

Financial statements of

The Corporation of the City of Oshawa

December 31, 2012

Independent Auditor's Report

To the Board Members, Members of Council, Inhabitants and
Ratepayers of the Corporation of the City of Oshawa

We have audited the accompanying consolidated financial statements of the Corporation of the City of Oshawa, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Oshawa as at December 31, 2012, and the results of its operations, change in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 24, 2013

THE CORPORATION OF THE CITY OF OSHAWA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2012

	2012	2011
	\$	\$
Financial Assets		
Cash and cash equivalents	16,916,260	11,498,982
Short-term investments	40,531,514	33,989,258
Taxes receivable	7,551,754	8,057,028
Accounts receivable	6,074,904	7,177,276
Other assets	101,500	101,500
Investment in Oshawa Power and Utilities Corporation (Note 3)	45,381,400	42,577,400
Total	116,557,332	103,401,444
Liabilities		
Accounts payable and accrued liabilities	19,059,516	19,027,180
Deferred revenue (Note 4)	53,713,633	52,524,863
Employee future benefits and other liabilities (Note 5)	45,341,890	44,103,260
Long-term liabilities (Note 6)	79,374,865	84,003,233
Total	197,489,904	199,658,536
Net Debt	(80,932,572)	(96,257,092)
Non-Financial Assets		
Tangible Capital Assets (Note 7)	554,424,706	565,786,195
Inventory and prepaid expenses	2,503,959	1,261,730
Accumulated Surplus (Note 8)	475,996,093	470,790,833

Commitments (Note 13)

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

THE CORPORATION OF THE CITY OF OSHAWA
CONSOLIDATED STATEMENT OF OPERATIONS
year ended December 31, 2012

	Budget (Note 15)	2012	2011
	\$	\$	\$
Revenues			
Property taxation	109,809,600	107,466,326	105,839,892
Taxation from other governments	2,578,000	3,416,323	2,909,591
User charges	15,649,514	17,451,753	16,082,140
Government grants	1,601,250	1,503,963	8,919,907
Contributions from developers - earned	2,494,993	2,633,176	2,156,195
Revenue recognized on assumed assets	8,551,033	8,551,033	3,716,066
Federal gas tax revenue	5,402,544	5,405,044	3,418,403
Investment income	443,200	1,294,755	1,030,725
Penalties and interest on taxes	1,600,000	1,369,431	1,481,295
Licenses and permits	3,490,600	3,431,865	3,785,058
Fines	1,365,000	1,251,015	1,124,746
Oshawa Power and Utilities Corporation net income (Note 3)	1,600,000	4,504,000	5,398,000
Other	3,428,000	5,094,952	7,630,688
Total Revenue	158,013,734	163,373,636	163,492,707
Expenses (Note 11)			
General government	30,353,417	30,149,125	26,717,191
Protection to persons and property	30,442,175	31,219,005	30,139,481
Transportation services	34,769,256	32,766,690	34,256,320
Environmental services	6,536,957	6,328,198	6,200,272
Health services	471,595	443,380	449,450
Social and family services	1,498,497	1,502,297	1,547,271
Social housing	476,059	427,403	504,131
Recreation and cultural services	50,924,475	50,866,142	51,008,245
Planning and development services	5,209,742	4,466,136	3,770,720
Total Expenses	160,682,173	158,168,376	154,593,081
Annual Surplus (Deficit)	(2,668,439)	5,205,260	8,899,626
Accumulated surplus, beginning of year	470,790,833	470,790,833	461,891,207
Accumulated surplus, end of year	468,122,394	475,996,093	470,790,833

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

THE CORPORATION OF THE CITY OF OSHAWA
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
year ended December 31, 2012

	2012	2011
	\$	\$
Annual Surplus	5,205,260	8,899,626
Amortization of tangible capital assets	24,755,177	24,211,743
Acquisition of tangible capital assets	(13,797,380)	(32,200,373)
Loss on disposal of tangible capital assets	403,692	874,361
Change in inventory and prepaid expenses	(1,242,229)	(820,169)
Decrease in net debt	15,324,520	965,188
Net debt, beginning of year	(96,257,092)	(97,222,280)
Net debt, end of year	(80,932,572)	(96,257,092)

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

THE CORPORATION OF THE CITY OF OSHAWA
CONSOLIDATED STATEMENT OF CASH FLOWS
year ended December 31, 2012

	2012	2011
	\$	\$
Operating Activities		
Annual surplus	5,205,260	8,899,626
Items not involving cash:		
Amortization	24,755,177	24,211,745
Loss on disposal of tangible capital assets	403,692	874,361
Assumed assets recognized as revenue	(8,551,033)	(3,716,066)
Net changing in non-cash working capital:		
Decrease in taxes receivable	505,274	1,242,591
Decrease in accounts receivable	1,102,372	1,007,986
Increase/(decrease) in accounts payable and accrued liabilities	32,336	(644,784)
Increase in deferred revenue	1,188,770	5,360,778
Increase in employee future benefits and other liabilities	1,238,630	2,394,601
Increase in inventory and prepaid expenses	(1,242,229)	(820,169)
Oshawa Power and Utilities Corporation net income, which does not involve cash	(4,504,000)	(5,398,000)
Cash provided by Operating Activities	20,134,249	33,412,669
Capital Activities		
Acquisition of tangible capital assets	(5,246,347)	(28,484,309)
Financing		
Debenture debt retired	(4,628,368)	(5,370,721)
Investing		
Net change in short-term investments	(6,542,256)	560,376
Dividend received from Oshawa Power and Utilities Corporation	1,700,000	1,600,000
Cash provided by Investing Activities	(4,842,256)	2,160,376
Increase in cash and cash equivalents	5,417,278	1,718,015
Cash and cash equivalents, beginning of year	11,498,982	9,780,967
Cash and cash equivalents, end of year	16,916,260	11,498,982

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

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012

The Corporation of the City of Oshawa is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The Corporation of the City of Oshawa (the "City") are the representations of management prepared in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of the accounting policies adopted by the City are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards controlled by the City, including the following:

Oshawa Public Library Board
Oshawa Central Business District Improvement Area

Inter-departmental and inter-organizational transactions and balances between these organizations have been eliminated.

The City's investment in the Oshawa Power and Utilities Corporation ("OPUC") is accounted for on the modified equity basis, consistent with generally accepted accounting principles as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, the business enterprise's accounting policies are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of OPUC in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the City may receive from OPUC will be reflected as reductions in the investment asset account.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The consolidated financial statements are prepared under the accrual basis of accounting.

The accrual basis of accounting recognizes revenue in the fiscal year in which transactions or events occurred that gave rise to the revenue and became measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

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 extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible Capital Assets

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

	Useful life - years
Land improvements	20 - 40
Buildings	10 - 50
Machinery and equipment	3 - 25
Vehicles	4 - 25
Furniture	7
Linear assets	15 - 50
Other assets	5 - 50

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets classified as work-in-progress are not amortized until the asset is available for productive use.

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contribution of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value on the earlier of the date received or of the transfer of risk and responsibility. Contributed assets are recorded as revenue.

Intangible Assets

Intangible assets and natural resources that have been purchased are not recognized as assets in the financial statements.

Interest Capitalization

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

Reserves and Reserve Funds

Certain amounts, as approved by City Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from these reserves and reserve funds are reported as an adjustment to the respective fund when approved. Reserves and reserve funds form part of the accumulated surplus balance.

Government Transfers

Government transfers are recognized as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

The City receives development charge contributions, payments in lieu of parkland and gas tax funding under the authority of federal/provincial legislation and City by-laws. These funds by their nature are restricted in their use and until applied to applicable capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal year they are expended. The City also receives revenue for user charges and fees which have been collected but for which the related services have yet to be performed. These amounts are also recorded as deferred revenue and will be recognized as revenues in the fiscal year the services are performed.

Taxation and Related Revenue

Property tax billings are prepared by the City based on an assessment roll provided by the Municipal Property Assessment Corporation ("MPAC"). All assessed property values in the City are established by MPAC based on a common valuation date.

Investment Income

Investment income is reported as revenue in the fiscal year earned. Investment income earned on development charges, parkland obligatory reserve funds and federal gas tax reserve funds is added to the reserve fund balance and forms part of the respective deferred revenue balance.

Post Employment Benefits

The present value of the cost of providing employees with future benefit programs is recognized as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care costs. Actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of all employees covered.

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for School Boards and Region of Durham Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the School Boards and Region of Durham are not reflected in the municipal balances of these financial statements.

Trust Funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Financial Activities and Fund Balance" and the "Trust Funds Statement of Financial Position".

Use of Estimates

The preparation of consolidated financial statements, in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates. Accounts requiring significant estimates include accounts receivable, accrued liabilities, employee future benefits and other liabilities, and tangible capital assets.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012

2. OPERATIONS OF SCHOOL BOARDS AND THE REGION OF DURHAM

During 2012, requisitions were made by the School Boards and the Region of Durham requiring the City to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized in the following table:

	2012		2011	
	School Boards	Region	Total	Total
Property taxes	\$54,841,966	\$116,531,046	\$171,373,012	\$168,909,379
Taxation from other governments	-	1,719,040	1,719,040	1,642,359
Total amounts transferred	\$54,841,966	\$118,250,086	\$173,092,052	\$170,551,738

3. INVESTMENT AND EQUITY IN OSHAWA POWER AND UTILITIES CORPORATION

In accordance with the requirements of Bill 35 (the Energy Competition Act, 1998), the City passed a transfer by-law, effective November 1, 2000, that transferred substantially all of the assets and liabilities of Oshawa Public Utilities Commission ("the Commission") to Oshawa Power and Utilities Corporation ("OPUC"). OPUC has carried on the former business of the Commission with all the rights, duties, obligations, and responsibilities. The City is the sole shareholder of the OPUC.

The City's investment in OPUC is as follows:

	2012	2011
Total Investment/Equity, beginning of year	\$42,577,400	\$38,779,400
Changes during year:		
Net income of OPUC	4,504,000	5,398,000
Dividends received from OPUC	(1,700,000)	(1,600,000)
Total Investment/Equity, end of year	\$45,381,400	\$42,577,400

The City holds 1,000 common shares of the OPUC representing 100% of the outstanding shares. With Council approval, the proceeds from the current year

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012

3. INVESTMENT AND EQUITY IN OSHAWA POWER AND UTILITIES CORPORATION (continued)

dividend were transferred to operations with a corresponding reduction in equity in OPUC.

The following table provides condensed financial information in respect of the financial position of OPUC as at December 31, 2012 and its operations.

	2012	2011
Financial position		
Current assets	\$35,414,400	\$ 35,853,400
Capital assets	78,391,000	69,626,000
Deferred charges and other assets	9,610,000	10,473,000
Total assets	123,415,400	115,952,400
Current liabilities	20,398,000	18,013,000
Long-term liabilities	57,636,000	55,362,000
Total liabilities	78,034,000	73,375,000
Net assets	\$45,381,400	\$42,577,400

	Year Ended December 31, 2012	Year Ended December 31, 2011
Results of operations		
Revenue	\$118,192,000	\$118,408,000
Operating expenses	113,688,000	113,010,000
Income for the period	\$4,504,000	\$5,398,000
Dividends paid	\$1,700,000	\$1,600,000

Included in revenue above is \$5,020,974 (2011 - \$4,455,376) earned from the City for services provided. Operating expenses above include \$ 283,404 (2011 - \$264,020) paid to the City for net rent at 100 Simcoe Street, Oshawa, ON.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012

4. DEFERRED REVENUE

Deferred revenue consists of the following:

	2012	2011
Obligatory reserve funds		
Development charges	\$43,101,017	\$40,810,750
Parkland	979,585	893,501
Federal gas tax	5,606,683	6,594,111
Other	4,026,348	4,226,501
Total	\$53,713,633	\$52,524,863

Continuity of deferred revenue is as follows:

	2012	2011
Balance, beginning of year	\$52,524,863	\$47,164,085
Developer contributions collected	4,289,237	3,420,876
Federal gas tax	4,343,273	4,343,273
Other collections	4,209,151	5,655,796
Interest earned	500,013	485,728
	13,341,674	13,905,673
Less:		
Developer contributions used	2,521,360	2,677,276
Federal gas tax used	5,405,044	3,427,795
General deferred revenue used	4,226,500	2,439,824
	12,152,904	8,544,895
Balance, end of year	\$53,713,633	\$52,524,863

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012

5. EMPLOYEE FUTURE BENEFITS AND OTHER LIABILITIES

Employee benefits, post employment and other liabilities are comprised of the following:

	2012	2011
Future payments required to WSIB	\$ 8,339,660	\$8,047,123
Accumulated sick leave benefit plan entitlements	7,967,815	7,782,029
Post employment benefits	27,672,211	27,101,413
Other liabilities	1,362,204	1,172,695
Total	\$45,341,890	\$44,103,260

(a) Future payments required to WSIB

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board ("WSIB") Act, the City has elected to be treated as a Schedule 2 employer and therefore remits payments to the WSIB as required to fund disability payments. The estimated liability reported in these financial statements is based on an actuarial valuation update completed February 12, 2013.

(b) Accumulated sick leave benefit plan entitlements

Under the sick leave benefit plan, unused sick leave can accumulate and some employees may become entitled to a cash payment when they leave the City's employ. The estimated liability reported in these financial statements is based on an actuarial valuation update completed February 12, 2013.

(c) Post employment benefits

The City makes available to qualifying employees certain non-pension retirement benefits for extended health care and life insurance.

The accrued benefit liability and expense figures for the year ended December 31, 2012 are based on the results and assumptions determined by actuarial valuation completed February 12, 2013.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012

5. EMPLOYEE FUTURE BENEFITS AND OTHER LIABILITIES (continued)

The significant actuarial assumptions adopted in estimating the City's accrued post employment benefits liability are as follows:

Discount rate – benefit plans	4%
Discount rate – sick leave	3.25%
Future inflation rates	2% per annum
Medical benefit cost escalation	8% per year reducing to 5% after 6 years

Information about the City's employee benefits, post employment benefits and other liabilities is as follows:

Liability for post employment benefits as at Jan. 1, 2012	\$44,103,260
Current period service cost	1,719,769
Amortization of actuarial losses	(198,622)
Interest	1,992,693
Benefits paid	(2,275,210)
Liability for post employment benefits as at Dec. 31, 2012	\$45,341,890

The unamortized actuarial loss included in the year end liability is as follows:

Accrued benefit obligation	\$45,081,640
Unamortized actuarial losses	260,250
Liability for post employment benefits and other liabilities	\$45,341,890

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012

6. LONG-TERM LIABILITIES

- (a) Long-term liabilities are comprised of debentures issued by the Region of Durham and two mortgages issued by the CMHC for which the City has assumed responsibility for the payment of principal and interest charges. Interest rates vary from 1.40% to 6.375%.

- (b) Future principal payments required for payment of net long-term liabilities are summarized as follows:

2013	2014	2015	2016	2017	Total
\$4,652,725	\$4,828,126	\$5,019,056	\$5,215,633	\$5,421,186	\$25,136,726

Payable in 2018 to 2022	30,424,353
Payable in 2023 and thereafter	<u>23,813,786</u>
	<u>79,374,865</u>

- (c) In 2012, a balloon payment of \$20,297,000 was refinanced through the issue of a ten-year debenture.
- (d) Approval of the Ontario Municipal Board has been obtained for the long-term liabilities issued by the Region of Durham for the City on or before December 31, 1992. Those issued after December 31, 1992 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limits prescribed by the Ministry of Municipal Affairs and Housing.
- (e) Principal repaid on long-term liabilities in 2012 amounted to \$ 4,628,368 (2011 - \$5,370,721).
- (f) Interest expense on long-term liabilities in 2012 amounted to \$ 4,350,387 (2011 - \$4,755,413).

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012

7. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2012	2011
Land	\$130,824,248	\$130,540,776
Land improvements	24,599,891	24,815,714
Buildings	139,362,564	145,200,468
Machinery & equipment	10,182,975	10,301,491
Vehicles	9,225,661	9,724,466
Furniture	1,027,382	1,235,770
Linear assets	227,092,153	229,488,234
Other assets	7,813,084	7,930,298
	\$550,127,958	\$559,237,217
Work-in-progress	4,296,748	6,548,978
Total	\$554,424,706	\$565,786,195

i) Contributed tangible capital assets

The City records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are land, roadways, and storm sewer lines installed by a developer as part of a subdivision agreement. Transfers of tangible capital assets in 2012 amounted to \$8,551,033 (2011 - \$3,716,066).

ii) Tangible capital assets recognized at nominal value

Certain assets have been assigned a nominal value of one Canadian dollar because of the difficulty of determining a tenable valuation and/or the assets were older than their estimated expected useful lives, and therefore were fully amortized.

iii) Works of art and historical treasures

The City protects and preserves a number of owned historical buildings, collections of equipment, artifacts, documents and exhibits and works of art. These assets are not held for financial gain or to provide service but rather for public exhibition, education or research in furtherance of public service. These historical treasures and works of art are not recognized as tangible capital assets in the financial statements. The acquisition or betterment of such assets is recognized in the financial statements as an operating expense.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012

8. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2012	2011
Operating fund	\$389,575	\$273,580
Capital fund	(43,103,393)	(42,473,391)
Reserves and reserve funds	43,620,560	32,733,542
Unfunded liabilities	(124,716,755)	(128,106,493)
Net equity in OPUC	45,381,400	42,577,400
Invested in tangible capital assets	554,424,706	565,786,195
Total	\$475,996,093	\$470,790,833

9. PENSION AGREEMENTS

The City makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all regular, full-time and eligible other-than-continuous full-time employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions made by the City in 2012 amounted to \$5,740,204 (2011 - \$4,107,958).

10. TRUST FUNDS

Trust funds administered by the City amounting to \$1,075,585 (2011 - \$911,702) are presented separately in the Trust Fund Statement of Financial Activities and Fund Balance and Statement of Financial Position.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012

11. EXPENSES BY OBJECT

The following is a summary of the expenses reported on the Consolidated Statement of Operations by object of expenses:

	2012	2011
Salaries, wages and benefits	\$82,162,340	\$80,255,354
Interest on long-term debt	4,350,387	4,755,413
Materials and supplies	39,803,167	37,855,155
Rents and financial expenses	165,664	195,241
Transfer payments	6,931,641	7,320,175
Amortization	24,755,177	24,211,743
Total	\$158,168,376	\$154,593,081

12. CONTINGENCIES

The City of Oshawa has been named as defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at December 31, 2012 and accordingly no provision has been made in these financial statements for any liability that may result.

The City transferred its responsibility for public transit to the Region of Durham on January 1, 2006 and all related assets and liabilities. Despite this, the Region of Durham has stated the City should fund the employee related liabilities accrued prior to January 1, 2006. In March 2011, the Region issued a statement of claim against the City to determine responsibility for the obligation through a legal process. The amount of the settlement, if any, is not determinable at this time.

13. COMMITMENTS

Minimum payments under operating leases for computer equipment, Wilson Depot lease and occupancy at 44 Simcoe Street are as follows:

2013	\$ 431,819
2014	\$ 456,328
2015	\$ 176,853
2016	\$ 54,400
2017	\$ 61,200
Thereafter	\$ 197,200

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012

14. GUARANTEES

The City's primary guarantees include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements.

These indemnification agreements may require the City to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the City from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the City has not made any significant payments under such or similar indemnification agreements and therefore, no amount has been accrued in the financial statements with respect to these agreements.

15. BUDGET FIGURES

The budgets originally approved by City Council for 2012, adjusted as noted below, are reflected on the Consolidated Statement of Operations.

- An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original Council approved budget.
- Amounts included in the original Council approved capital budget which are not recognized as tangible capital assets are included in Consolidated Statement of Operations under the appropriate functional expense category.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012

15. BUDGET FIGURES (continued)

Budget figures have been reclassified for purposes of these consolidated financial statements to comply with PSAB reporting requirements. For Tangible Capital Assets, budgets are set for individual projects. As many capital projects are carried out over one or more years it is not practical to present annualized budget information on the Consolidated Statement of Change in Net Debt.

16. SEGMENTED REPORTING

The City of Oshawa is a diversified lower tier municipal government that provides a wide range of services to the residents including Fire, Library, Recreation, Waste Collection, Airport, Cemetery, and others. For segmented reporting purposes, financial information is presented by functional classification as categorized by the Financial Information Return required by the Province.

General Government

Corporate Services and the City Manager's Office are primarily responsible for the provision of internal services that support the work of City Council, management and staff across all municipal departments as well as for the provision of external services to the public. These services are provided through the governance and corporate management divisions including City Clerk, Information Technology, Finance, and Human Resources.

Protection to Persons and Property

Protection is comprised of Fire Services and Municipal Law Enforcement and Licensing Services ("MLELS"). Fire Services is responsible to provide fire suppression, fire prevention, education, planning and emergency incident services to the City of Oshawa. MLELS is responsible for the investigation and enforcement of various municipal by-laws related to property standards, lot maintenance, zoning, signs, noise, parking and animal services.

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012**

16. SEGMENTED REPORTING (continued)

Transportation Services

The majority of transportation services are provided by Works and Transportation and Engineering Services. The primary responsibilities include inspection and maintenance of the City roads, sidewalks and storm drainage networks, traffic engineering, transportation planning, streetlights, road and sidewalk snow clearing and winter control.

Environmental Services

Environmental Services are provided by Parks and Environmental Services and Engineering Services. Responsibilities include sustaining the quality of life for the residents of the City of Oshawa through the collection of organics and residual waste, and monitoring and administering environmental programs.

Health and Social Services

Cemetery Services is the only City branch in this category. Union Cemetery provides maintenance and administration of cemetery operations. Additionally, it ensures the benefit and protection of each citizen who has purchased or has an interest in interment rights within the cemetery.

Recreation and Cultural Services

Recreation Services provide public services that contribute to neighbourhood development and sustainability, the provision of recreation and leisure services such as fitness, skating and aquatic programs, and the support of arts and culture. Parks and Environmental Services provide the maintenance, improvement and beautification of parks and trails. This segment includes the Oshawa Public Library which provides facilities and materials to meet the informational, educational, recreational and cultural needs of the City's residents.

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2012**

16. SEGMENTED REPORTING (continued)

Planning and Development Services

Development Services manages urban and rural development, local neighbourhood planning, community development and heritage matters. It ensures an acceptable quality of building construction and maintenance of properties. Development Services also develops and maintains the City's Official Plan and Zoning By-laws and amendments, provides economic and business development, real estate services and administers the Oshawa Municipal Airport.

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

THE CORPORATION OF THE CITY OSHAWA
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

year ended December 31, 2011

2011

	Protection to persons and property	Transportation services	Recreation and culture	Planning and development	Environmental services	Health and social services	General Government	Total Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries and wages	28,145,118	10,521,766	21,918,694	3,164,643	2,057,942	208,478	14,238,714	80,255,355
Debt servicing (interest)	-	50,565	4,297,595	-	-	13,375	393,878	4,755,413
Amortization	868,438	12,154,491	7,303,790	374,355	1,984,703	56,928	1,469,038	24,211,743
Loss on Disposal of TCA	1,125,925	11,529,498	17,488,167	231,722	2,157,626	2,222,071	10,615,561	45,370,570
Other expenses	30,139,481	34,256,320	51,008,246	3,770,720	6,200,271	2,500,852	26,717,191	154,593,081
External tax revenues	21,173,910	24,066,116	35,834,858	2,792,147	4,355,881	1,756,925	18,769,649	108,749,486
External non-tax revenues	1,102,915	16,374,827	19,686,884	2,018,081	-	568,788	9,593,726	49,345,221
Net income OPUC	-	-	-	-	-	-	5,398,000	5,398,000
	22,276,825	40,440,943	55,521,742	4,810,228	4,355,881	2,325,713	33,761,375	163,492,707
Net surplus (deficit) before transfers	(7,862,656)	6,184,623	4,513,496	1,039,508	(1,844,390)	(175,139)	7,044,184	8,899,626

THE CORPORATION OF THE CITY OSHAWA
CONSOLIDATED SCHEDULE OF SEGMENTED REPORTING

year ended December 31, 2012

2012

	Protection to persons and property \$	Transportation services \$	Recreation and culture \$	Planning and development \$	Environmental services	Health and social services \$	General Government \$	Total Consolidated \$
Expenses								
Salaries and wages	28,568,540	7,915,745	23,298,951	2,874,012	2,193,176	220,774	17,091,139	82,162,339
Debt servicing (interest)	-	245,340	3,712,310	-	-	14,109	378,627	4,350,387
Amortization	924,629	12,097,411	7,574,008	376,803	2,157,935	61,097	1,563,294	24,755,177
Other expenses	1,725,835	12,508,193	16,280,873	1,215,321	1,977,087	2,077,099	11,116,064	46,900,473
	31,219,004	32,766,689	50,866,142	4,466,136	6,328,198	2,373,079	30,149,124	158,168,376
External tax revenues	21,885,828	22,970,820	35,659,294	3,130,948	4,436,332	1,663,628	21,135,797	110,882,650
External non-tax revenues	1,300,045	20,430,531	12,807,398	2,159,678	3,670,281	367,169	7,251,884	47,986,986
Net income OPUC	23,185,873	43,401,351	48,466,692	5,290,626	8,106,613	2,030,797	32,891,681	163,373,636
Net surplus (deficit) before transfers	(8,033,131)	10,634,662	(2,399,450)	824,490	1,778,415	(342,282)	2,742,557	5,205,260

THE CORPORATION OF THE CITY OF OSHAWA
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
year ended December 31, 2012

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture	Linear Assets	Other Assets	Work-in Progress	2012 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, beginning of year	130,540,776	41,328,332	210,528,223	19,563,549	20,262,658	2,415,765	429,817,305	15,772,987	6,548,978	876,778,573
Additions	683,570	1,321,998	787,032	1,753,218	1,156,555	77,703	9,229,781	1,039,753	3,876,507	19,926,117
Disposals	(400,098)	(1,552,813)	(8,456)	(2,245,926)	(245,068)	(199,570)	(8,379,636)	(599,770)	(6,128,737)	(19,760,076)
Balance, end of year	130,824,248	41,097,517	211,306,799	19,070,841	21,174,145	2,293,898	430,667,448	16,212,970	4,296,748	876,944,614
Accumulated Amortization										
Balance, beginning of year	-	16,512,618	65,327,755	9,262,058	10,538,192	1,179,995	200,329,071	7,842,689	-	310,992,378
Amortization Expense	-	1,537,821	6,621,342	1,871,734	1,655,360	286,091	11,625,863	1,156,966	-	24,755,177
Amortization Disposal	-	(1,552,813)	(4,862)	(2,245,926)	(245,068)	(199,570)	(8,379,638)	(599,770)	-	(13,227,647)
Balance, end of year	-	16,497,626	71,944,235	8,887,866	11,948,484	1,266,516	203,575,296	8,399,885	-	322,519,908
Net Book Value, end of year	130,824,248	24,599,891	139,362,564	10,182,975	9,225,661	1,027,382	227,092,152	7,813,085	4,296,748	554,424,706