
Consolidated financial statements of
The Corporation of
the City of Pickering

December 31, 2018

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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, 2018, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the 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, 2018, and the results of its operations, changes 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.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
June 17, 2019

The Corporation of the City of Pickering
Consolidated statement of financial position
As at December 31, 2018

	Notes	2018	2017
		\$	\$
Financial assets			
Cash and cash equivalents		100,619,531	89,766,742
Investments	3	78,380,565	82,226,068
Taxes receivable		19,340,620	16,571,391
Accounts receivable		4,192,551	4,780,330
Note receivable	17	3,530,086	3,796,946
Investment in Veridian Corporation	4 (b)	56,516,836	53,393,124
Promissory notes receivable	5	25,069,000	25,069,000
Land held for resale	10(v)	4,144,903	294,531
		291,794,092	275,898,132
Liabilities			
Accounts payable and accrued liabilities		32,564,636	26,414,563
Other current liabilities		1,300,332	4,694,538
Deferred revenue	6	77,482,928	65,194,413
Long-term liabilities	9	29,418,973	31,412,982
Post-employment benefit liability	8 (a)	6,260,194	5,609,656
WSIB benefit liabilities	8 (b)	1,917,179	1,862,876
		148,944,242	135,189,028
Net financial assets		142,849,850	140,709,104
Non-financial assets			
Tangible capital assets	10	259,879,354	240,256,987
Prepaid expenses		231,462	295,196
Inventory		372,227	427,332
		260,483,043	240,979,515
Accumulated surplus	11	403,332,893	381,688,619

The Corporation of the City of Pickering

Consolidated statement of operations

Year ended December 31, 2018

	Notes	2018		2017
		Budget		Actual
		(Note 18)	Actual	Actual
		\$	\$	\$
Revenue				
Residential and farm taxation		49,425,675	50,047,871	47,468,880
Commercial and industrial taxation		11,053,425	11,088,267	10,793,717
Taxation from other governments		8,312,581	8,460,282	8,644,938
User charges		11,009,646	15,190,523	11,082,163
Government grants and fees		6,798,272	5,554,251	6,356,344
Other contributions and donations		1,129,925	5,230,490	2,189,348
Development charges and developer contributions earned		31,930,574	3,334,550	1,468,880
Contributed tangible capital assets	10(i)	-	995,033	5,014,463
Investment income		400,000	1,875,542	941,197
Penalties and interests on taxes		2,315,000	2,568,692	2,362,493
Fines		842,000	884,224	855,391
Interest on promissory notes		1,229,138	1,229,138	1,229,138
Sale of land		6,800,000	-	-
Equity share of Veridian Corporation earnings	4 (c)	-	5,050,712	4,179,608
Other		301,240	900,306	358,861
Gain on disposal of tangible capital assets		-	-	22,927,289
		131,547,476	112,409,881	125,872,710
Expenses				
General government	19	23,458,467	17,065,742	16,298,488
Protection to persons and property		25,890,304	24,761,169	23,979,527
Transportation services		13,184,660	12,728,165	12,296,200
Environmental services		3,781,485	3,452,661	3,624,256
Social and family services		833,586	780,850	765,708
Recreational and cultural services		28,472,510	28,680,931	27,190,180
Planning and development		3,858,162	3,050,084	2,583,253
Loss on disposal of tangible capital assets		-	246,005	-
		99,479,174	90,765,607	86,737,612
Annual surplus		32,068,302	21,644,274	39,135,098
Accumulated surplus, beginning of year		381,688,619	381,688,619	342,553,521
Accumulated surplus, end of year		413,756,921	403,332,893	381,688,619

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

The Corporation of the City of Pickering

Consolidated statement of change in net financial assets

Year ended December 31, 2018

	2018		2017
	Budget	Actual	Actual
	(Note 18)		
	\$	\$	\$
Annual surplus	32,068,302	21,644,274	39,135,098
Acquisition of tangible capital assets	(62,755,373)	(37,520,480)	(31,772,704)
Amortization of tangible capital assets	10,392,202	12,480,087	10,800,559
Loss (gain) on disposal of tangible capital assets	—	246,005	(22,927,289)
Proceeds on disposal of tangible capital assets	—	137,444	23,501,156
	(20,294,869)	(3,012,670)	18,736,820
Transfer of assets under construction to tangible capital assets	—	4,952,232	3,762,471
Assets under construction expensed	—	82,345	215,451
	—	5,034,577	3,977,922
Acquisition of inventory of supplies	—	(700,163)	(818,222)
Use of inventory of supplies	—	755,268	613,402
Acquisition of prepaid expenses	—	(231,462)	(295,196)
Use of prepaid expenses	—	295,196	248,303
	—	118,839	(251,713)
Change in net financial assets	(20,294,869)	2,140,746	22,463,029
Net financial assets, beginning of year	140,709,104	140,709,104	118,246,075
Net financial assets, end of year	120,414,235	142,849,850	140,709,104

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

The Corporation of the City of Pickering

Consolidated statement of cash flows

Year ended December 31, 2018

	2018	2017
	\$	\$
Operating transactions		
Annual surplus	21,644,274	39,135,098
Non-cash items		
Amortization of tangible capital assets	12,480,087	10,800,559
Loss (gain) on disposal of tangible capital assets	246,005	(22,927,289)
Equity share of Veridian Corporation	(5,050,712)	(4,179,608)
Contributed tangible capital assets recorded in revenue	(995,033)	(5,014,463)
Change in non-cash operating items		
Taxes receivable	(2,769,229)	(837,961)
Accounts receivable	587,779	(1,690,700)
Accounts payable and accrued liabilities	6,150,073	6,731,036
Other current liabilities	(3,394,206)	4,561,231
Deferred revenue	12,288,515	4,692,846
Post-employment benefit liability	650,538	650,156
WSIB benefit liabilities	54,303	56,776
Inventory	55,105	(204,820)
Land held for resale	(3,850,372)	(294,531)
Prepaid expenses	63,734	(46,893)
	38,160,861	31,431,437
Capital transactions		
Acquisition of tangible capital assets (net of transfers and contributions)	(31,490,870)	(22,780,319)
Proceeds on disposal of tangible capital assets	137,444	23,501,156
	(31,353,426)	720,837
Investing transactions		
Decrease (increase) in investments	3,845,503	(33,368,104)
Dividends received from Veridian Corporation	1,927,000	2,093,870
	5,772,503	(31,274,234)
Financing transactions		
Proceeds from debentures issued	3,604,000	12,941,000
Principal repayment of debentures	(5,598,009)	(2,983,834)
Decrease in note receivable	266,860	258,330
	(1,727,149)	10,215,496
Increase in cash and cash equivalents	10,852,789	11,093,536
Cash and cash equivalents, beginning of year	89,766,742	78,673,206
Cash and cash equivalents, end of year	100,619,531	89,766,742
Cash and cash equivalents consists of		
Cash	16,110,036	11,376,673
Cash equivalents	84,509,495	78,390,069
	100,619,531	89,766,742

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

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 Veridian Corporation

The City’s investment in Veridian Corporation is accounted for on a modified equity basis, consistent with Canadian public sector accounting standards for investments in government business partnerships. Under the modified equity basis, Veridian 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 Veridian 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 Veridian Corporation and other capital transactions are reflected as adjustments in the investment asset account.

(iii) Operations of School Boards and the Region of Durham

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the Region 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 Statement of Financial Activities and Statement of Financial Position.

(b) Basis of accounting

(i) 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 and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services and the creation of a legal obligation to pay.

(ii) 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.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(iii) Investments

Long-term investments are recorded at cost and any loss in value which is considered other than temporary is recorded as incurred. Any premium or discount at the purchase of an investment is amortized over the life of the investment.

(iv) Tangible capital assets ("TCA")

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly related to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. During fiscal 2018, the City performed a review of its tangible capital assets and updated estimated useful lives for certain tangible capital assets. 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.

(v) 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.

(vi) Deferred revenue

Deferred revenues represent 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 revenues in the fiscal year the services are performed. In addition, any contributions received with external restrictions are deferred until the related expenditures are made.

(vii) 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 actuary determined 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 average remaining service period of 15 years.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(viii) Inventory

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

(ix) 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.

(x) 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.

(xi) Intangible assets

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

(xii) 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.

(xiii) Land held for resale

Land permanently removed from service that meet 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.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(xiv) 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 and estimates relating to the useful lives of tangible capital assets. Actual results could differ from these estimates.

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:

	2018		2017	
	Region	School board	Region	School board
	\$	\$	\$	\$
Taxation	111,062,448	47,323,546	106,559,478	45,352,981
Payments in lieu of taxes	6,260,991	380,526	6,457,366	381,700
	117,323,439	47,704,072	113,016,844	45,734,681

3. Investments

	2018		2017	
	Cost	Market value	Cost	Market value
	\$	\$	\$	\$
Investments	78,380,565	78,041,001	82,226,068	81,919,658

Investments are comprised of deposit notes, bonds, and guaranteed investment certificates.

4. Investment in Veridian Corporation

(a) Veridian Corporation is owned by the City of Pickering, Town of Ajax, Municipality of Clarington and the City of Belleville. The City has a 41 per cent interest in Veridian Corporation. Veridian Corporation, as a government business partnership, is accounted for on the modified equity basis in these consolidated financial statements. Veridian Corporation serves as the electrical distribution utility for a number of communities including the four noted above and conducts non-regulated utility service ventures through its subsidiaries.

4. Investment in Veridian Corporation (continued)

(a) (continued)

The following table provides condensed supplementary consolidated financial information for Veridian Corporation and its subsidiaries for the year ended December 31. All amounts in tables are disclosed in thousands of dollars:

	2018 (000's)	2017 (000's)
	\$	\$
Assets		
Current	70,908	77,555
Capital and intangibles	291,057	269,380
Other	166	1,097
	<u>362,131</u>	<u>348,032</u>
Regulatory balances	7,217	2,852
	<u>369,348</u>	<u>350,884</u>
Liabilities		
Current	152,979	116,129
Long-term debt	37,132	65,021
Other	33,310	29,765
	<u>223,421</u>	<u>210,915</u>
Shareholders' equity		
Share capital	67,260	67,260
Contributed capital	25	25
Accumulated other comprehensive loss	(53)	(316)
Retained earnings	70,537	63,258
	<u>137,769</u>	<u>130,227</u>
Regulatory balances	8,158	9,742
	<u>369,348</u>	<u>350,884</u>
Comprehensive income		
Commodity revenue	266,543	280,206
Commodity expenses	(269,157)	(277,975)
Distribution revenue	54,254	52,225
Other income	3,555	2,630
Operating expenses	(42,200)	(41,620)
Other expense	(3,827)	(2,593)
Other comprehensive income	263	24
Net movements in regulatory balances, net of tax	5,949	965
Income tax expense	(3,061)	(3,668)
	<u>12,319</u>	<u>10,194</u>

4. Investment in Veridian Corporation (continued)

(b) City of Pickering's investment represented by:

	<u>2018</u>	<u>2017</u>
	\$	\$
Promissory notes receivable (Note 5)	<u>25,069,000</u>	25,069,000
Investments in Veridian Corporation		
Initial investment in shares of the Corporation	30,496,196	30,496,196
Accumulated earnings	55,630,394	50,579,682
Accumulated dividends received	(30,425,462)	(28,498,462)
Adjustment to value of investment	815,708	815,708
	<u>56,516,836</u>	<u>53,393,124</u>

(c) Equity in Veridian Corporation

	<u>2018</u>	<u>2017</u>
	\$	\$
Balance, beginning of year	81,505,144	79,419,406
Equity share of net earnings for the year	5,050,712	4,179,608
Dividend received from Veridian Corporation	(1,927,000)	(2,093,870)
Balance, end of year (Note 11)	<u>84,628,856</u>	<u>81,505,144</u>

(d) Contingencies and guarantees of Veridian 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 \$1,000 of service revenue subject to a credit or surcharge based on each electric utility's claims experience. The maximum coverage is \$30,000,000 per occurrence for liability insurance, \$21,000,000 for vehicle insurance and \$119,736,000 for property insurance, plus \$10,000,000 excess coverage on top of the regular liability and vehicle coverage.

4. Investment in Veridian Corporation (continued)

(d) Contingencies and guarantees of Veridian Corporation (the "Corporation") as disclosed in their consolidated financial statements are as follows: (continued)

(ii) Contractual obligation - Hydro One Networks Inc. ("HONI") (continued)

The Corporation's subsidiary, Veridian Connections Inc. ("VCI"), is party to a connection and cost recovery agreement with HONI related to the construction by HONI of a transformer station designated to meet VCI's anticipated electricity load growth. Construction of the project was completed during 2007 and VCI connected to the transformer station during 2008.

To the extent that the cost of the project is not recoverable from future transformation connection revenues, VCI is obligated to pay a capital contribution equal to the difference between these revenues and the construction costs allocated to VCI. The construction costs allocated to VCI for the project are \$9,975,000.

The Corporation has recorded a liability and a corresponding intangible asset for \$1,484,000 as at December 31, 2018 (2017 - \$1,212,000), based on management's best estimate of the future transformation connection revenue shortfall. HONI is in the process of performing 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) 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.

(e) Lease commitments

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

	\$ (000's)
2019	6
2020	2
2021	2
2022	2
2023	2
Thereafter	50
	<u>64</u>

(f) Subsequent event

On April 1, 2019, Veridian Corporation amalgamated with Whitby Hydro Energy Corporation to form Elexicon Corporation. The predecessor shareholders of Veridian Corporation being the City of Pickering, the Town of Ajax, the City of Belleville and the Municipality of Clarington will collectively own 68% of the newly formed Elexicon Corporation. This will result in the City having a 27.88% interest in Elexicon Corporation. The financial impact of the amalgamation to the City's investment and accumulated surplus balances will be reported in the City's consolidated financial statements for the December 31, 2019 year end.

5. Promissory notes receivable

	<u>2018</u>	<u>2017</u>
	\$	\$
Promissory note receivable from Veridian Corporation which matured on December 31, 2018 and bearing interest at the greater of 6% or the Ontario Energy Board deemed long term debt rate on an annual basis to maturity (See (a) and (c) below)	7,095,000	7,095,000
Promissory note receivable from Veridian Connections Inc. maturing November 1, 2039 and bearing interest at the Ontario Energy Board deemed long-term debt rate for each successive five year period thereafter (4.47% effective January 1, 2015)	17,974,000	17,974,000
	<u>25,069,000</u>	<u>25,069,000</u>

- (a) The promissory note receivable from Veridian Corporation matured on December 31, 2018 and was extended to the earlier of December 31, 2019 or the closing date of the merger between Veridian Corporation and Whitby Hydro Energy Corporation, as defined in the Merger Participation Agreement between the Town of Ajax, City of Belleville, the Municipality of Clarington, City of Pickering, Town of Whitby, Veridian Corporation, Veridian Connections Inc., Whitby Hydro Energy Corporation and Whitby Hydro Electric Corporation. All other terms of the promissory note remain the same.
- (b) Interest revenue earned from these notes receivable totaled \$1,229,138 (2017 - \$1,229,138). The \$7,095,000 promissory note from Veridian Corporation is convertible into common shares at the rate of one common share for every \$1,000 of principal amount, at the option of the City. The note from Veridian Connections Inc. is no longer convertible but the City may demand full or partial repayment with six months' notice with certification that the funds are required for municipal purposes. The City has signed an inter-creditor agreement confirming the subordinated ranking of these promissory notes to the senior debt financing issued by Veridian.
- (c) On November 20, 2014, the Ontario Energy Board's deemed long-term rate was established for the five year period commencing January 1, 2015 until December 31, 2019 at 4.47%. This rate will be reset on January 1, 2020.

6. Deferred revenue

	2018	2017
	\$	\$
Obligatory reserve funds		
Development charges	58,789,415	48,100,585
Parkland	6,463,242	4,532,056
Federal gas tax	5,310,843	5,654,549
Third party/Developer's contributions reserve fund	2,790,108	2,957,593
Public benefits	—	141,387
	73,353,608	61,386,170
Other unearned revenues	4,129,320	3,808,243
	77,482,928	65,194,413

Continuity of deferred revenue is as follows:

	2018	2017
	\$	\$
Balance, beginning of year	65,194,413	60,501,567
Restricted funds received	20,092,304	9,169,370
General funds received	896,508	2,900,813
Interest earned (restricted funds)	1,064,773	830,571
	22,053,585	12,900,754
Earned restricted revenue transferred to operations	9,189,639	7,151,044
Earned revenue transferred to operations	575,431	1,056,864
	9,765,070	8,207,908
Balance, end of year	77,482,928	65,194,413

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 1.83% to 2.64% and various payment terms ranging from 5 years to 10 years. 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:

	<u>2018</u>	<u>2017</u>
	\$	\$
Roads and streetlights	564,296	1,226,910
Community facilities, libraries and parks	815,139	1,385,745
Protection services	296,535	337,226
Stormwater system	310,829	645,360
	<u>1,986,799</u>	<u>3,595,241</u>

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, 2017, with a projection to December 31, 2018.

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

	<u>2018</u>	<u>2017</u>
	\$	\$
Accrued benefits liability, beginning of year	5,609,656	4,959,500
Plan amendment	—	384,991
Current service costs	535,285	416,276
Interest on accrued benefits	411,606	223,108
Amortization of actuarial losses	538,856	186,200
Benefits paid during the year	(835,209)	(560,419)
Accrued benefits liability, end of year	<u>6,260,194</u>	<u>5,609,656</u>
Accrued benefit obligation	11,237,755	11,126,073
Unamortized actuarial losses	(4,977,561)	(5,516,417)
Accrued benefits liability, end of year	<u>6,260,194</u>	<u>5,609,656</u>

8. Post-employment benefits liability (continued)

(a) Post-employment benefits liability (continued)

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, 2018 of the future benefits was determined using a discount rate of 3.75% (2017 - 3.75%).

(ii) Dental costs

The dental cost trend rate was 3.75% (2017 - 3.75%) increase per annum.

(iii) Health costs

Health costs were assumed to increase at 6.42% (2017 - 6.75%) and decrease by 0.33% (2017 - 0.33%) increments per year to an ultimate rate of 3.75% per year in 2027 and thereafter.

(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, 2016, with a projection to December 31, 2018.

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

	<u>2018</u>	<u>2017</u>
	\$	\$
Accrued WSIB liability, beginning of year	1,862,876	1,806,100
Current service cost	128,519	124,773
Interest on accrued benefits	90,135	89,144
Amortization of actuarial losses	30,254	30,254
Benefits paid during the year	(194,605)	(187,395)
	<u>1,917,179</u>	<u>1,862,876</u>
Accrued benefit obligation	2,310,476	2,286,427
Unamortized actuarial losses	(393,297)	(423,551)
Accrued benefits liability, end of year	<u>1,917,179</u>	<u>1,862,876</u>

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

(i) Discount rate

The present value as at December 31, 2018 of the future benefits was determined using a discount rate of 4.0% (2017 - 4.0%).

(ii) Inflation rate

The rate of inflation was assumed to be 1.75% (2017 - 1.75%) per annum.

8. Post-employment benefits liability (continued)

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

(iii) WSIB Administration Rate

Liabilities for WSIB benefits have been increased 38% to reflect the administration rate charged by WSIB.

A WSIB Reserve Fund was established in 2001. The Reserve Fund balance at December 31, 2018 (Note 11) was \$3,548,321 (2017 - \$3,209,349). In addition, the City purchased two insurance policies that protect the City against significant claims. The occupational accident insurance pays loss claims up to \$500,000 per work related accident. The excess workers compensation indemnity insurance has a \$500,000 deductible and will pay for claims up to and including \$15,000,000 per work related accident.

9. Long-term liabilities

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

	<u>2018</u>	<u>2017</u>
	\$	\$
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	<u>29,418,973</u>	<u>31,412,982</u>

(b) The above long-term liabilities have maturity dates of July 12, 2021 and 2022, October 15, 2020, September 29, 2021, October 16, 2023, July 2, 2019 and 2029, October 17, 2021, 2026 and 2031, October 13, 2022, 2027, 2032 and 2037 and September 14, 2023, 2028, 2033 and 2038 with various interest rates ranging from 1.10% to 5.12%. Principal repayments are summarized as follows:

	\$
2019	3,129,986
2020	3,164,344
2021	3,338,385
2022	2,372,998
2023	2,172,597
Thereafter	<u>15,240,663</u>
	<u>29,418,973</u>

(c) Long-term liabilities include principal sums of \$952,000 (2017 - \$2,415,000) 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 \$935,509 (2017 - \$715,544).

10. 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 2018 amounted to \$995,033 (2017 - \$5,014,463).

(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 supporting 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 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 financial statements.

(iv) Other

The net book value of tangible capital assets not being amortized because they are under construction is \$31,236,184 (2017 - \$18,379,602).

During the year, there were no write-downs of assets (2017 - \$Nil) and no interest was capitalized during the year (2017 - \$Nil).

(v) Land held for resale

During the year, the City acquired a land parcel along the 407 corridor from Infrastructure Ontario for the purpose of resale for economic development. As a result, this land was not capitalized as a tangible capital asset but instead recorded as land held for resale. The value reported on the Consolidated Statement of Financial Position reflects the purchase price and other related servicing costs recoverable on the sale of land. Subsequent to year end, this parcel of land was sold to Kubota Inc. in January 2019.

The Corporation of the City of Pickering
Notes to the consolidated financial statements
December 31, 2018

10. Tangible capital assets (continued)

	Land	Buildings	Machinery and equipment	Vehicles	Infrastructure	Information technology hardware	Library collection materials	Furniture and fixtures	Assets under construction	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, beginning of year	55,662,991	81,644,369	9,149,950	13,343,358	280,938,295	1,785,121	2,358,369	730,808	18,379,602	463,992,863
Add										
Additions during the year	484,872	3,819,321	1,621,835	494,571	12,261,833	426,475	366,812	153,602	17,891,159	37,520,480
Less										
Disposals/transfers during the year	150,407	1,540,644	332,029	530,797	749,729	119,205	474,319	—	5,034,577	8,931,707
Balance, end of year	55,997,456	83,923,046	10,439,756	13,307,132	292,450,399	2,092,391	2,250,862	884,410	31,236,184	492,581,636
Accumulated amortization										
Balance, beginning of year	—	44,034,616	4,980,437	7,279,120	164,665,893	1,229,914	1,224,942	320,954	—	223,735,876
Add										
Amortization	—	3,508,849	750,557	846,596	6,691,254	227,779	405,060	49,992	—	12,480,087
Less										
Accumulated amortization on disposals	—	1,528,630	303,827	530,797	592,665	83,443	474,319	—	—	3,513,681
Balance, end of year	—	46,014,835	5,427,167	7,594,919	170,764,482	1,374,250	1,155,683	370,946	—	232,702,282
Net book value of tangible capital assets	55,997,456	37,908,211	5,012,589	5,712,213	121,685,917	718,141	1,095,179	513,464	31,236,184	259,879,354

The Corporation of the City of Pickering
Notes to the consolidated financial statements
December 31, 2018

10. Tangible capital assets (continued)

	Land	Buildings	Machinery and equipment	Vehicles	Infrastructure	Information technology hardware	Library collection materials	Furniture and fixtures	Assets under construction	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, beginning of year	55,691,303	80,777,919	9,045,684	13,167,746	267,272,915	1,565,764	2,466,112	646,134	11,233,428	441,867,005
Add										
Additions during the year	470,067	1,275,576	973,931	768,350	16,486,081	242,427	347,502	84,674	11,124,096	31,772,704
Less										
Disposals/transfers during the year	498,379	409,126	869,665	592,738	2,820,701	23,070	455,245	—	3,977,922	9,646,846
Balance, end of year	55,662,991	81,644,369	9,149,950	13,343,358	280,938,295	1,785,121	2,358,369	730,808	18,379,602	463,992,863
Accumulated amortization										
Balance, beginning of year	—	42,337,115	5,143,393	6,931,337	161,031,220	1,052,167	1,252,263	282,879	—	218,030,374
Add										
Amortization	—	2,095,387	658,435	940,521	6,439,400	200,817	427,924	38,075	—	10,800,559
Less										
Accumulated amortization on disposals	—	397,886	821,391	592,738	2,804,727	23,070	455,245	—	—	5,095,057
Balance, end of year	—	44,034,616	4,980,437	7,279,120	164,665,893	1,229,914	1,224,942	320,954	—	223,735,876
Net book value of tangible capital assets	55,662,991	37,609,753	4,169,513	6,064,238	116,272,402	555,207	1,133,427	409,854	18,379,602	240,256,987

11. Accumulated surplus

The City's accumulated surplus is comprised of the following:

	<u>2018</u>	<u>2017</u>
	\$	\$
Capital fund	20,701,530	25,169,415
Operating fund	125,247	125,237
Equity in Veridian Corporation	84,628,856	81,505,144
Tangible capital assets	259,879,354	240,256,987
Post-employment benefits liability	(6,081,194)	(5,430,656)
Internal loans	(1,986,799)	(3,595,241)
Net long-term liabilities	(29,418,973)	(31,412,982)
Note receivable soccer facility	3,530,086	3,796,946
WSIB benefit liabilities	(1,917,179)	(1,862,876)
Reserves set aside for special purposes by Council		
Working capital	400,000	400,000
Self insurance	912,642	869,293
Replacement of capital equipment	2,316,335	1,804,790
Contingencies	1,702,591	1,632,591
Rate stabilization	17,962,479	16,823,997
City's share for development charge	9,384,927	6,884,793
Continuing studies	703,285	448,190
Vehicle replacement	1,612,757	1,426,438
Easement settlement	390	390
Land purchase	14,403	99,403
Seaton development review	1,437,822	1,641,805
Financial systems	43,647	1,068,647
Senior centre	700,000	450,000
Accessibility initiatives	31,944	31,944
Winter control	700,000	700,000
Sustainability initiatives	294,455	51,376
Duffin Heights	3,430,925	3,660,177
Facilities	119,345	258,645
Accelerated infrastructure program	519,500	519,500
Fence	150,000	150,000
Minor buildings replacement	300,000	100,000
Financial Impact Agreement	—	210,745
Tennis Courts	111,100	—
Reserve funds set aside for special purpose by Council		
Recreation programs and facilities	377,363	174,873
Acquisition of tangible capital assets	297,686	293,371
WSIB	3,548,321	3,209,349
Animal shelter	522,608	417,706
Men's slow pitch	144,127	152,227
Operations Centre	18,375,610	25,773,590
Roads & bridges	3,456,460	2,417,954
Stormwater management	2,683,162	1,354,597
Ontario Community Infrastructure Fund	616,668	55,761
Seaton infrastructure	223,816	54,493
Seaton Financial Impact Agreement	777,597	—
	<u>403,332,893</u>	<u>381,688,619</u>

12. 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 496,000 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, 2018. The results of this valuation disclosed total actuarial liabilities as at that date of \$100,081 million in respect of benefits accrued for service with actuarial assets at that date of \$95,890 million indicating an actuarial deficit of \$4,191 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 2018 were \$3,985,649 (2017 - \$3,834,325).

13. Trust Funds

Trust funds administered by the City amounting to \$367,148 (2017 - \$361,263) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

14. Related party transactions

Veridian Corporation

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

	<u>2018</u>	<u>2017</u>
	\$	\$
Transactions		
Revenues		
Interest on promissory notes	1,229,138	1,229,138
Property taxes levied	45,172	49,993
Expenses		
Electrical energy and services	2,077,577	2,153,292
Balances		
Accounts payable and accrued liabilities	403,117	468,782
Promissory notes receivable	25,069,000	25,069,000

15. 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.

16. 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.

17. 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. The City has received all of the required payments to date based on the preliminary figures.

17. 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.

18. Budget figures

The 2018 Budget adopted by Council on February 26, 2018 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 February 26, 2018 with adjustments as follows:

	2018			2018
	Council approved budget	Non TCA expenditures from capital	Post-employment benefits/amortization	Budget presented in statements
	\$	\$	\$	\$
Revenue				
Taxation	68,791,681	—	—	68,791,681
Capital	45,024,104	—	—	45,024,104
Other	17,731,691	—	—	17,731,691
	<u>131,547,476</u>	<u>—</u>	<u>—</u>	<u>131,547,476</u>
Expenditures				
General government	17,599,920	5,230,000	628,547	23,458,467
Protection to persons and property	24,969,354	12,000	908,950	25,890,304
Transportation services	9,353,516	245,000	3,586,144	13,184,660
Environmental services	1,653,105	—	2,128,380	3,781,485
Social and family services	833,586	—	—	833,586
Recreational and cultural services	24,663,788	290,000	3,518,722	28,472,510
Planning and development	3,856,353	—	1,809	3,858,162
	<u>82,929,622</u>	<u>5,777,000</u>	<u>10,772,552</u>	<u>99,479,174</u>
Annual surplus (deficit)	48,617,854	(5,777,000)	(10,772,552)	32,068,302
Capital expenditures	(68,532,373)	5,777,000	—	(62,755,373)
Transfers from reserve and reserve funds	12,555,317			
Dividend from Veridian Corporation	1,927,000			
Principal repayment of debt	(4,629,768)			
Principal repayment of PSC note	219,000			
Debt proceeds	9,717,970			
Prior year operating fund surplus	<u>(125,000)</u>			

19. 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.

Segmented information has been provided in the following pages.

19. Segmented information (continued)

	2018						
	Protection to persons and property	Public works services	Recreational and cultural	Planning and development	Social and family services	General government	Consolidated
	\$	\$	\$	\$	\$	\$	\$
Revenue							
Grants	56,957	3,111,935	2,161,568	—	107,487	116,304	5,554,251
User charges	7,104,411	35,961	5,977,379	1,192,459	58,984	821,329	15,190,523
Tax related revenues	—	—	—	—	—	72,165,112	72,165,112
Developer revenue	1,011,037	4,301,437	1,960,879	151,084	2,475	1,138,128	8,565,040
Contributed tangible capital assets	—	510,162	—	—	—	484,871	995,033
Equity share of Veridian Corporation	—	—	—	—	—	5,050,712	5,050,712
Other revenues	976,890	—	74,033	—	—	3,838,287	4,889,210
	9,149,295	7,959,495	10,173,859	1,343,543	168,946	83,614,743	112,409,881
Expenses							
Salaries and wages	20,770,883	5,143,629	16,103,489	2,541,302	347,132	9,688,495	54,594,930
Materials and supplies	2,235,136	3,393,702	6,492,757	203,914	137,433	5,160,551	17,623,493
Contracted services	834,843	921,867	739,832	292,664	137,692	1,073,558	4,000,456
Amortization	753,343	6,258,094	4,571,384	2,359	—	894,907	12,480,087
Other	166,964	463,534	773,469	9,845	158,593	248,231	1,820,636
Loss on disposal of tangible capital assets	(17,671)	120,498	93,412	—	—	49,766	246,005
	24,743,498	16,301,324	28,774,343	3,050,084	780,850	17,115,508	90,765,607
Annual (deficit) surplus	(15,594,203)	(8,341,829)	(18,600,484)	(1,706,541)	(611,904)	66,499,235	21,644,274

The Corporation of the City of Pickering
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19. Segmented information (continued)

	2017						
	Protection to persons and property	Public works services	Recreational and cultural	Planning and development	Social and family services	General government	Consolidated
	\$	\$	\$	\$	\$	\$	\$
Revenue							
Grants	9,877	5,489,553	583,045	—	159,605	114,264	6,356,344
User charges	3,848,727	45,432	5,655,740	711,842	54,457	765,965	11,082,163
Tax related revenues	—	—	—	—	—	69,270,028	69,270,028
Developer revenue	199,275	741,431	424,006	17,700	—	86,468	1,468,880
Contributed tangible capital assets	—	4,564,443	450,020	—	—	—	5,014,463
Equity share of Veridian Corporation	—	—	—	—	—	4,179,608	4,179,608
Gain (loss) on disposal of tangible capital assets	(19,810)	32,435	31,646	—	—	22,883,018	22,927,289
Other revenues	1,205,633	1,220,210	597,655	54,598	—	2,495,839	5,573,935
	<u>5,243,702</u>	<u>12,093,504</u>	<u>7,742,112</u>	<u>784,140</u>	<u>214,062</u>	<u>99,795,190</u>	<u>125,872,710</u>
Expenses							
Salaries and wages	20,074,847	4,771,298	15,744,394	2,220,477	349,285	9,692,750	52,853,051
Materials and supplies	2,194,303	3,606,212	6,481,518	214,166	149,187	4,817,022	17,462,408
Contracted services	808,517	1,273,691	731,558	136,700	90,440	990,566	4,031,472
Amortization	731,859	6,042,866	3,480,211	2,065	—	543,558	10,800,559
Other	170,001	226,389	752,499	9,845	176,796	254,592	1,590,122
	<u>23,979,527</u>	<u>15,920,456</u>	<u>27,190,180</u>	<u>2,583,253</u>	<u>765,708</u>	<u>16,298,488</u>	<u>86,737,612</u>
Annual (deficit) surplus	<u>(18,735,825)</u>	<u>(3,826,952)</u>	<u>(19,448,068)</u>	<u>(1,799,113)</u>	<u>(551,646)</u>	<u>83,496,702</u>	<u>39,135,098</u>