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 *[dollars in thousands]*

16. CONTINGENCIES, COMMITMENTS AND CONTRACTUAL RIGHTS
[CONTINUED]

The City has committed to making a series of monthly service payments during the 29-year maintenance and service term ending May 2048. Payments include \$48,141 in the first full year of operation in base date [2013] dollars for capital construction costs deferred beyond the construction period, as well as for maintenance costs associated with the light rail system and vehicles. 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. In 2019, monthly service payments were made for the first full month of operations starting August 31 and performance deductions relating to the previous months' operations were applied in the following months.

[e] As at December 31, 2019, Hydro Ottawa has total open commitments amounting to \$139,637 for 2020 to 2026. The commitments relate to a customer information system service agreement, construction projects, spare parts and standby equipment and overhead and underground services.

[f] The City has commitments for the purchase of ice rental time in the amounts of \$1,745, \$7,999 and \$17,484 in accordance with three public-private partnership agreements. These commitments are set to expire in 2027, 2034 and 2043, respectively.

[g] The City has entered into guarantees of loans amounting to \$127,720 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 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, 2019 is \$110,383. The City has converted floating rate debt in the amount of \$98,830 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 2019 [2018 – 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

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 *[dollars in thousands]*

16. CONTINGENCIES, COMMITMENTS AND CONTRACTUAL RIGHTS
[CONTINUED]

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, and then OSEG Partners, and then to the City of Ottawa, with remaining cash balances to be evenly split between the City and OSEG. On December 31, 2044, the agreement will expire unless the agreement between the City and OSEG is terminated early.

17. TAXES AVAILABLE FOR MUNICIPAL PURPOSES

Table 47 - Taxes available for municipal purposes

Taxes available for municipal purposes	2019	2018
Property taxes	\$2,172,537	\$2,087,245
Payment in lieu of taxes	174,334	169,748
Local improvements and other charges	6,009	7,540
Less education taxes	(488,120)	(487,811)
Total taxes available for municipal purposes	\$1,864,760	\$1,776,722

18. 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 48 - Expenses by object

Expenses by object	2019	2018
Salaries, wages and employee benefits	\$1,741,140	\$1,646,307
Contracted and general services	440,186	371,539
Materials, equipment and supplies	497,040	473,976
Interest charges	105,439	99,358
Rent and financial expenses	93,889	83,724
External transfers	520,405	551,616
Amortization	358,131	336,087
Loss (gain) on disposal	16,446	(11,314)
Total expenses	3,772,676	3,551,293

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 *[dollars in thousands]*
19. SEGMENTED INFORMATION
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE
For the year ended December 31, 2019

Table 49 - Consolidated schedule of segment disclosure

REVENUE	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Government transfers - provincial	82	12,990	2,260	36,636	29,324	107,452
Government transfers - federal	22	2,437	6,098	348,350	19,473	1,019
Fees and user charges	14,503	76,579	33,598	190,470	392,797	2,595
Contributed tangible capital assets	0	0	75,054	2,774	375,231	0
Development charges	126	2,089	30,030	54,745	34,337	0
Fines and penalties	534	17,840	0	0	0	0
Other	56	570	5	31,464	164	0
Total revenue	15,323	112,505	147,045	664,439	851,326	111,066
EXPENSES	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Salaries and benefits	65,055	506,243	115,319	349,606	117,394	144,433
Contracts and general services	11,336	49,143	102,310	99,910	103,322	11,196
Materials, equipment and supplies	15,144	50,190	74,420	99,221	58,289	15,899
Interest charges	1,238	1,352	20,680	23,846	29,568	1,030
Rent and financial expenses	15,259	6,871	6,179	37,372	8,202	3,067
External transfers	0	10,197	0	0	2,132	0
Amortization	903	13,123	110,307	82,776	102,607	5,238
Loss (gain) on disposal	25	190	3,955	5,084	5,803	82
Total expenses	108,960	637,309	433,170	697,815	427,317	180,945
ANNUAL SURPLUS (DEFICIT)	\$(93,637)	\$(524,804)	\$(286,125)	\$(33,376)	\$424,009	\$(69,879)

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 *[dollars in thousands]*

19. SEGMENTED INFORMATION [CONTINUED]

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2019

Table 50 - Consolidated schedule of segment disclosure (continued)

	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Non Departmental	Total
REVENUE						
Taxes	\$0	\$0	\$0	\$0	\$1,864,760	\$1,864,760
Government transfers - provincial	394,778	65,433	3,035	1,332	12,408	665,730
Government transfers - federal	0	37,479	1,305	1,329	0	417,512
Fees and user charges	19,258	72,838	62,367	36,203	2,120	903,328
Contributed tangible capital assets	0	0	18,762	2,693	0	474,514
Development charges	0	9	1,683	2,158	1,987	127,164
Fines and penalties	0	0	736	0	18,787	37,897
Other	0	7,780	9,075	15,243	77,183	141,540
Total revenue	414,036	183,539	96,963	58,958	1,977,245	4,632,445
EXPENSES						
Salaries and benefits	150,496	46,159	215,192	31,243	0	1,741,140
Contracts and general services	11,340	2,659	41,672	7,298	0	440,186
Materials, equipment and supplies	17,118	97,090	65,758	3,911	0	497,040
Interest charges	1,270	11,429	12,360	2,666	0	105,439
Rent and financial expenses	3,330	5,651	1,020	6,938	0	93,889
External transfers	351,484	121,647	10,893	24,052	0	520,405
Amortization	1,949	16,618	24,174	436	0	358,131
Loss (gain) on disposal	19	2	1,278	8	0	16,446
Total expenses	537,006	301,255	372,347	76,552	0	3,772,676
ANNUAL SURPLUS (DEFICIT)	\$(122,970)	\$(117,716)	\$(275,384)	\$(17,594)	\$1,977,245	\$859,769

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 [dollars in thousands]
19. SEGMENTED INFORMATION [CONTINUED]
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE
For the year ended December 31, 2018

Table 51 - 2018 Consolidated schedule of segment disclosure [see note 22]

	General		Roads, Traffic and		Environmental	Health
REVENUE	Government	Protection	Parking	Transit	Services	Services
Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Government transfers - provincial	51	9,867	9,250	37,754	29,162	102,333
Government transfers - federal	0	2,290	23,187	157,352	30,397	0
Fees and user charges	13,752	64,124	25,404	183,955	386,337	2,622
Contributed tangible capital assets	0	0	69,235	697	213,928	0
Development charges	0	2,757	13,681	33,555	22,197	0
Fines and penalties	294	16,289	0	0	0	0
Other	56	830	0	4,312	179	0
Total revenue	14,153	96,157	140,757	417,625	682,200	104,955
EXPENSES	General		Roads, Traffic and		Environmental	Health
	Government	Protection	Parking	Transit	Services	Services
Salaries and benefits	70,213	476,112	122,636	319,326	99,886	138,345
Contracts and general services	10,001	51,693	78,067	70,885	93,003	11,374
Materials, equipment and supplies	17,257	43,283	69,249	107,446	58,317	16,318
Interest charges	1,300	1,628	21,494	15,604	29,616	1,221
Rent and financial expenses	13,778	5,561	10,930	1,940	4,454	3,328
External transfers	0	9,852	0	0	1,768	0
Amortization	983	13,581	109,434	67,409	97,292	4,820
Loss (gain) on disposal	9	108	810	293	4,348	177
Total expenses	113,541	601,818	412,620	582,903	388,684	175,583
ANNUAL SURPLUS (DEFICIT)	\$(99,388)	\$(505,661)	\$(271,863)	\$(165,278)	\$293,516	\$(70,628)

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 [dollars in thousands]
19. SEGMENTED INFORMATION [CONTINUED]
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE
For the year ended December 31, 2018

Table 52 - 2018 Consolidated schedule of segment disclosure (continued)

	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Non Departmental	Total
REVENUE						
Taxes	\$0	\$0	\$0	\$0	\$1,776,722	\$1,776,722
Government transfers - provincial	417,645	80,679	4,397	5,070	8,156	704,364
Government transfers - federal	0	26,993	2,240	10,690	0	253,149
Fees and user charges	19,193	69,324	61,508	29,466	2,110	857,795
Contributed tangible capital assets	0	0	32,049	2,775	0	318,684
Development charges	3,502	2	3,924	11	403	80,032
Fines and penalties	0	0	768	0	18,088	35,439
Other	0	15,671	4,684	16,964	91,505	134,201
Total revenue	440,340	192,669	109,570	64,976	1,896,984	4,160,386
EXPENSES						
Salaries and benefits	139,504	45,136	201,697	33,452	0	1,646,307
Contracts and general services	9,973	3,891	38,299	4,353	0	371,539
Materials, equipment and supplies	14,129	79,972	63,005	5,000	0	473,976
Interest charges	1,342	11,884	12,478	2,791	0	99,358
Rent and financial expenses	5,188	5,682	1,258	31,605	0	83,724
External transfers	380,501	127,623	9,568	22,304	0	551,616
Amortization	1,914	16,469	23,738	447	0	336,087
Loss (gain) on disposal	8	42	(18,291)	1,182	0	(11,314)
Total expenses	552,559	290,699	331,752	101,134	0	3,551,293
ANNUAL SURPLUS (DEFICIT)	\$(112,219)	\$(98,030)	\$(222,182)	\$(36,158)	\$1,896,984	\$609,093

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 *[dollars in thousands]*

19. 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 reporting reflected as part of the Ontario Financial Information Return.

These functional areas represent segments for the City of Ottawa, 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 and parks of 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, 2019 *[dollars in thousands]*

19. 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.
- Non departmental includes equity in earnings of government business enterprise, investment income, shared lottery earnings, and miscellaneous sundry revenue.

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.

20. 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.

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21. BUDGET AMOUNTS

Budget data presented in these consolidated financial statements is based upon the 2019 operating and capital budgets approved by Council. Council-approved budgets are prepared on a modified cash 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 chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Actuals have been used to approximate budget amounts for certain reconciling items that were not included in the Council budget. Budgeted transfers from/to other funds and budgeted proceeds on debt issues/debt principal payments are the only two items that were included in the Council budget; actuals have been used to estimate budget amounts for all other items in the table below.

Table 53 - Budget reconciliation

Budget reconciliation	Revenue	Expenses
Budget as approved by Council		
Operating	\$3,614,522	\$3,614,522
Capital	766,598	766,598
Add		
Consolidated entities	186,879	186,879
Contributed assets	474,514	0
Reserve fund revenue	21,842	0
Additional capital authorized in current year	3,944,745	3,944,745
Hydro Ottawa Holding Inc. equity pickup	10,129	0
Interest earned on sinking fund	4,145	4,145
Loss on disposal		16,444
Change in employee future benefits and pension agreements	0	39,450
Change in other obligations to be funded	0	37,983
Amortization	0	358,131
	<u>9,023,374</u>	<u>8,968,897</u>
Less		
Reclassifications and eliminations	(28,644)	(27,589)
Timing difference between capital authority and capital spending plan	(3,753,495)	(2,981,585)
Acquisition of tangible capital assets	0	(1,476,192)
Budgeted transfer from/to other funds	(597,291)	(594,726)
Budgeted proceeds on debt issue/debt principal payments	(188,311)	(140,043)
	<u>(4,567,741)</u>	<u>(5,220,135)</u>
Budget for financial statement purposes	\$4,455,633	\$3,748,762

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22. COMPARATIVE FIGURES

Certain comparative figures for 2018 have been reclassified to conform with the presentation adopted for the current year.

23. 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 will be complete in 2020. Future commitments are as follows:

Table 54 - Streetlight conversion schedule

Streetlight conversion schedule	
2020 (7,886 units)	\$3,785

24. SUBSEQUENT EVENTS

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19" has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. The Government of Canada has announced a new set of economic measures to help stabilize the economy during this challenging period. The ongoing situation remains fluid and the City is currently assessing the impacts of this on its operations. It is anticipated that the most significant negative impact will be to fees and user charges revenues. At this time, it is not possible to reliably estimate any further impacts that the global COVID-19 outbreak may have on the financial results and condition of the City.

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APPENDIX 1 - CONDENSED SUPPLEMENTARY INFORMATION

OTTAWA PUBLIC LIBRARY BOARD

As at December 31, 2019, with comparative information for 2018 *[dollars in thousands]*

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

Table 55 - Ottawa Public Library Board - Financial position

Financial position	2019	2018
Financial assets	\$59,532	\$54,579
Liabilities	38,423	34,561
Net assets	21,109	20,018

Table 56 - Ottawa Public Library Board - Non-financial assets

Non-financial assets	2019	2018
Tangible capital assets	46,427	43,375
Prepaid expenses	2	250
Total non-financial assets	46,429	43,625
Accumulated surplus	\$67,538	\$63,643

Consolidated statement of operations and accumulated surplus

For the year ended December 31, 2019, with comparative information for 2018 *[dollars in thousands]*

Table 57 - Ottawa Public Library Board - Consolidated statement of operations and accumulated surplus - Revenue

Revenue	2019	2018
City of Ottawa	\$55,160	\$51,072
Province of Ontario - Ministry of Tourism, Culture and Sport		
Operating funding (PLOG)	1,210	1,210
Pay equity funding (PLOG)	170	170
IT and service capacity (OLCF)	0	118
Development charges	810	272
Proceeds from sale of Main library building	0	18,365
Other	1,728	162
Total revenue	\$59,078	\$71,369

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Table 58 - Ottawa Public Library Board - Consolidated statement of operations and accumulated surplus - Expenses

Expenses	2019	2018
Operating expenditures	55,183	51,146
Total expenses	55,183	51,146
Annual surplus	3,895	20,223
Accumulated surplus, beginning of the year	63,643	43,420
Accumulated surplus, end of the year	\$67,538	\$63,643