
Consolidated financial statements of The Corporation of the City of Pickering

December 31, 2024

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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, 2024, 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, 2024, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision, and review of the audit work performed for purposes 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
November 17, 2025

The Corporation of the City of Pickering
Consolidated statement of financial position
As at December 31, 2024

		2024	2023
	Notes	\$	\$
Financial assets			
Cash and cash equivalents		160,782,673	118,135,814
Investments	3	186,798,706	193,303,565
Taxes receivable		27,643,924	25,903,091
Accounts receivable		23,799,012	13,864,727
Note receivable	18	1,751,030	2,070,285
Investment in Elexicon Corporation	4(c)	70,955,721	71,598,250
Promissory notes receivable	5	25,069,000	25,069,000
		496,800,066	449,944,732
Liabilities			
Accounts payable and accrued liabilities		39,779,191	37,074,226
Other current liabilities		340,437	246,511
Deferred revenue	6	163,868,895	137,552,277
Long-term liabilities	10	35,758,862	38,996,663
Post-employment benefit liability	8(a)	12,251,285	9,882,030
WSIB benefit liabilities	8(b)	3,390,091	3,247,125
Asset retirement obligation	9	6,930,871	6,793,775
		262,319,632	233,792,607
Net financial assets		234,480,434	216,152,125
Non-financial assets			
Tangible capital assets	11	361,058,942	333,295,623
Prepaid expenses and deposits	11(v)	343,034	417,589
Inventory		593,153	443,062
		361,995,129	334,156,274
Accumulated surplus	12	596,475,563	550,308,399

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 operations
Year ended December 31, 2024

	Notes	Budget \$	2024 Actual \$	2023 Actual \$
		(Note 19)		
Revenue				
Residential and farm taxation		73,451,316	74,887,210	69,207,224
Commercial and industrial taxation		14,492,760	14,646,248	13,950,705
Taxation from other governments		8,590,191	8,729,904	8,617,409
User charges		19,088,974	21,297,412	21,657,426
Government grants and fees		9,384,472	14,038,402	8,676,700
Other contributions and donations		1,859,552	2,844,928	3,599,083
Development charges and developer contributions earned		43,965,767	9,760,363	7,731,580
Contributed tangible capital assets	11(i)	—	935,996	4,959,496
Investment income		1,800,000	9,652,161	8,286,972
Penalties and interests on taxes		3,115,000	3,540,621	3,779,346
Fines		1,690,000	1,704,191	1,529,049
Interest on promissory notes	5(c)	1,035,350	1,035,350	1,035,350
Casino revenue		18,830,000	17,451,454	18,460,408
Equity share of Elexicon Corporation earnings	4(b)	—	1,545,110	1,394
Other		326,981	1,976,686	1,587,121
(Loss) gain on disposal of tangible capital assets		—	(69,200)	56,741
		197,630,363	183,976,836	173,136,004
Expenses	20			
General government		29,752,717	33,426,948	36,158,223
Protection to persons and property		37,277,747	38,241,394	33,657,499
Transportation services		21,367,427	19,076,420	18,513,737
Environmental services		3,011,621	3,106,087	3,087,632
Social and family services		1,807,332	1,096,678	888,645
Recreational and cultural services		39,275,200	37,833,666	35,511,071
Planning and development		6,847,802	5,028,479	5,061,175
		139,339,846	137,809,672	132,877,982
Annual surplus		58,290,517	46,167,164	40,258,022
Accumulated surplus, beginning of year		550,308,399	550,308,399	510,050,377
Accumulated surplus, end of year		608,598,916	596,475,563	550,308,399

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, 2024

	Budget \$	2024 Actual \$	2023 Actual \$
	(Note 19)		
Annual surplus	58,185,517	46,167,164	40,258,022
Acquisition of tangible capital assets	(107,412,900)	(46,344,957)	(50,806,266)
Amortization of tangible capital assets	13,089,979	15,308,323	13,847,864
(Loss) gain on disposal of tangible capital assets	—	69,200	(56,741)
Proceeds on disposal of tangible capital assets	—	396,561	175,347
	(36,137,404)	15,596,291	3,418,226
Transfer of assets under construction to tangible capital assets	—	2,553,963	16,792,228
Assets under construction expensed	—	253,591	5,837,551
	—	2,807,554	22,629,779
Acquisition of inventory of supplies	—	(1,272,248)	(1,167,872)
Use of inventory of supplies	—	1,122,157	1,262,901
Acquisition of prepaid expenses and deposits	—	(219,205)	(7,334,738)
Use of prepaid expenses and deposits	—	293,760	14,198,628
	—	(75,536)	6,958,919
Change in net financial assets	(36,137,404)	18,328,309	33,006,924
Net financial assets, beginning of year	216,152,125	216,152,125	183,145,201
Net financial assets, end of year	180,014,721	234,480,434	216,152,125

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, 2024

	2024 \$	2023 \$
Operating transactions		
Annual surplus	46,167,164	40,258,022
Non-cash items		
Amortization of tangible capital assets	15,308,323	13,847,864
Loss (gain) on disposal of tangible capital assets	69,200	(56,741)
Equity share of Elexicon Corporation earnings	(1,545,110)	(1,394)
Contributed tangible capital assets recorded in revenue	(935,996)	(4,959,496)
Change in non-cash operating items		
Taxes receivable	(1,740,833)	(2,530,282)
Accounts receivable	(9,934,285)	(2,632,869)
Accounts payable and accrued liabilities	2,704,965	3,353,126
Other current liabilities	93,926	19,415
Deferred revenue	26,316,618	27,528,431
Post-employment benefit liability	2,369,255	590,685
WSIB benefit liabilities	142,966	186,352
Asset retirement obligation	137,096	6,793,775
Inventory	(150,091)	95,029
Prepaid expenses and deposits	74,555	6,863,890
	79,077,753	89,355,807
Capital transactions		
Acquisition of tangible capital assets (net of transfers and contributions)	(42,601,407)	(23,216,991)
Proceeds on disposal of tangible capital assets	396,561	175,347
	(42,204,846)	(23,041,644)
Investing transactions		
Decrease (increase) in investments	6,504,859	(36,615,665)
Dividends received from Elexicon Corporation	2,187,639	1,704,952
	8,692,498	(34,910,713)
Financing transactions		
Principal repayment of debentures	(3,237,801)	(3,707,597)
Decrease in note receivable	319,255	310,726
	(2,918,546)	(3,396,871)
Increase in cash and cash equivalents	42,646,859	28,006,579
Cash and cash equivalents, beginning of year	118,135,814	90,129,235
Cash and cash equivalents, end of year	160,782,673	118,135,814
Cash and cash equivalents consists of		
Cash	144,802,875	118,135,814
Cash equivalents	15,979,798	—
	160,782,673	118,135,814

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

First time adoption of PS 3160 Public Private Partnerships

Effective January 1, 2024, the City adopted PS 3160 Public Private Partnerships prospectively. The adoption of the new standard had no impact on the financial statements of the City, as no Public Private Partnerships were identified.

First time adoption of PS 3400 Revenue

Effective January 1, 2024, the City adopted PS 3400 Revenue prospectively. The adoption of the new standard had no impact on the financial statements of the City, as existing revenue recognition practices are consistent with the new standard.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

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

First time adoption of PSG-8 Purchased Intangibles

Effective January 1, 2024, the City adopted PSG-8 Purchased Intangible prospectively. The adoption of the new guideline had no impact on the financial statements of the City, as no purchased intangibles were identified for recognition.

(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.

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.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(v) Tangible capital assets ("TCA")

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.

(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.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(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) 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.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(xiv) 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.

(xv) 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.

(xvi) 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.

(xvii) Asset Retirement Obligations

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:

	Region	2024 School board	Region	2023 School board
	\$	\$	\$	\$
Taxation	165,475,209	53,033,844	148,258,136	51,552,669
Payments in lieu of taxes	7,101,237	472,949	6,636,281	469,978
	172,576,446	53,506,793	154,894,417	52,022,647

3. Investments

	Amortized cost	2024 Market value	Amortized cost	2023 Market value
	\$	\$	\$	\$
Investments	186,798,706	186,812,164	193,303,565	193,337,289

4. Investment in government business enterprise

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

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.

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 (continued)*

The following table provides condensed supplementary consolidated financial information for Elexicon Corporation and its subsidiaries as at and for the year ended December 31, 2024. The amounts are disclosed in thousands of dollars:

	2024 (000's) \$	2023 (000's) \$
Assets		
Current	124,314	116,654
Capital and intangibles	786,041	720,727
Other	701	708
Total assets	911,056	838,089
Regulatory balances	53,757	56,310
Total assets and regulatory balances	964,813	894,399
Liabilities		
Current	193,653	175,942
Long-term debt	283,463	253,465
Other	218,555	196,842
Total liabilities	695,671	626,249
Shareholders' equity		
Share capital	97,692	97,692
Contributed capital	25	25
2019 Contributed Surplus	79,301	79,301
Accumulated other comprehensive loss	2,420	2,511
Retained earnings	75,025	77,239
Total equity	254,463	256,768
Regulatory balances	14,679	11,382
Total liabilities, equity and regulatory balances	964,813	894,399

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 (continued)*

	2024 (000's) \$	2023 (000's) \$
Comprehensive income		
Commodity revenue	464,462	421,522
Commodity expenses	(454,320)	(412,905)
Distribution revenue	100,500	97,459
Operating expenses	(94,044)	(83,498)
Other income (expense)	(5,115)	(18,339)
Accumulated other comprehensive loss	(91)	(619)
Net movements in regulatory balances, net of tax	(5,850)	(3,615)
Total comprehensive income for the year	5,542	5

(b) *Equity in Elexicon Corporation*

The City's equity in Elexicon Corporation is as follows at the end of 2024:

	2024 \$	2023 \$
Balance, beginning of year	99,710,270	101,413,828
Equity share of net earnings from Elexicon Corporation	1,545,110	1,394
Dividend received	(2,187,639)	(1,704,952)
Balance, end of year	99,067,741	99,710,270

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

	2024 \$	2023 \$
Promissory notes receivable (Note 5)	25,069,000	25,069,000
Investments in Elexicon Corporation		
Initial investment in shares of the Corporation	30,496,196	30,496,196
Amalgamation adjustments	12,849,416	12,849,416
Accumulated earnings	72,510,668	70,965,558
Accumulated dividends received	(45,716,267)	(43,528,628)
Adjustment to value of investment	815,708	815,708
	70,955,721	71,598,250

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.

Whitby transformer station:

The Corporation's subsidiary, Elexicon Energy (EE), 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 the final true-up based on actual load at the end of the fifteenth anniversary of the in-service date and the Corporation accrued \$4,062,000 for the shortfall of connection transformation revenue for Hydro One, as at December 31, 2024 (nil as at December 31, 2023) and recognized this amount as an intangible asset.

Seaton transformer station:

The Corporation constructed a transformer station designated to meet the Corporation's anticipated electricity load growth and connected the transformer station to Hydro One's transmission system in December 2022. The Corporation entered into a connection and cost recovery agreement with Hydro One for the 230kV transmission supply to the transformer station. The construction costs allocated to the Corporation for the transmission supply project are \$10,003,000 and a capital contribution of \$3,244,000 was required due to increase in cost and lower incremental load forecast. The Corporation accrued \$3,244,000 as at December 31, 2024 (nil as at December 31, 2023) and recognized this as an intangible asset.

To the extent that the cost of the project is not recoverable from future transformation connection revenue, the Corporation is obligated to pay additional capital contributions equal to the difference between this revenue and the construction costs allocated to the Corporation. Hydro One will perform a true-up based on actual load at the end of the fifth, tenth and fifteenth anniversary of the in service date.

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 (continued)*

(iii) Contractual obligation – Cloud Computing Arrangements

The Corporation entered into a cloud computing arrangement in December 2024 with an established Canadian supplier for licencing and to implement an integrated technology platform solution implementing electrical utility industry leading standard operating models and business process for a 10-year term with a cost of \$48,799,000.

(iv) 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.

(v) *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 cashflows.

(e) *Lease commitments*

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

	\$
2025	95,000
2026	71,000
2027	44,000
2028	—
2029	—
	<u>210,000</u>

5. Promissory notes receivable

	2024 \$	2023 \$
Elexicon Corporation	7,095,000	7,095,000
Elexicon Energy Inc.	17,974,000	17,974,000
	<u>25,069,000</u>	<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.

5. Promissory notes receivable (continued)

(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 2023).

6. Deferred revenue

	2024 \$	2023 \$
Obligatory reserve funds		
Development charges	126,496,414	111,508,853
Parkland	6,346,313	5,888,286
Canada community bldg (FGT)	11,325,089	9,711,426
Third party/Developer's contributions reserve fund	4,829,051	4,210,199
Building permit	5,312,868	585,657
Buidling faster fund	3,221,689	—
	157,531,424	131,904,421
Other unearned revenues	6,337,471	5,647,856
	163,868,895	137,552,277

Continuity of deferred revenue is as follows:

	2024 \$	2023 \$
Balance, beginning of year	137,552,277	110,023,846
Restricted funds received	30,985,261	35,110,751
General funds received	1,671,373	1,270,207
Interest earned (restricted funds)	7,131,633	4,851,877
	39,788,267	41,232,835
Earned restricted revenue transferred to operations	12,489,890	12,088,070
Earned revenue transferred to operations	981,759	1,616,334
	13,471,649	13,704,404
Balance, end of year	163,868,895	137,552,277

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 3.75% (3.65% to 5.50% in 2023) and various payment terms ranging from 5 years to 10 years (5 years to 15 years in 2023). 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:

	2024	2023
	\$	\$
Roads	625,789	819,870
Fire Protection	778,466	1,390,000
	1,404,255	2,209,870

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 as at December 31, 2023, with projection to December 31, 2024.

Plan amendments

In the current year, benefit plan amendments were made for the following:

- (i) In the current year, an adjustment was recorded to reflect that only library employees who are union members are eligible for paid up life insurance benefit of \$2,000 upon retirement. The impact of this amendment is a reduction in benefit cost of \$71,496 in the current year.
- (ii) In the current year, eligible fire members' annual health care spending account (HCSA) allocation was adjusted from \$2,000 to \$3,000. The impact of this amendment is an increase to benefit expense of \$949,077.
- (iii) Effective February 20, 2022, eligible elected officials and senior management members were provided with an HCSA. The impact of this amendment is an increase to benefit expense of \$787,297.

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

	2024	2023
	\$	\$
Accrued benefits liability, beginning of year	9,882,030	9,291,345
Current service costs	927,414	740,513
Interest on accrued benefits	564,636	357,286
Increase due to plan amendments	1,664,878	—
Amortization of actuarial losses	522,448	492,421
Benefits paid during the year	(1,310,121)	(999,535)
Accrued benefits liability, end of year	12,251,285	9,882,030
Accrued benefit obligation	14,585,628	12,738,821
Unamortized actuarial losses	(2,334,343)	(2,856,791)
Accrued benefits liability, end of year	12,251,285	9,882,030

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, 2024 of the future benefits was determined using a discount rate of 4.50% (3.00% in 2023).

(ii) Dental costs

The dental cost trend rate was 4.00% (3.75% in 2023) increase per annum.

(iii) Health costs

Health costs were assumed to increase at 4.75% (5.09% in 2023) and escalate to 5.666% for 2025 and decrease by 0.33% increments per year to an ultimate rate of 4.00% in 2030 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, 2023, with projections for December 31, 2024.

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

	2024	2023
	\$	\$
Accrued WSIB liability, beginning of year	3,247,125	3,060,773
Current service cost	370,909	203,847
Interest on accrued benefits	148,998	101,265
Amortization of actuarial losses	17,669	31,561
Benefits paid during the year	(394,610)	(150,321)
	3,390,091	3,247,125
Accrued benefit obligation	3,448,225	3,503,529
Unamortized actuarial losses	(58,134)	(256,404)
Accrued benefits liability, end of year	3,390,091	3,247,125

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

(i) Discount rate

The present value as at December 31, 2024 of the future benefits was determined using a discount rate of 4.50% (3.00% in 2023).

(ii) Inflation rate

The rate of inflation was assumed to be 2.00 (2.50% in 2023) 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 reduced to 21% to reflect the administration rate charged by WSIB.

A WSIB Reserve Fund was established in 2001. The Reserve Fund balance as at December 31, 2024 (Note 12) is \$4,000,000 (\$4,000,000 as at December 31, 2023). 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, 2024 (Note 12) is \$2,988,726 (\$2,147,196 in 2023). 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 \$2,728,643 (\$2,208,672 in 2023) 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 \$4,202,228 (\$4,585,104 in 2023) 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:

	2024	2023
	\$	\$
Asset Retirement Obligation, beginning of year	6,793,775	—
Adoption of PS 3280	—	6,595,898
Liabilities settled	(65,738)	—
Accretion expense	202,834	197,877
Changes in estimated cash flow	—	—
Asset Retirement Obligation, end of year	6,930,871	6,793,775

10. Long-term liabilities

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

	2024 \$	2023 \$
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	35,758,862	38,996,663

- (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:

	\$
2025	3,233,889
2026	3,308,501
2027	2,966,323
2028	2,866,097
2029	3,301,416
Thereafter	<u>20,082,636</u>
	<u>35,758,862</u>

- (c) Long-term liabilities include principal sums of \$443,000 (\$443,000 in 2023) 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 \$1,157,439 (\$1,199,305 in 2023).

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 2024 amounted to \$935,996 (\$4,959,496 in 2023).

- (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.

11. Tangible capital assets (continued)

(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.

(iv) Other

The net book value of tangible capital assets not being amortized because they are under construction is \$36,362,506 (\$12,001,888 in 2023).

During the year, there were nil write-downs of assets (nil in 2023) and nil interest was capitalized during the year (nil in 2023). 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, 2024, a deposit of \$134,142 (\$134,142 in 2023) for one parcel of land (one in 2023) remains within prepaids and deposits. During 2024, land transactions were not completed, as a result there was no financial impact on the financial position of the City.

The Corporation of the City of Pickering
Notes to the consolidated financial statements
December 31, 2024

11. Tangible capital assets (continued)

	Land	Buildings	Machinery and equipment	Vehicles	Infrastructure	Information technology hardware	Library collection materials	Furniture and fixtures	Assets under construction	2024
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, beginning 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
Add										
Additions during the year	870,210	3,060,674	2,915,996	4,706,721	6,767,874	289,110	313,591	252,609	27,168,172	46,344,957
Less										
Disposals/transfers during the year	—	777,101	1,025,216	800,674	1,039,649	306,683	277,023	18,955	2,807,554	7,052,855
Balance, end of year	78,283,188	141,922,899	16,520,570	23,799,959	343,642,926	2,897,897	1,839,796	1,991,549	36,362,506	647,261,290
Accumulated amortization										
Balance, beginning of year	—	63,582,350	7,560,964	11,597,935	188,799,127	1,466,474	893,812	772,903	—	274,673,565
Add										
Amortization	—	5,555,794	1,341,098	1,775,550	5,759,682	445,705	293,640	136,854	—	15,308,323
Less										
Accumulated amortization on disposals	—	450,686	940,522	800,673	992,580	306,683	277,023	11,373	—	3,779,540
Balance, end of year	—	68,687,458	7,961,540	12,572,812	193,566,229	1,605,496	910,429	898,384	—	286,202,348
Net book value of tangible capital assets	78,283,188	73,235,441	8,559,030	11,227,147	150,076,697	1,292,401	929,367	1,093,165	36,362,506	361,058,942

The Corporation of the City of Pickering
Notes to the consolidated financial statements
December 31, 2024

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

12. Accumulated surplus

The City's accumulated surplus is comprised of the following

	2024 \$	2023 \$
Capital Fund	41,782,063	38,513,382
Operating Fund	125,270	125,268
Equity in Elexicon Corporation	99,067,740	99,710,270
Tangible capital assets	361,058,942	333,295,623
Post-employment benefits liability	(12,072,285)	(9,703,030)
Asset Retirement Obligation	(6,930,871)	(6,793,775)
Interfund loans	(1,404,255)	(2,209,870)
Net long-term liabilities	(35,758,862)	(38,996,663)
Note receivable soccer facility	1,751,030	2,070,285
WSIB benefit liabilities	(3,390,091)	(3,247,125)
Reserves set aside for special purposes by Council		
Working capital	400,000	400,000
Self insurance	292,372	292,372
Information Technology	7,601	98,207
Contingencies	1,898,935	1,488,935
Rate stabilization	23,745,444	21,941,760
City's share for development charge	14,782,176	13,621,166
Continuing studies	453,304	798,297
Vehicle replacement	2,053,119	2,428,447
Land purchase	—	—
Seaton development review	1,437,822	1,437,822
Financial systems	710,849	650,308
Senior centre	—	4,200,000
Winter control	700,000	700,000
Sustainability initiatives	101,241	308,278
Duffin Heights	1,744,131	1,744,131
Facilities	7,679,421	8,343,706
Fence	740,000	670,000
Tennis Courts	569,526	565,065
Major Equipment	408,689	130,894
Museum Collection	32,799	12,799
Recreation Complex	225,000	225,000
Library Building	—	370,000
Elected Officials Reserve	420,000	350,000
Casino	25,167,400	24,781,412
Public Art	966,187	962,533
Balloon Payment	5,564,013	273,572
Parks Infrastructure Replcmt Reserve	564,820	582,615
DC Shortfall Funding	6,996,841	3,738,095
Reserve funds set aside for special purpose by Council		
WSIB	4,000,000	4,000,000
Animal shelter	2,489,117	2,057,750
Operations Centre	11,221,209	11,189,401
Roads & bridges	14,678,014	11,494,696
Stormwater management	5,832,963	5,052,701
Ontario Community Infrastructure Fund	7,090,587	5,479,632
Seaton infrastructure	419,739	356,048
Seaton Financial Impact Agreement	5,864,837	4,651,196
Excess Indemnity	2,988,726	2,147,196
	596,475,563	550,308,399

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 640,000 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, 2024. The results of this valuation disclosed total actuarial liabilities as at that date of \$142,489 million in respect of benefits accrued for service with actuarial assets at that date of \$139,576 million indicating an actuarial deficit of \$2,913 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 2024 were \$5,891,733 (\$5,273,963 in 2023).

14. Trust Funds

Trust Funds administered by the City amounting to \$418,190 (\$400,265 in 2023) 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.

	2024	2023
	\$	\$
Transactions		
Revenue		
Interest on promissory notes (Note 5)	1,035,350	1,035,350
Property taxes levied	36,959	35,549
Expenses		
Electrical energy and services	2,338,432	2,175,859
Balances		
Accounts payable and accrued liabilities	425,281	455,803
Promissory notes receivable (Note 5)	25,069,000	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 2024 Budget adopted by Council on March 1, 2024 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, 2024 with adjustments as follows:

	2024 Council Approved Budget	Non TCA Expenditure from capital	PEB and amortization	2024 Budget presented in financial statements
Revenue				
Taxation	96,534,267	—	—	96,534,267
Capital	51,788,041	—	—	51,788,041
Other	49,308,055	—	—	49,308,055
	<u>197,630,363</u>	<u>—</u>	<u>—</u>	<u>197,630,363</u>
Expenditures				
General government	27,388,801	277,000	2,086,916	29,752,717
Protection to persons and property	35,034,080	25,000	2,218,667	37,277,747
Transportation services	15,948,656	—	5,418,771	21,367,427
Environmental services	2,056,652	—	954,969	3,011,621
Social and family services	1,807,332	—	—	1,807,332
Recreational and cultural services	33,267,489	882,000	5,125,711	39,275,200
Planning & development	6,847,802	—	—	6,847,802
	<u>122,350,812</u>	<u>1,184,000</u>	<u>15,805,034</u>	<u>139,339,846</u>
Annual surplus	75,279,551	(1,184,000)	(15,805,034)	58,290,517
Capital expenditures	(108,596,900)	1,184,000	—	(107,412,900)
Capital sale of land	4,500,000			
Operating sale of land	7,500,000			
Transfers from Reserve & RF	6,477,145			
Dividend from Elexicon	1,944,000			
Principal repayment of debt	(2,602,948)			
Debt proceeds	<u>15,374,152</u>			
Prior year operating 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, 2024

20. Segmented information (continued)

Provided in the following pages.

	Protection to persons and property \$	Public works services \$	Recreational and cultural \$	Planning and development \$	Social and family services \$	General government \$	2024 Consolidated \$
Revenue							
Grants	29,468	4,577,080	9,157,837	—	132,763	141,254	14,038,402
User charges	9,352,805	230,125	7,589,432	2,001,833	86,540	2,036,677	21,297,412
Tax related revenues	—	—	—	—	—	101,803,983	101,803,983
Developer and other contributions	303,525	285,903	7,137,088	135,670	—	1,898,177	9,760,363
Contributed tangible capital assets	—	34,933	22,854	—	—	878,209	935,996
Casino revenue	—	—	—	—	—	17,451,454	17,451,454
Income from government business enterprise	—	—	—	—	—	1,545,110	1,545,110
Other revenues	2,304,049	376,428	2,904,634	197,874	1,500	11,428,831	17,213,316
	11,989,847	5,504,469	26,811,845	2,335,377	220,803	137,183,695	184,046,036
Expenses							
Salaries and wages	31,478,640	8,687,067	21,344,164	4,112,540	352,240	17,556,068	83,530,719
Materials and supplies	3,537,751	4,269,909	7,806,942	355,530	135,652	11,705,795	27,811,579
Contracted services	1,156,602	1,833,045	1,299,686	560,409	134,225	3,209,550	8,193,517
Amortization	1,738,002	6,826,606	5,414,706	—	—	1,329,009	15,308,323
Other	330,399	565,880	1,968,168	—	474,561	(373,474)	2,965,534
(Gain) loss on disposal of tangible capital assets	(44,914)	(57,262)	272,820	—	—	(101,444)	69,200
	38,196,480	22,125,245	38,106,486	5,028,479	1,096,678	33,325,504	137,878,872
Annual (deficit) surplus	(26,206,633)	(16,620,776)	(11,294,641)	(2,693,102)	(875,875)	103,858,191	46,167,164

The Corporation of the City of Pickering
Notes to the consolidated financial statements
December 31, 2024

20. Segmented information (continued)

	Protection to persons and property \$	Public works services \$	Recreational and cultural \$	Planning and development \$	Social and family services \$	General government \$	2023 Consolidated \$
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
	<u>14,309,240</u>	<u>13,369,641</u>	<u>13,864,720</u>	<u>3,504,567</u>	<u>173,185</u>	<u>127,857,910</u>	<u>173,079,263</u>
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)
	<u>33,653,490</u>	<u>21,520,852</u>	<u>35,545,322</u>	<u>5,061,175</u>	<u>888,645</u>	<u>36,151,757</u>	<u>132,821,241</u>
Annual (deficit) surplus	<u>(19,344,250)</u>	<u>(8,151,211)</u>	<u>(21,680,602)</u>	<u>(1,556,608)</u>	<u>(715,460)</u>	<u>91,706,153</u>	<u>40,258,022</u>

21. Comparative information

Certain 2023 comparative information in Note 12 has been reclassified to conform with the financial statement presentation for 2024.