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Consolidated financial statements of  
The Corporation of  
the City of Pickering

December 31, 2023

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## Independent Auditor's Report

To the Members of Council of  
The Corporation of the City of Pickering

### Opinion

We have audited the consolidated financial statements of The Corporation of the City of Pickering (the "City"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2023, and the results of its operations, change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
December 11, 2024

**The Corporation of the City of Pickering**  
**Consolidated statement of financial position**  
As at December 31, 2023

	Notes	<b>2023</b>	2022
		\$	\$
<b>Financial assets</b>			
Cash and cash equivalents		<b>118,135,814</b>	90,129,235
Investments	3	<b>193,303,565</b>	156,687,900
Taxes receivable		<b>25,903,091</b>	23,372,809
Accounts receivable		<b>13,864,727</b>	11,231,858
Note receivable	18	<b>2,070,285</b>	2,381,011
Investment in Elexicon Corporation	4(c)	<b>71,598,250</b>	73,301,808
Promissory notes receivable	5	<b>25,069,000</b>	25,069,000
		<b>449,944,732</b>	382,173,621
<b>Liabilities</b>			
Accounts payable and accrued liabilities		<b>37,074,226</b>	33,721,100
Other current liabilities		<b>246,511</b>	227,096
Deferred revenue	6	<b>137,552,277</b>	110,023,846
Long-term liabilities	10	<b>38,996,663</b>	42,704,260
Post-employment benefit liability	8(a)	<b>9,882,030</b>	9,291,345
WSIB benefit liabilities	8(b)	<b>3,247,125</b>	3,060,773
Asset retirement obligation	9	<b>6,793,775</b>	—
		<b>233,792,607</b>	199,028,420
Net financial assets		<b>216,152,125</b>	183,145,201
<b>Non-financial assets</b>			
Tangible capital assets	11	<b>333,295,623</b>	319,085,606
Prepaid expenses and deposits	11(v)	<b>417,589</b>	7,281,479
Inventory		<b>443,062</b>	538,091
		<b>334,156,274</b>	326,905,176
<b>Accumulated surplus</b>	12	<b>550,308,399</b>	510,050,377

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

Approved by the Board

\_\_\_\_\_, Director

\_\_\_\_\_, Director

**The Corporation of the City of Pickering**  
**Consolidated statement of operations**  
Year ended December 31, 2023

Notes	Budget \$	2023 Actual \$	2022 Actual \$
	<b>(Note 19)</b>		
<b>Revenue</b>			
Residential and farm taxation	<b>67,231,531</b>	<b>69,207,224</b>	61,631,416
Commercial and industrial taxation	<b>13,989,358</b>	<b>13,950,705</b>	13,729,420
Taxation from other governments	<b>8,422,332</b>	<b>8,617,409</b>	8,497,858
User charges	<b>17,292,835</b>	<b>21,657,426</b>	15,743,433
Government grants and fees	<b>25,188,900</b>	<b>8,676,700</b>	9,114,226
Other contributions and donations	<b>2,415,366</b>	<b>3,599,083</b>	4,477,527
Development charges and developer contributions earned	<b>8,929,364</b>	<b>7,731,580</b>	11,350,537
Contributed tangible capital assets	11(i) —	<b>4,959,496</b>	348,530
Investment income	<b>1,025,000</b>	<b>8,286,972</b>	2,722,276
Penalties and interests on taxes	<b>2,890,000</b>	<b>3,779,346</b>	3,311,796
Fines	<b>1,322,000</b>	<b>1,529,049</b>	1,527,436
Interest on promissory notes	5(c) <b>1,035,350</b>	<b>1,035,350</b>	1,035,350
Casino revenue	<b>16,000,000</b>	<b>18,460,408</b>	14,678,604
Equity share of Elexicon Corporation earnings	4(b) —	<b>1,394</b>	5,906,099
Other	<b>282,981</b>	<b>1,587,121</b>	199,549
Gain on disposal of tangible capital assets	—	<b>56,741</b>	191,284
	<b>166,025,017</b>	<b>173,136,004</b>	154,465,341
<b>Expenses</b>			
20 General government	<b>29,524,606</b>	<b>36,158,223</b>	26,313,997
Protection to persons and property	<b>33,870,448</b>	<b>33,657,499</b>	30,198,497
Transportation services	<b>19,089,117</b>	<b>18,513,737</b>	16,876,440
Environmental services	<b>2,979,001</b>	<b>3,087,632</b>	2,368,443
Social and family services	<b>1,258,710</b>	<b>888,645</b>	758,443
Recreational and cultural services	<b>36,142,161</b>	<b>35,511,071</b>	31,198,429
Planning and development	<b>6,285,876</b>	<b>5,061,175</b>	3,969,312
	<b>129,149,919</b>	<b>132,877,982</b>	111,683,561
Annual surplus	<b>36,875,098</b>	<b>40,258,022</b>	42,781,780
Accumulated surplus, beginning of year	<b>510,050,377</b>	<b>510,050,377</b>	467,268,597
<b>Accumulated surplus, end of year</b>	<b>546,925,475</b>	<b>550,308,399</b>	510,050,377

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

**The Corporation of the City of Pickering**  
**Consolidated statement of change in net financial assets**  
Year ended December 31, 2023

	<b>Budget</b>	<b>2023</b>	2022
	\$	Actual	Actual
	\$	\$	\$
	<b>(Note 19)</b>		
<b>Annual surplus</b>	<b>28,886,072</b>	<b>40,258,022</b>	42,781,780
Acquisition of tangible capital assets	<b>(59,644,668)</b>	<b>(50,806,266)</b>	(44,684,796)
Amortization of tangible capital assets	<b>11,870,171</b>	<b>13,847,864</b>	12,092,563
(Gain) loss on disposal of tangible capital assets	—	<b>(56,741)</b>	(191,284)
Proceeds on disposal of tangible capital assets	—	<b>175,347</b>	2,484,815
	<b>(18,888,425)</b>	<b>3,418,226</b>	12,483,078
Transfer of assets under construction to tangible capital assets	—	<b>16,792,228</b>	6,506,536
Assets under construction expensed	—	<b>5,837,551</b>	3,345,441
	—	<b>22,629,779</b>	9,851,977
Acquisition of inventory of supplies	—	<b>(1,167,872)</b>	(1,379,533)
Use of inventory of supplies	—	<b>1,262,901</b>	1,385,957
Acquisition of prepaid expenses and deposits	—	<b>(7,334,738)</b>	(7,151,099)
Use of prepaid expenses and deposits	—	<b>14,198,628</b>	1,615,164
	—	<b>6,958,919</b>	(5,529,511)
Change in net financial assets	<b>(18,888,425)</b>	<b>33,006,924</b>	16,805,544
Net financial assets, beginning of year	<b>183,145,201</b>	<b>183,145,201</b>	166,339,657
<b>Net financial assets, end of year</b>	<b>164,256,776</b>	<b>216,152,125</b>	183,145,201

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

**The Corporation of the City of Pickering**  
**Consolidated statement of cash flows**  
Year ended December 31, 2023

	2023 \$	2022 \$
<b>Operating transactions</b>		
Annual surplus	40,258,022	42,781,780
Non-cash items		
Amortization of tangible capital assets	13,847,864	12,092,563
Gain on disposal of tangible capital assets	(56,741)	(191,284)
Equity share of Elexicon Corporation earnings	(1,394)	(5,906,099)
Contributed tangible capital assets recorded in revenue	(4,959,496)	(348,530)
Change in non-cash operating items		
Taxes receivable	(2,530,282)	(684,631)
Accounts receivable	(2,632,869)	(3,866,054)
Accounts payable and accrued liabilities	3,353,126	(3,752,587)
Other current liabilities	19,415	9,138
Deferred revenue	27,528,431	4,928,287
Post-employment benefit liability	590,685	589,093
WSIB benefit liabilities	186,352	184,360
Asset retirement obligation	6,793,775	—
Inventory	95,029	6,424
Prepaid expenses and deposits	6,863,890	(5,535,935)
	<b>89,355,807</b>	<b>40,306,525</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets (net of transfers and contributions)	(23,216,991)	(34,484,289)
Proceeds on disposal of tangible capital assets	175,347	2,484,815
	<b>(23,041,644)</b>	<b>(31,999,474)</b>
<b>Investing transactions</b>		
Increase in investments	(36,615,665)	(16,432,090)
Dividends received from Elexicon Corporation	1,704,952	2,626,694
	<b>(34,910,713)</b>	<b>(13,805,396)</b>
<b>Financing transactions</b>		
Proceeds from debentures issued	—	5,573,000
Principal repayment of debentures	(3,707,597)	(3,610,999)
Decrease in note receivable	310,726	300,977
	<b>(3,396,871)</b>	<b>2,262,978</b>
Increase (decrease) in cash and cash equivalents	28,006,579	(3,235,367)
Cash and cash equivalents, beginning of year	90,129,235	93,364,602
<b>Cash and cash equivalents, end of year</b>	<b>118,135,814</b>	<b>90,129,235</b>
<b>Cash and cash equivalents consists of</b>		
Cash	118,135,814	59,634,018
Cash equivalents	—	30,495,217
	<b>118,135,814</b>	<b>90,129,235</b>

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

## **1. Significant accounting policies**

The consolidated financial statements (the "financial statements") of The Corporation of the City of Pickering (the "City") are the representations of management prepared in accordance with accounting standards established by the Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants of Canada (CPA Canada). Significant accounting policies adopted by the City are as follows:

### *(a) Reporting entity*

#### *(i) Consolidated financial statements*

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of the activities of all committees of Council and the City of Pickering Public Library Board which is controlled by the City.

All material inter-fund transactions and balances are eliminated on consolidation.

#### *(ii) Investment in government business enterprise*

The City's investment in Elexicon Corporation is accounted for on a modified equity basis, consistent with Canadian public sector accounting standards for investments in government business enterprises. Under the modified equity basis, Elexicon Corporation's accounting policies are not adjusted to conform to those of the City and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual earnings or loss of Elexicon Corporation in its Consolidated Statement of Operations with a corresponding increase or decrease in its investment asset account. Dividends that the City may receive from Elexicon Corporation and other capital transactions are reflected as adjustments in the investment asset account.

#### *(iii) Operations of School Boards and the Regional Municipality of Durham*

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the Regional Municipality of Durham (the "Region") are not reflected in these consolidated financial statements.

#### *(iv) Trust Funds*

Trust Funds and their related operations administered by the City are not consolidated but are reported separately on the Trust Funds financial statements.

### *(b) Basis of accounting*

#### *(i) Adoption of new PSAS Accounting Standards*

##### *PS 3280 Asset Retirement Obligations*

PS 3280 Asset Retirement Obligations is a new standard establishing guidance on the accounting and reporting of legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use.

**1. Significant accounting policies (continued)**

*(b) Basis of accounting (continued)*

*(i) Adoption of new PSAS Accounting Standards (continued)*

*PS 3280 Asset Retirement Obligations (continued)*

Effective January 1, 2023, the City adoption PS 3280 Asset Retirement Obligations. The City elected to adopt the standard prospectively, which requires that an asset retirement obligation is recognized where:

- any event giving rise to the obligation occurred on or after January 1, 2023,
- arose prior to January 1, 2023 and the obligation had not been previously recognized, and
- arose prior to January 1, 2023 and the previously recognized obligation requirements adjustment.

The City had not previously recognized any asset retirement obligations for its TCAs. The impact of the above has been recognized in the consolidated financial statements for the year ended December 31, 2023.

The adoption of this standard has been applied on a prospective basis with no restatement of prior period comparative amounts. The adoption has impacted the City's consolidated statement of financial position with an increase in Tangible Capital Assets by \$6,595,898 (nil in 2022) and an increase to Asset Retirement Obligation Liability of \$6,595,898 (nil in 2022).

*PS 1201 Financial Statement Presentation*

PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the consolidated statement of remeasurement gains separate from the consolidated statement of operations. Requirements in PS 2601 Foreign Currency Translation, PS 3450 Financial Instruments, and PS 3041 Portfolio Investments, which are required to be adopted at the same time, can give rise to the presentation of unrealized gains and losses.

*PS 2601 Foreign Currency Translation*

PS 2601 Foreign Currency Translation replaces PS 2600 Foreign Currency Translation. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported at fair value to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are to be presented in the new consolidated statement of remeasurement gains.

*PS 3041 Portfolio Investments*

PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 Temporary Investments no longer applies.

**1. Significant accounting policies (continued)**

*(b) Basis of accounting (continued)*

*(i) Adoption of new PSAS Accounting Standards (continued)*

*PS 3450 Financial Instruments*

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments, including derivatives. As a result of the standard, equity instruments and the interest rate swap are now measured at fair value on the consolidated statement of financial position and unrealized gains on equity instruments are recorded in the consolidated statement of remeasurement gains. Prior to 2023, equity instruments were recorded at cost. Recognition, derecognition and measurement policies followed in periods prior to the adoption date, including 2022 comparative figures, have not been restated as the standard is required to be adopted prospectively.

*(ii) Accrual basis of accounting*

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned, measurable, and collectibility is assured; expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services and the creation of a obligation to pay.

*(iii) Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash. Cash equivalents have a short-term maturity of three months or less from the date of acquisition.

*(iv) Financial Instruments*

The City initially recognizes financial instruments at fair value and subsequently measures them at each reporting date, as follows:

Financial instrument	Measurement method
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Note receivable	Amortized cost
Promissory notes receivable	Amortized cost
Investments in fixed income instruments	Amortized cost
Investment in Elexicon Corporation	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

Unrealized gains on financial instruments measured at fair value are recognized in the consolidated statement of remeasurement gains until they are realized upon derecognition, when they are transferred to the consolidated statement of operations. Transactions costs in the fair value category are expensed in the period they are incurred. Given that the City does not carry any financial instruments at fair value subsequent to initial recognition, no consolidated statement of remeasurement gains has been included in these consolidated financial statements.

**1. Significant accounting policies (continued)**

*(b) Basis of accounting (continued)*

*(iv) Financial Instruments (continued)*

Financial instruments measured at amortized cost are amortized using the effective interest method. Transaction costs in the amortized cost category are added to the carrying value upon initial recognition.

*(v) Tangible capital assets*

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly related to the acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Amortization is recorded on the straight-line basis over the estimated useful life of the tangible capital asset commencing once the asset is available for use as follows:

Buildings	5 to 50 years
Machinery and equipment	Various
Vehicles	7 to 15 years
Infrastructure – Roads	10 to 75 years
Infrastructure - Storm sewers	50 to 100 years
Infrastructure - Sidewalks	15 to 75 years
Infrastructure - Parks	10 to 100 years
Information technology hardware	4 to 10 years
Library collection materials	4 to 7 years
Furniture and fixtures	various

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the tangible capital asset is available for productive use. Land is not amortized.

Tangible capital assets received as contributions are recorded at their fair value at the date contributed, with the corresponding amount recorded as revenue.

*(vi) Accounting for Property Tax Capping Provisions resulting from the Ontario Fair Assessment System*

The net impact on property taxes as a result of the application of the capping provisions does not affect the consolidated statement of operations as the full amounts of the property taxes were levied. However, the capping adjustments are reported on the Consolidated Statement of Financial Position as a receivable/payable from/to the Region.

*(vii) Deferred revenue*

Deferred revenue represents contributions, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed. In addition, any contributions received with external restrictions are deferred until the related expenditures are made.

**1. Significant accounting policies (continued)**

*(b) Basis of accounting (continued)*

*(viii) 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. Actuarial gains and losses are amortized over the average remaining service period ("ARSP"). The City's actuary determined the ARSP to be between 11 to 13 years, depending on the employee group.

For WSIB benefit obligations that arise from specific events that occur from time to time, the cost is recognized immediately in the period the events occur. Actuarial gains and losses are amortized over the ARSP of 15 years.

*(ix) Inventory*

Inventory is valued at the lower of cost and replacement cost. Cost is determined on a weighted-average basis.

*(x) Government transfers*

Government transfers are recognized as revenue by the City in the period in which the transfers are authorized and any eligibility criteria are met, unless they are restricted through stipulations that require specific actions to be carried out in order to keep the transfer or discharge the liability. For such transfers, revenue is recognized when the stipulation has been met.

*(xi) Tax revenue*

Tax revenue is recognized on all taxable properties within the City that are included in the tax roll provided by the Municipal Property Assessment Corporation, using property tax values included in the tax roll or property tax values that can be reasonably estimated by the City as it relates to supplementary or omitted assessments, at tax rates authorized by Council for the City's own purposes in the period for which the tax is levied.

*(xii) Casino revenue*

The City is a beneficiary of a contribution agreement with Ontario Lottery and Gaming Corporation (OLG) for hosting a casino within the municipality. Pickering is entitled to receive a share of the gaming revenue on a quarterly basis for hosting the Pickering Casino Resort which opened on July 26, 2021. Casino revenue is recognized as earned in line with the contribution agreement.

*(xiii) Intangible assets*

Intangible assets are not recognized as assets in the financial statements.

**1. Significant accounting policies (continued)**

*(b) Basis of accounting (continued)*

*(xiv) Contaminated sites*

Contaminated sites are the result of contamination being introduced into air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the City is directly responsible or accepts responsibility for the liability;
- (d) future economic benefits will be given up; and
- (e) a reasonable estimate of the liability can be made.

A liability is recorded only for sites that are not in productive use or if there was an unexpected event that resulted in contamination. Changes in estimates are recorded in the City's statement of operations. The City does not have any liability for contaminated sites recorded in the consolidated financial statements.

*(xv) Land held for resale*

Land permanently removed from service that meets the criteria for inventory held for resale are recorded as "land held for resale" on the Consolidated Statement of Financial Position and is recorded at the lower of cost and net realizable value. Those that do not meet these criteria continue to be recorded as part of tangible capital assets on the Consolidated Statement of Financial Position.

*(xvi) Use of estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Accounts involving significant estimates include allowance for doubtful accounts, certain accrued liabilities, post-employment benefits liability, WSIB liabilities, estimates relating to the useful lives of tangible capital assets, and asset retirement obligations. Actual results could differ from these estimates.

*(xvii) Asset Retirement Obligations*

Asset Retirement Obligations represent the legal obligations associated with the retirement of a tangible capital asset that result from its acquisition, construction, development, or normal use. The tangible assets include but are not limited to assets in productive use, assets no longer in productive use, leased tangible capital assets.

**1. Significant accounting policies (continued)**

*(b) Basis of accounting (continued)*

*(xvii) Asset Retirement Obligations (continued)*

The liability associated with an asset retirement obligation is measured with reference to the best estimate of the amount required to ultimately remediate the liability at the financial statement date to the extent that all recognition criteria are met. Asset retirement obligations are only recognized when there is a legal obligation for the City to incur costs in relation to a specific TCA, when the past transaction or event causing the liability has already occurred, when economic benefits will need to be given up in order to remediate the liability and when a reasonable estimate of such amount can be made. The best estimate of the liability includes all costs directly attributable to the remediation of the asset retirement obligation, based on the most reliable information that is available as at the applicable reporting date. Where cash flows are expected over future periods, the liability is recognized using a present value technique.

When a liability for an asset retirement obligation is initially recognized, a corresponding adjustment to the related tangible capital asset is also recognized for underlying assets that have been recorded and reported within the TCA values presented in the financial statements. Through the passage of time in subsequent reporting periods, the carrying value of the liability is adjusted to reflect accretion expenses incurred in the current period. This expense ensures that the time value of money is considered when recognizing outstanding liabilities at each reporting date. The capitalized asset retirement cost within tangible capital assets is also simultaneously depreciated on the same basis as the underlying asset to which it relates. In circumstances when the underlying asset is fully depreciated, the ARO will be amortized over the estimated future life until the cash disbursement is made in the future to settle the obligation.

At remediation, the City derecognizes the liability that was established. In some circumstances, gains or losses may be incurred upon settlement related to the ongoing measurement of the liability and corresponding estimates that were made and are recognized in the statement of operations

**2. Operations of school boards and the Regional Municipality of Durham**

Further to Note 1(a)(iii), requisitions are made by the Regional Municipality of Durham and School Boards requiring the City to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized as follows:

	<b>Region</b>	<b>2023 School board</b>	Region	2022 School board
	\$	\$	\$	\$
Taxation	<b>148,258,136</b>	<b>51,552,669</b>	137,349,789	51,905,608
Payments in lieu of taxes	<b>6,636,281</b>	<b>469,978</b>	6,565,748	725,439
	<b>154,894,417</b>	<b>52,022,647</b>	143,915,537	52,631,047

**The Corporation of the City of Pickering**  
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**3. Investments**

	<b>2023</b>		2022	
	<b>Amortized cost</b>	<b>Market value</b>	Amortized cost	Market value
	\$	\$	\$	\$
Investments	<b>193,303,565</b>	<b>193,337,289</b>	156,687,900	156,541,957

**4. Investment in government business enterprise**

(a) *Elexicon Corporation was formed on April 1, 2019, in which the City holds a 27.88% interest in Elexicon Corporation.*

Elexicon Corporation, as a government business enterprise, is accounted for on the modified equity basis in these financial statements. Elexicon Corporation serves as the electrical distribution utility for a number of communities and conducts non-regulated utility service ventures through its subsidiaries.

The following table provides condensed supplementary consolidated financial information for Elexicon Corporation and its subsidiaries as at and for the year ended December 31, 2023. The amounts are disclosed in thousands of dollars:

	<b>2023</b>	2022
	<b>(000's)</b>	(000's)
	\$	\$
<b>Assets</b>		
Current	<b>116,654</b>	106,273
Capital and intangibles	<b>720,727</b>	661,146
Other	<b>708</b>	1,505
Total assets	<b>838,089</b>	768,924
Regulatory balances	<b>56,310</b>	58,573
Total assets and regulatory balances	<b>894,399</b>	827,497
<b>Liabilities</b>		
Current	<b>175,942</b>	316,892
Long-term debt	<b>253,465</b>	89,209
Other	<b>196,842</b>	148,489
Total liabilities	<b>626,249</b>	554,590
<b>Shareholders' equity</b>		
Share capital	<b>97,692</b>	97,692
Contributed capital	<b>25</b>	25
2019 Contributed Surplus	<b>79,301</b>	79,301
Accumulated other comprehensive loss	<b>2,511</b>	3,130
Retained earnings	<b>77,239</b>	82,730
Total equity	<b>256,768</b>	262,878
Regulatory balances	<b>11,382</b>	10,029
Total liabilities, equity and regulatory balances	<b>894,399</b>	827,497

**4. Investment in government business enterprise (continued)**

(a) *Elexicon Corporation was formed on April 1, 2019, in which the City holds a 27.88% interest in Elexicon Corporation. (continued)*

	<b>2023</b>	2022
	<b>(000's)</b>	(000's)
	<b>\$</b>	\$
Comprehensive income		
Commodity revenue	<b>421,522</b>	430,139
Commodity expenses	<b>(412,905)</b>	(434,592)
Distribution revenue	<b>97,459</b>	84,574
Operating expenses	<b>(82,206)</b>	(75,016)
Other income (expense)	<b>(19,631)</b>	909
Accumulated other comprehensive loss	<b>(619)</b>	4,387
Net movements in regulatory balances, net of tax	<b>(3,615)</b>	10,783
Total comprehensive income for the year	<b>5</b>	21,184

(b) *Equity in Elexicon Corporation*

The City's equity in Elexicon Corporation is as follows at the end of 2023:

	<b>2023</b>	2022
	<b>\$</b>	\$
Balance, beginning of year	<b>101,413,828</b>	98,134,423
Equity share of net earnings from Elexicon Corporation	<b>1,394</b>	5,906,099
Dividend received	<b>(1,704,952)</b>	(2,626,694)
Balance, end of year	<b>99,710,270</b>	101,413,828

(c) *City of Pickering's investment is represented by*

	<b>2023</b>	2022
	<b>\$</b>	\$
Promissory notes receivable (Note 5)	<b>25,069,000</b>	25,069,000
Investments in Elexicon Corporation		
Initial investment in shares of the Corporation	<b>30,496,196</b>	30,496,196
Amalgamation adjustments	<b>12,849,416</b>	12,849,416
Accumulated earnings	<b>70,965,558</b>	70,964,164
Accumulated dividends received	<b>(43,528,628)</b>	(41,823,676)
Adjustment to value of investment	<b>815,708</b>	815,708
	<b>71,598,250</b>	73,301,808

**4. Investment in government business enterprise (continued)**

(d) *Contingencies and guarantees of Elexicon Corporation (the "Corporation") as disclosed in their consolidated financial statements are as follows*

(i) *Insurance claims*

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE") which was created on January 1, 1987. A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE provides general liability insurance to member electric utilities. MEARIE also provides vehicle and property insurance to the Corporation.

Insurance premiums charged to each member utility consist of a levy per \$1 of service revenue subject to a credit or surcharge based on each electric utility's claims experience.

(ii) *Contractual obligation - Hydro One Networks Inc.*

The Corporation's subsidiary, Elexicon Energy, is party to a connection and cost recovery agreement with Hydro One related to the construction by Hydro One of a transformer station designated to meet EE's anticipated electricity load growth. Construction of the project was completed during 2007 and EE connected to the transformer station during 2008.

To the extent that the cost of the project is not recoverable from future transformation connection revenues, EE is obligated to pay a capital contribution equal to the difference between these revenues and the construction costs allocated to EE. The construction costs allocated to EE for the project are \$19,950,000.

Hydro One has performed a true-up based on actual load at the end of the tenth anniversary of the in-service date and is expected to perform another true-up based on actual load at the end of the fifteenth anniversary of the in-service date.

(iii) *Prudential support*

Purchasers of electricity in Ontario, through the Independent Electricity System Operator ("IESO"), are required to provide security to mitigate the risk of default based on their expected activity in the market. The IESO could draw on this security if the Corporation fails to make the payment required on a default notice issued by the IESO. The Corporation has provided a \$64,000,000 guarantee to the IESO on behalf of EE.

(iv) *General claims*

From time to time, the Corporation is involved in various lawsuits, claims and regulatory proceedings in the normal course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Corporation's consolidated financial position and results of operations or cash flows.

**4. Investment in government business enterprise (continued)**

(e) *Lease commitments*

Future minimum lease payment obligations under operating leases are as follows:

	\$
2024	124,000
2025	95,000
2026	71,000
2027	44,000
2028	—
	<u>334,000</u>

**5. Promissory notes receivable**

	2023 \$	2022 \$
Elexicon Corporation	<b>7,095,000</b>	7,095,000
Elexicon Energy Inc.	<b>17,974,000</b>	17,974,000
	<b><u>25,069,000</u></b>	<u>25,069,000</u>

(a) *Maturity*

The promissory notes were issued by the legacy Veridian Corporation and Veridian Connections Inc. and were assumed by Elexicon Corporation and Elexicon Energy Inc. upon amalgamation on April 1, 2019. The promissory notes under Elexicon Corporation and Elexicon Energy Inc. are due on demand.

(b) *Interest rate*

Commencing April 1, 2019 for a ten-year period, interest on the notes will be determined based on the deemed long-term interest rate prescribed by the Ontario Energy Board in its most recent cost of capital parameter update ("OEB rate"). As of April 1, 2019, the OEB rate was determined at 4.13%.

On the tenth year anniversary of the note, the interest rate will be adjusted to the OEB rate in effect at that time. Thereafter, the interest rate will be adjusted to the OEB rate in effect at the earlier of:

- (i) The five year anniversary of the most recent interest rate adjustment of these notes, and
- (ii) The date on which Elexicon Energy Inc. files a cost of service application with the Ontario Energy Board.

The City may demand full or partial repayment with sixty days' notice of the principal and accrued interest.

(c) *Interest revenue*

Interest revenue earned from these notes receivable totaled \$1,035,350 (\$1,035,350 in 2022).

**The Corporation of the City of Pickering**  
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**6. Deferred revenue**

	<b>2023</b>	2022
	\$	\$
Obligatory reserve funds	<b>111,508,853</b>	84,232,840
Development charges	<b>5,888,286</b>	5,850,226
Parkland	<b>9,711,426</b>	10,530,599
Federal gas tax	<b>4,210,199</b>	3,416,197
Third party/Developer's contributions reserve fund	<b>585,657</b>	—
Building permit	<b>131,904,421</b>	104,029,862
	<b>5,647,856</b>	5,993,984
Other unearned revenues	<b>137,552,277</b>	110,023,846

Continuity of deferred revenue is as follows:

	<b>2023</b>	2022
	\$	\$
Balance, beginning of year	<b>110,023,846</b>	105,095,559
Restricted funds received	<b>35,110,751</b>	17,139,625
General funds received	<b>1,270,207</b>	3,911,549
Interest earned (restricted funds)	<b>4,851,877</b>	1,793,352
Earned restricted revenue transferred to operations	<b>41,232,835</b>	22,844,526
Earned revenue transferred to operations	<b>12,088,070</b>	14,968,205
Balance, end of year	<b>1,616,334</b>	2,948,034
	<b>13,704,404</b>	17,916,239
	<b>137,552,277</b>	110,023,846

**7. Interfund loans**

As a means of funding various capital acquisitions, funds are borrowed by the Capital Fund from Development Charges deferred revenue (obligatory reserve funds). These funds are secured by promissory notes with interest rates ranging from 3.65% to 5.50% (0.50% to 2.50% in 2022) and various payment terms ranging from 5 years to 15 years (2 years to 10 years in 2022). The financing arrangements and ultimate repayment are approved by Council through the current budget process. Although these notes have payment terms as noted above, they are repayable on demand. The following is a summary of the related interfund loans:

	<b>2023</b>	2022
	\$	\$
Roads	<b>819,870</b>	1,007,116
Fire protection	<b>1,390,000</b>	—
	<b>2,209,870</b>	1,007,116

**8. Post-employment benefits liability**

*(a) Post-employment benefits liability*

The City makes available to qualifying employees who retire before the age of 65, the opportunity to continue their coverage for benefits such as post-retirement extended healthcare benefits. Coverage ceases at the age of 65. The City also provides full time and permanent part-time employees a sick time entitlement and any unused entitlement is accumulated year to year. This accumulated entitlement is not vested and is forfeited at the time of retirement or termination. The most recent actuarial valuation of the post-employment benefits was performed at December 31, 2023.

Information about the City's benefits liability is as follows:

	<b>2023</b>	2022
	<b>\$</b>	\$
Accrued benefits liability, beginning of year	<b>9,291,345</b>	8,702,252
Current service costs	<b>740,513</b>	704,848
Interest on accrued benefits	<b>357,286</b>	355,353
Amortization of actuarial losses	<b>492,421</b>	556,521
Benefits paid during the year	<b>(999,535)</b>	(1,027,629)
Accrued benefits liability, end of year	<b>9,882,030</b>	9,291,345
Accrued benefit obligation	<b>12,738,821</b>	12,039,039
Unamortized actuarial losses	<b>(2,856,791)</b>	(2,747,694)
Accrued benefits liability, end of year	<b>9,882,030</b>	9,291,345

The main actuarial assumptions employed in the actuarial valuations for the post-employment benefits are as follows:

*(i) Discount rate*

The present value as at December 31, 2023 of the future benefits was determined using a discount rate of 3.00% (3.00% in 2022).

*(ii) Dental costs*

The dental cost trend rate was 3.75% (3.75% in 2022) increase per annum.

*(iii) Health costs*

Health costs were assumed to increase at 5.08% (5.42% in 2022) and decrease by 0.33% (0.33% in 2022) increments per year to an ultimate rate of 3.75% per year in 2027 and thereafter.

**8. Post-employment benefits liability (continued)**

*(b) Workplace Safety and Insurance Board (WSIB) benefit liabilities*

Effective January 1, 2001, the City became a Schedule II employer under the Workplace Safety & Insurance Act and follows a policy of self-insurance for the risk associated with paying benefits for workplace injuries for all its employees. The WSIB administers the claims related to workplace injuries and is reimbursed by the City. The most recent actuarial valuation of the WSIB benefits was performed at December 31, 2020, with projections for December 31, 2023.

Information about the City's WSIB benefit liability is as follows:

	<b>2023</b>	2022
	<b>\$</b>	<b>\$</b>
Accrued WSIB liability, beginning of year	<b>3,060,773</b>	2,876,413
Current service cost	<b>203,847</b>	198,224
Interest on accrued benefits	<b>101,265</b>	96,719
Amortization of actuarial losses	<b>31,561</b>	31,561
Benefits paid during the year	<b>(150,321)</b>	(142,144)
	<b>3,247,125</b>	3,060,773
Accrued benefit obligation	<b>3,503,529</b>	3,348,738
Unamortized actuarial losses	<b>(256,404)</b>	(287,965)
Accrued benefits liability, end of year	<b>3,247,125</b>	3,060,773

The main actuarial assumptions employed in the actuarial valuations are as follows:

*(i) Discount rate*

The present value as at December 31, 2023 of the future benefits was determined using a discount rate of 3.00% (3.00% in 2022).

*(ii) Inflation rate*

The rate of inflation was assumed to be 2.50% (2.50% in 2022) per annum.

*(iii) WSIB Administration Rate*

Liabilities for WSIB benefits have been increased to 27% to reflect the administration rate charged by WSIB.

A WSIB Reserve Fund was established in 2001. The Reserve Fund balance as at December 31, 2023 (Note 12) is \$4,000,000 (\$4,000,000 as at December 31, 2022). In 2021, the City established an Excess Indemnity Reserve Fund in lieu of purchasing an insurance policy for this type of coverage. The balance in that Reserve Fund as at December 31, 2023 (Note 12) is \$2,147,196 (\$1,336,742 in 2022). In addition, the City purchased an insurance policy to protect the City against significant claims. The occupational accident insurance pays loss claims up to \$500,000 per work related accident.

**9. Asset Retirement Obligations**

- (a) Hazardous materials: The City owns facilities which contain hazardous materials, and therefore, the City is legally required to perform abatement activities upon renovation or demolition of this asset. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. Undiscounted future cash flows expected are an abatement cost of \$3,287,598. The estimated total liability of \$2,208,672 (nil in 2022) is based on the sum of discounted future cash flows for abatement activities using a discount rate of 3.00% and assuming annual inflation of 3.50% over an 8-15 year period. The City has not designated funds for settling the abatement activities.
- (b) Leased properties and land: The City leases properties and land which contain contractual obligations to remediate the leased property or land back to its original condition upon the end of the lease or the termination of the lease. There, the City is contractually required to perform remediation activities to restore the leased property or land back to its original condition. Remediation activities include removing any leasehold improvements to the properties or land and restoring any modifications made to its original condition. Undiscounted future cash flows expected are a remediation cost of \$6,512,283. The estimated total liability of \$4,585,104 (nil in 2022) is based on the sum of discounted future cash flows for abatement activities using a discount rate of 3.00% and assuming annual inflation of 3.50% over an 8-15 year period. The City has not designated funds for settling the abatement activities.

Information about the City's asset retirement obligation is as follows:

	<b>2023</b>	2022
	<b>\$</b>	\$
Asset Retirement Obligation, beginning of year	—	—
Adoption of PS 3280	<b>6,595,898</b>	—
Liabilities settled	—	—
Accretion expense	<b>197,877</b>	—
Changes in estimated cash flow	—	—
Asset Retirement Obligation, end of year	<b>6,793,775</b>	—

**10. Long-term liabilities**

- (a) The balance of long-term liabilities is made up of the following:

	<b>2023</b>	2022
	<b>\$</b>	\$
The City is responsible for the payment of principal and interest charges on long-term liabilities issued by the Regional Municipality of Durham on the City's behalf. At the end of the year the outstanding principal amount of this liability is	<b>38,996,663</b>	42,704,260

**10. Long-term liabilities (continued)**

- (b) The above long-term liabilities have maturity dates of July 2, 2029, October 17, 2026 and 2031, October 13, 2027, 2032 and 2037, September 14, 2028, 2033 and 2038, November 29, 2024, 2029 and 2039, October 2, 2030 and November 26, 2036 and 2041, July 5, 2033 and 2043 with various interest rates ranging from 0.45% to 4.75%. Principal repayments are summarized as follows:

	\$
2024	3,237,801
2025	3,233,889
2026	3,308,501
2027	2,966,323
2028	2,866,097
Thereafter	23,384,052
	<u>38,996,663</u>

- (c) Long-term liabilities include principal sums of \$443,000 (\$443,000 in 2022) which may be refinanced by the issuance of debentures over a further period not to exceed 5 years.
- (d) The above long-term liabilities have been approved by Council by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (e) Interest expense recorded in the year relating to these long-term liabilities is \$1,199,305 (\$1,157,439 in 2022).

**11. Tangible capital assets**

Information relating to tangible capital assets is as follows:

(i) *Contributed tangible capital assets*

The City records tangible capital assets contributed by an external party at fair value on the date contributed. Typical examples are roads, storm sewers and sidewalks installed by a developer as part of a subdivision or development agreement. Contributions of tangible capital assets in 2023 amounted to \$4,959,496 (\$348,530 in 2022).

(ii) *Tangible capital assets recognized at nominal value*

Land under roads are assigned a nominal value of one Canadian dollar because this land only supports or is intended to support road infrastructure and the majority of land acquired to support road allowances was acquired at no cost.

(iii) *Works of art and historical treasures*

The City has a museum which holds various historical treasures and historical buildings pertaining to the heritage and history of the City of Pickering. These items are not recognized as tangible capital assets in the consolidated financial statements because a reasonable estimate of the future benefits associated with such property cannot be made. Any acquisition or betterment of these assets is recognized as an expense in the consolidated financial statements.

**11. Tangible capital assets (continued)**

*(iv) Other*

The net book value of tangible capital assets not being amortized because they are under construction is \$12,001,888 (\$30,996,098 in 2022).

During the year, there were nil write-downs of assets (nil in 2022) and nil interest was capitalized during the year (nil in 2022). Certain costs were written off in the current year relating to assets under construction due to changes in circumstances around their expected future use that arose in the current year.

*(v) Land held for resale*

As at December 31, 2023, a deposit of \$134,142 (\$7,087,701 in 2022) for one parcel of land (three in 2022) remains within prepaids and deposits. During the year, land transactions were completed with no financial impact on the financial position of the City.

**The Corporation of the City of Pickering**  
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**11. Tangible capital assets (continued)**

	Land	Buildings	Machinery and equipment	Vehicles	Infrastructure	Information technology hardware	Library collection materials	Furniture and fixtures	Assets under construction	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, beginning of year	76,797,840	120,021,423	12,966,083	19,191,883	317,904,231	2,501,920	1,876,689	1,421,045	30,996,097	583,677,211
Add										
Additions during the year	615,138	19,894,183	2,662,317	1,260,726	21,040,822	1,059,621	294,455	343,434	3,635,570	50,806,266
Less										
Disposals/transfers during the year	—	276,280	998,610	558,697	1,030,352	646,071	367,916	6,584	22,629,779	26,514,289
Balance, end of year	77,412,978	139,639,326	14,629,790	19,893,912	337,914,701	2,915,470	1,803,228	1,757,895	12,001,888	607,969,188
Accumulated amortization										
Balance, beginning of year	—	58,675,102	7,443,196	10,671,721	184,398,237	1,773,822	963,099	666,428	—	264,591,605
Add										
Amortization	—	5,128,087	1,112,649	1,484,911	5,374,044	338,723	298,629	110,821	—	13,847,864
Less										
Accumulated amortization on disposals	—	220,839	994,881	558,697	973,154	646,071	367,916	4,346	—	3,765,904
Balance, end of year	—	63,582,350	7,560,964	11,597,935	188,799,127	1,466,474	893,812	772,903	—	274,673,565
Net book value of tangible capital assets	77,412,978	76,056,976	7,068,826	8,295,977	149,115,574	1,448,996	909,416	984,992	12,001,888	333,295,623

**The Corporation of the City of Pickering**  
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**11. Tangible capital assets (continued)**

	Land	Buildings	Machinery and equipment	Vehicles	Infrastructure	Information technology hardware	Library collection materials	Furniture and fixtures	Assets under construction	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>										
Balance, beginning of year	64,405,788	116,728,646	11,604,783	16,351,870	315,640,617	2,196,772	1,961,209	1,348,003	24,218,983	554,456,671
Add										
Additions during the year										
Less										
Disposals/transfers during the year	12,479,055	7,611,999	1,502,759	2,875,631	2,812,552	365,091	298,447	110,171	16,629,091	44,684,796
	<u>87,003</u>	<u>4,319,222</u>	<u>141,459</u>	<u>35,618</u>	<u>548,938</u>	<u>59,943</u>	<u>382,967</u>	<u>37,129</u>	<u>9,851,977</u>	<u>15,464,256</u>
	<u>76,797,840</u>	<u>120,021,423</u>	<u>12,966,083</u>	<u>19,191,883</u>	<u>317,904,231</u>	<u>2,501,920</u>	<u>1,876,689</u>	<u>1,421,045</u>	<u>30,996,097</u>	<u>583,677,211</u>
<b>Accumulated amortization</b>										
Balance, beginning of year	—	56,525,745	6,642,574	9,382,578	180,047,188	1,591,838	1,030,005	597,862	—	255,817,790
Add										
Amortization	—	4,289,154	934,730	1,324,761	4,896,079	241,927	316,061	89,851	—	12,092,563
Less										
Accumulated amortization on disposals	—	2,139,797	134,108	35,618	545,030	59,943	382,967	21,285	—	3,318,748
Balance, end of year	<u>—</u>	<u>58,675,102</u>	<u>7,443,196</u>	<u>10,671,721</u>	<u>184,398,237</u>	<u>1,773,822</u>	<u>963,099</u>	<u>666,428</u>	<u>—</u>	<u>264,591,605</u>
Net book value of tangible capital assets	<u>76,797,840</u>	<u>61,346,321</u>	<u>5,522,887</u>	<u>8,520,162</u>	<u>133,505,994</u>	<u>728,098</u>	<u>913,590</u>	<u>754,617</u>	<u>30,996,097</u>	<u>319,085,606</u>

## 12. Accumulated surplus

The City's accumulated surplus is comprised of the following

	2023 \$	2022 \$
Capital Fund	<b>38,513,382</b>	27,153,889
Operating Fund	<b>125,268</b>	125,267
Equity in Veridian Corporation	<b>99,710,270</b>	101,413,828
Tangible capital assets	<b>333,295,623</b>	319,085,606
Post-employment benefits liability	<b>(9,703,030)</b>	(9,112,345)
Asset Retirement Obligation	<b>(6,793,775)</b>	—
Interfund loans	<b>(2,209,870)</b>	(1,007,116)
Net long-term liabilities	<b>(38,996,663)</b>	(42,704,260)
Note receivable soccer facility	<b>2,070,285</b>	2,381,011
WSIB benefit liabilities	<b>(3,247,125)</b>	(3,060,773)
Reserves set aside for special purposes by Council		
Working capital	<b>400,000</b>	400,000
Self insurance	<b>292,372</b>	292,373
Replacement of capital equipment	<b>98,207</b>	509,295
Contingencies	<b>1,488,935</b>	1,118,063
Rate stabilization	<b>21,941,760</b>	25,088,740
City's share for development charge	<b>13,621,166</b>	9,437,071
Continuing studies	<b>798,297</b>	595,327
Vehicle replacement	<b>2,428,447</b>	2,189,155
Land purchase	—	14,403
Seaton development review	<b>1,437,822</b>	1,437,822
Financial systems	<b>650,308</b>	586,808
Senior centre	<b>4,200,000</b>	3,500,000
Winter control	<b>700,000</b>	700,000
Sustainability initiatives	<b>308,278</b>	410,576
Duffin Heights	<b>1,744,131</b>	1,744,131
Facilities	<b>8,343,706</b>	5,845,056
Fence	<b>670,000</b>	600,000
Tennis Courts	<b>565,065</b>	923,565
Major Equipment	<b>130,894</b>	1,497,695
Museum Collection	<b>12,799</b>	12,799
Recreation Complex	<b>225,000</b>	225,000
Library Building	<b>370,000</b>	380,000
Elected Officials Insurance	<b>350,000</b>	280,000
Casino	<b>24,781,412</b>	19,398,231
Public Art	<b>962,533</b>	508,539
Balloon Payment	<b>273,572</b>	273,572
Parks Infrastructure Replcmt Reserve	<b>582,615</b>	316,892
DC Shortfall Funding	<b>3,738,095</b>	—
Reserve funds set aside for special purpose by Council		
WSIB	<b>4,000,000</b>	4,000,000
Animal shelter	<b>2,057,750</b>	1,645,589
Operations Centre	<b>11,189,401</b>	11,054,359
Roads & bridges	<b>11,494,696</b>	8,346,234
Stormwater management	<b>5,052,701</b>	4,874,289
Ontario Community Infrastructure Fund	<b>5,479,632</b>	3,073,973
Seaton infrastructure	<b>356,048</b>	266,744
Seaton Financial Impact Agreement	<b>4,651,196</b>	2,892,228
Excess Indemnity	<b>2,147,196</b>	1,336,741
	<b>550,308,399</b>	510,050,377

### 13. Pension agreement

The City makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of the members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

OMERS provide pension services to over 612,000 active and retired members and about 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension (the "Plan") by comparing the actuarial value of the invested assets to the estimated present value of all pension benefits that members have earned to-date. The most recent actuarial valuation of the Plan was conducted as at December 31, 2023. The results of this valuation disclosed total actuarial liabilities as at that date of \$136,185 million in respect of benefits accrued for service with actuarial assets at that date of \$131,983 million indicating an actuarial deficit of \$4,202 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employers. As a result, the City does not recognize any share of the OMERS pension surplus or deficit.

Contributions made by the City to OMERS on account of current service for 2023 were \$5,273,963 (\$4,849,393 in 2022).

### 14. Trust Funds

Trust Funds administered by the City amounting to \$400,265 (\$386,233 in 2022) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

### 15. Related party transactions

#### *Elexicon Corporation*

The City of Pickering is a shareholder in Elexicon Corporation (Note 4). The City receives electricity and services from Elexicon Corporation and its subsidiary.

	<b>2023</b>	2022
	<b>\$</b>	\$
Transactions		
Revenue		
Interest on promissory notes (Note 5)	<b>1,035,350</b>	1,035,350
Property taxes levied	<b>35,549</b>	35,549
Expenses		
Electrical energy and services	<b>2,175,859</b>	1,773,610
Balances		
Accounts payable and accrued liabilities	<b>455,803</b>	338,872
Promissory notes receivable (Note 5)	<b>25,069,000</b>	25,069,000

## **16. Guarantees**

In the normal course of business, the City enters into agreements which contain guarantees. The City's primary guarantees are as follows:

- (i) The City has provided indemnities under lease agreements for the use of various facilities or land. Under the terms of these agreements the City agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (ii) The City indemnifies all employees and elected officials including Library employees and board members for various items including, but not limited to, all costs to settle suits or actions due to association with the City, subject to certain restrictions. The City has purchased liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as an employee or elected official of the City. The maximum amount of any potential future payment cannot be reasonably estimated.
- (iii) The City has entered into agreements that may 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 balance sheet with respect to these agreements.

## **17. Contingent liabilities**

### *Litigation*

The City has been named as a defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at the date of reporting and accordingly, no provision has been made in these consolidated financial statements for any liabilities which may result.

## **18. Contractual arrangement**

The City entered into a provisional license agreement with the Pickering Soccer Club (PSC) for the PSC to occupy and operate the Pickering Indoor Soccer Facility (the "Facility"). The term of the agreement is 15 years from November 5, 2014 to November 4, 2029. Under the terms of the agreement, the PSC will repay 52.25% of the City's total cost of purchasing the land, constructing the Facility and the related improvements. In 2015, the City recorded a receivable from PSC in the amount of \$4,550,000 based on preliminary project cost figures, with a 15 year repayment term at a variable interest rate ranging from 1.2% to 3.8%. This amount will be adjusted for the total project construction costs, once the agreement is finalized.

**18. Contractual arrangement (continued)**

PSC has commenced its soccer program operations and is operating the Facility at its own expense including all repairs and maintenance. Once a final form of agreement is executed the total amount of the PSC's obligation will be re-calculated, as agreed, to reflect any adjustments to the total project construction costs.

**19. Budget figures**

The 2023 Budget adopted by Council on March 1, 2023 was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards require a full accrual basis of accounting. The budget figures treated all tangible capital asset acquisitions as expenditures and did not include amortization expense on tangible capital assets or post-employment benefits expenses on a full accrual basis. As a result, the budget figures presented in the consolidated statements of operations and change in net financial assets represent the budget adopted by Council on March 1, 2023 with adjustments as follows:

	2023 Council approved budget \$	Non TCA expenditures from capital \$	Post- employment benefits/ amortization \$	2023 Budget presented in statements \$
Revenue				
Taxation	89,643,221	—	—	89,643,221
Capital	29,596,890	—	—	29,596,890
Other	46,784,906	—	—	46,784,906
	<u>166,025,017</u>	<u>—</u>	<u>—</u>	<u>166,025,017</u>
Expenditures				
General government	25,961,140	2,355,000	1,208,466	29,524,606
Protection to persons and property	32,645,169	—	1,225,279	33,870,448
Transportation services	13,990,445	—	5,098,672	19,089,117
Environmental services	2,080,340	—	898,661	2,979,001
Social and family services	1,258,710	—	—	1,258,710
Recreational and cultural services	31,408,031	518,000	4,216,130	36,142,161
Planning and development	6,285,876	—	—	6,285,876
	<u>113,629,711</u>	<u>2,873,000</u>	<u>12,647,208</u>	<u>129,149,919</u>
Annual surplus (deficit)	52,395,306	(2,873,000)	(12,647,208)	36,875,098
Capital expenditures	(59,644,668)	1,387,000	—	(58,257,668)
Capital Sale of Land	3,500,000			
Transfers from reserve and reserve funds	3,119,998			
Dividend from Elexicon Corporation	1,720,000			
Principal repayment of debt	(2,802,960)			
Debt proceeds	737,324			
Internal loan proceeds	850,000			
Prior year operating fund surplus	<u>(125,000)</u>			

## **20. Segmented information**

The City of Pickering is a diversified municipal government that provides a wide range of services to its residents. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

### *General government*

This item relates to revenues and expenses of the City itself and cannot be directly attributed to a specific segment.

### *Protection to persons and property*

Protection includes fire services, animal control, bylaw services, building inspection and enforcement of the building code to ensure the safety and protection of all citizens and their property.

### *Public works services*

Public works includes construction and maintenance of the City's roadways, including snow removal, sidewalk repairs, street lighting and maintenance of the storm water system.

### *Social and family services*

Social services for assistance or services for seniors.

### *Recreation and culture services*

Recreation and cultural services include recreation programs, maintenance and rental of facilities and parks, operation of the City's museum and library services.

### *Planning and development*

Planning and development provides a number of services including municipal planning and review of all property development plans.

**The Corporation of the City of Pickering**  
**Notes to the consolidated financial statements**  
December 31, 2023

**20. Segmented information (continued)**

Provided in the following pages.

	<b>Protection to persons and property</b>	<b>Public works services</b>	<b>Recreational and cultural</b>	<b>Planning and development</b>	<b>Social and family services</b>	<b>General government</b>	<b>2023 Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue							
Grants	172,693	6,311,262	1,317,605	208,238	91,900	575,002	8,676,700
User charges	9,791,971	438,359	6,700,935	2,896,222	75,635	1,754,304	21,657,426
Tax related revenues	—	—	—	—	—	95,554,684	95,554,684
Developer and other contributions	1,936,694	1,420,960	3,111,384	157,457	—	1,105,085	7,731,580
Contributed tangible capital assets	—	4,568,953	—	—	—	390,543	4,959,496
Casino revenue	—	—	—	—	—	18,460,408	18,460,408
Income from government business enterprise	—	—	—	—	—	1,394	1,394
Other revenues	2,407,882	630,107	2,734,796	242,650	5,650	10,016,490	16,037,575
	<b>14,309,240</b>	<b>13,369,641</b>	<b>13,864,720</b>	<b>3,504,567</b>	<b>173,185</b>	<b>127,857,910</b>	<b>173,079,263</b>
Expenses							
Salaries and wages	27,540,405	7,568,135	19,830,341	4,108,142	361,699	14,522,485	73,931,207
Materials and supplies	3,574,788	4,642,933	7,680,062	315,510	131,844	17,022,567	33,367,704
Contracted services	933,834	2,349,071	1,180,434	627,376	233,844	3,846,345	9,170,904
Amortization	1,283,885	6,473,205	5,033,452	—	—	1,057,322	13,847,864
Other	324,587	568,025	1,786,782	10,147	161,258	(290,496)	2,560,303
(Gain) loss on disposal of tangible capital assets	(4,009)	(80,517)	34,251	—	—	(6,466)	(56,741)
	<b>33,653,490</b>	<b>21,520,852</b>	<b>35,545,322</b>	<b>5,061,175</b>	<b>888,645</b>	<b>36,151,757</b>	<b>132,821,241</b>
Annual (deficit) surplus	<b>(19,344,250)</b>	<b>(8,151,211)</b>	<b>(21,680,602)</b>	<b>(1,556,608)</b>	<b>(715,460)</b>	<b>91,706,153</b>	<b>40,258,022</b>

**The Corporation of the City of Pickering**  
**Notes to the consolidated financial statements**  
December 31, 2023

**20. Segmented information (continued)**

	Protection to persons and property	Public works services	Recreational and cultural	Planning and development	Social and family services	General government	2022 Consolidated
	\$	\$	\$	\$	\$	\$	\$
Revenue							
Grants	17,585	4,607,514	1,880,385	91,079	168,128	2,349,535	9,114,226
User charges	6,865,904	493,704	4,795,066	2,331,554	45,009	1,212,196	15,743,433
Tax related revenues	—	—	—	—	—	87,170,490	87,170,490
Developer and other contributions	333,584	5,565,455	3,818,402	86,856	—	1,546,240	11,350,537
Contributed tangible capital assets	—	22,675	—	—	—	325,855	348,530
Casino revenue	—	—	—	—	—	14,678,604	14,678,604
Income from government business enterprise	—	—	—	—	—	5,906,099	5,906,099
Other revenues	1,986,668	2,525,869	1,015,842	52,192	2,700	4,378,867	9,962,138
	<u>9,203,741</u>	<u>13,215,217</u>	<u>11,509,695</u>	<u>2,561,681</u>	<u>215,837</u>	<u>117,567,886</u>	<u>154,274,057</u>
Expenses							
Salaries and wages	25,053,296	7,322,569	17,950,041	3,359,844	313,563	12,911,737	66,911,050
Materials and supplies	3,011,660	3,779,307	6,368,807	217,689	140,329	10,324,567	23,842,359
Contracted services	910,688	1,501,020	1,088,144	381,633	221,403	2,573,041	6,675,929
Amortization	890,786	6,138,941	4,254,770	—	—	808,066	12,092,563
Other	332,067	503,046	1,536,667	10,146	83,148	(303,414)	2,161,660
(Gain) loss on disposal of tangible capital assets	(13,393)	(290,950)	2,127,664	—	—	(2,014,605)	(191,284)
	<u>30,185,104</u>	<u>18,953,933</u>	<u>33,326,093</u>	<u>3,969,312</u>	<u>758,443</u>	<u>24,299,392</u>	<u>111,492,277</u>
Annual (deficit) surplus	<u>(20,981,363)</u>	<u>(5,738,716)</u>	<u>(21,816,398)</u>	<u>(1,407,631)</u>	<u>(542,606)</u>	<u>93,268,494</u>	<u>42,781,780</u>

**21. Comparative information**

Certain 2022 comparative information in Note 12 has been reclassified to conform with the financial statement presentation for 2023.