



# **Consolidated Financial Statements**

**Corporation of the City of Orillia**

**December 31, 2023**

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## Independent Auditor's Report

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To the Mayor and Councillors of the City of Orillia:

### Opinion

We have audited the consolidated financial statements of the City of Orillia and its entities (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations and accumulated surplus, the consolidated statement of remeasurement losses, the consolidated statement of changes in net financial assets and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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



- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality'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 Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario  
November 7, 2024

**Corporation of the City of Orillia**  
**Consolidated Statement of Operations and Accumulated Surplus**  
**Year ended December 31, 2023 and 2022**

	Budget (Note 2)	2023	2022
<b>Revenue</b>			
Taxation (Note 13)	\$ 70,520,101	\$ 71,324,289	\$ 68,107,281
Grants (Note 15)	5,450,722	9,553,613	7,546,617
User charges (Note 16)	28,791,870	29,498,992	26,415,139
Other revenue (Note 17)	5,582,728	15,120,930	7,582,628
Development charges	8,864,998	2,245,458	1,779,611
	<u>119,210,419</u>	<u>127,743,282</u>	<u>111,431,276</u>
<b>Expenses</b>			
General government	9,415,808	9,553,909	10,199,277
Protection to persons and property	19,293,865	18,849,042	18,474,943
Transportation services	14,748,288	14,119,308	14,053,833
Environmental services	19,023,257	21,305,747	17,431,035
Health services	2,414,396	2,453,030	2,215,037
Social and family services	7,415,017	7,056,409	5,993,094
Recreation and cultural services	21,562,260	21,594,208	19,515,014
Planning and development	3,591,749	2,721,722	3,533,076
	<u>97,464,640</u>	<u>97,653,375</u>	<u>91,415,309</u>
<b>Net Revenue</b>	<u>21,745,779</u>	<u>30,089,907</u>	<u>20,015,967</u>
<b>Other revenue (expenses)</b>			
Equity earnings in Orillia Power Generation Corporation (Note 5)	1,000,000	1,091,000	1,124,000
Gain on sale of tangible capital assets	-	480,119	1,922,507
Tax assessments at risk	-	153,740	36,060
Change in landfill closure and post closure	-	6,588,000	8,000
Contributed tangible capital assets	7,064,786	7,064,786	-
Change in employee future benefits	-	(2,370,900)	(295,900)
Debenture interest	(480,356)	(524,223)	(255,072)
	<u>7,584,430</u>	<u>12,482,522</u>	<u>2,539,595</u>
<b>Annual surplus</b>	<u>\$ 29,330,209</u>	<u>42,572,429</u>	<u>22,555,562</u>
<b>Accumulated surplus, beginning of year</b>		<u>555,819,993</u>	<u>533,264,431</u>
<b>Accumulated surplus, end of year</b>		<u>\$ 598,392,422</u>	<u>\$ 555,819,993</u>

\*See accompanying notes to the consolidated financial statements.

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**Corporation of the City of Orillia**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2023 and 2022**

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	<u>2023</u>	<u>2022</u>
<b>Financial assets</b>		
Cash and cash equivalents (Note 3)	\$ 11,251,206	\$ 24,207,649
Investments (Note 4)	159,060,285	132,169,997
Taxes receivable	8,338,624	6,001,809
Other receivables	12,852,536	7,433,049
Inventories for resale	23,265	35,450
Investment in Orillia Power Generation Corporation (Note 5)	25,228,000	24,887,000
	<u>216,753,916</u>	<u>194,734,954</u>
<b>Financial liabilities</b>		
Payables and accruals	22,116,240	16,049,375
Deferred revenue - obligatory reserves (Note 6)	9,416,960	9,681,564
Deferred revenue - other	954,804	788,273
Long term debt (Note 7)	20,663,021	12,210,801
Landfill closure and post-closure costs (Note 23)	-	6,588,000
Asset retirement obligations (Note 8)	3,105,608	-
Employee future benefits payable (Note 9)	10,161,700	7,790,800
	<u>66,418,333</u>	<u>53,108,813</u>
<b>Net financial assets</b>	<u>150,335,583</u>	<u>141,626,141</u>
<b>Non-financial assets</b>		
Other assets (Note 10)	237,957	244,512
Tangible capital assets (Note 11)	446,230,954	413,949,340
	<u>446,468,911</u>	<u>414,193,852</u>
<b>Accumulated surplus</b> (Note 12)	\$598,392,422	\$ 555,819,993
<b>Accumulated remeasurement losses</b>	<u>(1,587,928)</u>	<u>-</u>
	<u>\$ 596,804,494</u>	<u>\$ 555,819,993</u>

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Contingencies (Note 19)

\*See accompanying notes to the consolidated financial statements

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**Corporation of the City of Orillia**  
**Consolidated Statement of Remeasurement Losses**  
**Year ended December 31, 2023**

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	<u>2023</u>	<u>2022</u>
Accumulated remeasurement losses, beginning of the year	\$ -	\$ -
Unrealized losses attributed to:		
Portfolio investments	<u>(1,587,928)</u>	-
<b>Accumulated remeasurement losses, end of year</b>	<b><u>\$ (1,587,928)</u></b>	<b><u>\$ -</u></b>

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\*See accompanying notes to the consolidated financial statements.

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**Corporation of the City of Orillia**  
**Consolidated Statements of Changes in Net Financial Assets**  
**Year ended December 31, 2023 and 2022**

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	Budget (Note 2)	2023	2022
Annual surplus	<b>\$ 29,330,209</b>	<b>\$ 42,572,429</b>	\$ 22,555,562
Acquisition of tangible capital assets	<b>(43,322,784)</b>	<b>(43,322,784)</b>	(13,901,432)
Contributed tangible capital assets	<b>(7,064,786)</b>	<b>(7,064,786)</b>	-
Amortization of tangible capital assets	<b>18,087,280</b>	<b>18,087,280</b>	17,804,022
Proceeds from sale of tangible capital assets	-	<b>498,795</b>	10,989,922
Gain on sale of tangible capital assets	-	<b>(480,119)</b>	(1,922,507)
Unrealized remeasurement losses	-	<b>(1,587,928)</b>	-
	<b>(32,300,290)</b>	<b>(33,869,542)</b>	12,970,005
Change in other assets	-	<b>6,555</b>	166,843
<b>Change in net financial assets</b>	<b>(2,970,081)</b>	<b>8,709,442</b>	35,692,410
<b>Net financial assets, beginning of the year</b>	<b>141,626,141</b>	<b>141,626,141</b>	105,933,731
<b>Net financial assets, end of the year</b>	<b>\$ 138,656,060</b>	<b>\$ 150,335,583</b>	\$ 141,626,141

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\*See accompanying notes to the consolidated financial statements.

**Corporation of the City of Orillia**  
**Consolidated Statement of Cash Flows**  
Year ended December 31, 2023 and 2022

	2023	2022
<b>Operating activities</b>		
Annual surplus	\$ 42,572,429	\$ 22,555,562
Amortization of tangible capital assets	18,087,280	17,804,022
Contributed tangible capital assets	(7,064,786)	-
Gain on sale of tangible capital assets	(480,119)	(1,922,507)
Equity income from Orillia Power Generation Corporation	(1,091,000)	(1,124,000)
Unrealized remeasurement losses	(1,587,928)	-
	<b>50,435,876</b>	<b>37,313,077</b>
<b>Changes in non-cash operating balances</b>		
Decrease (increase) in taxes receivable	(2,336,815)	246,564
Decrease (increase) in other receivables	(5,419,487)	340,790
Decrease (increase) in inventories for resale	12,185	(12,155)
Increase (decrease) in payables and accruals	6,066,865	(2,767,127)
Increase (decrease) in deferred revenue – obligatory reserves (Note 6)	(264,604)	598,624
Increase in deferred revenue – other	166,531	169,755
Decrease in landfill closure and post closure (Note 8)	(6,588,000)	(8,000)
Increase in asset retirement obligations (Note 8)	3,105,608	-
Increase in employee future benefits payable	2,370,900	295,900
Decrease in other assets	6,555	166,843
	<b>47,555,614</b>	<b>36,344,271</b>
<b>Capital activities</b>		
Proceeds from sale of tangible capital assets	498,795	10,989,922
Acquisition of tangible capital assets	(43,322,784)	(13,901,432)
<b>Cash used in capital activities</b>	<b>(42,823,989)</b>	<b>(2,911,510)</b>
<b>Financing activities</b>		
Acquisition of long-term debt	9,190,000	10,765,000
Repayments of long-term debt	(737,780)	(2,388,731)
<b>Cash provided from financing activities</b>	<b>8,452,220</b>	<b>8,376,269</b>
<b>Investing activities</b>		
Dividends received from Orillia Power Generation Corporation	750,000	1,000,000
Acquisition of investments	(26,890,288)	(96,169,998)
<b>Cash provided from investing activities</b>	<b>(26,140,288)</b>	<b>(95,169,998)</b>
<b>Net change in cash and cash equivalents</b>	<b>(12,956,443)</b>	<b>(53,360,968)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>24,207,649</b>	<b>77,568,617</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 11,251,206</b>	<b>\$ 24,207,649</b>

\*See accompanying notes to the consolidated financial statements.

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# Corporation of the City of Orillia

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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#### 1. Significant Accounting Policies

##### a) Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements of the City of Orillia (the Municipality) are prepared by management in accordance with public sector accounting standards for local governments, as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

##### b) Basis of consolidation

###### (i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenue, expenses, and surplus and financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality and which are owned or controlled by the Municipality. In addition to general government tax-supported operations, the larger enterprises include the following:

City of Orillia Police Services Board  
Orillia Public Library Board  
Downtown Orillia Management Board

Inter-departmental and organizational transactions and balances are eliminated.

###### (ii) Equity accounting

Orillia Power Generation Corporation is a wholly owned subsidiary corporation of the Municipality and is accounted for on a modified equity basis, consistent with the accounting treatment for government enterprises under Canadian public sector accounting standards. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Municipality, and inter-organizational transactions and balances are not eliminated.

##### c) Basis of accounting

###### (i) Accrual accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

###### (ii) Accounting for School Board transactions

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements.

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# Corporation of the City of Orillia

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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1. **Summary of significant accounting policies** (continued)

c) **Basis of accounting** (continued)

(iii) **Deferred revenue for obligatory reserves**

Receipts which are restricted by legislation of senior governments or by agreement with external parties are deferred and reported as deferred revenue on the consolidated financial statements. When qualifying expenses are incurred, deferred revenues are brought into revenue at equal amounts. Revenue received in advance of expenses, which will be incurred in a later period, are deferred until they are earned by being matched against these expenses.

(iv) **Tangible capital assets**

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

<b>Major Group</b>	<b>Useful Life</b>
Land	Infinite
Land improvements	15 – 100 Years
Buildings	10 – 50 Years
Equipment and furniture	3 – 50 Years
Vehicles	5 – 20 Years
Road and bridges	15 – 100 Years
Underground and other networks	2 – 100 Years

Assets under construction are not amortized until the asset is available for productive use. Half year amortization is charged in the year of acquisition.

**Contribution of tangible capital assets**

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue, when the fair value can be reasonably estimated. Tangible capital assets conveyed from developers are recorded at the estimated engineering value at time of registration. The value contributed during the year was \$7,064,786 (2022 – \$nil).

**Interest capitalization**

Interest of \$nil (2022 - \$nil) was capitalized for the external debt issued to finance the construction of tangible capital assets.

**Nominal value**

The Municipality owns several assets which are listed at nominal value in the tangible capital assets. These include fully amortized assets such as library books acquired prior to 2001, some older buildings, and donated land under certain pedestrian trails.

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# Corporation of the City of Orillia

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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#### 1. Summary of significant accounting policies (continued)

##### c) Basis of accounting (continued)

##### (iv) Tangible capital assets (continued)

###### Works of art

The Municipality owns various works of art and historic artifacts displayed at various locations including the Orillia Public Library, Leacock Museum and the Orillia Opera House. The historic cost of these items is not included in tangible capital assets.

###### Disposal of tangible capital assets/write-down of assets under construction

Gain and (loss) on disposal of assets are recorded as the difference between proceeds received and the net book value. Write down of assets under construction have been written off as a result of the project being cancelled or finished with no future benefit to the Municipality.

##### (v) Revenue recognition

The Municipality issues property tax billings on an annual basis using total assessment values for the year and annually established tax rates. Property assessment values are provided by the Municipal Property Assessment Corporation and tax rates are established and approved by Council. Taxation revenues are recorded at the time the taxes are authorized and the taxable event occurs. Assessments and related property taxes are subject to appeal. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivables are recognized net of an allowance for anticipated uncollectable amounts. The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are earned.

Government transfers are recognized as revenue in the year in which events giving rise to the transfer occur, providing that the transfer is authorized, any eligibility criteria have been met and the amount can be reasonably estimated, except to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the consolidated statement of operations as the stipulated liabilities are settled.

User charges and other revenue are recognized as revenue when the services are provided and there is reasonable assurance of collection.

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# Corporation of the City of Orillia

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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1. **Summary of significant accounting policies** (continued)

c) **Basis of accounting** (continued)

(v) **Use of estimates**

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The principal estimates used in the preparation of these consolidated financial statements are post-employment benefits liability, the estimated useful lives of tangible capital assets, asset retirement obligations and other accrued liabilities and/or obligations. Actual results could differ from management's best estimates as additional information becomes available in the future.

(vi) **Subdivision infrastructure**

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion they are turned over to the Municipality. The Municipality is not involved in the construction and does not budget for either the contribution from the developer or the capital expense.

(vii) **Area improvement charges**

The Municipality records expenses funded by bylaws to impose charges on property owners as they are incurred.

(viii) **Reserves and reserve funds**

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operations and capital purposes. Further disclosure of the amounts are part of accumulated surplus in Note 12 of the consolidated financial statements.

(v) **Pension plan**

The Municipality is an employer member of the Ontario Municipal Employees' Retirement System ("OMERS"), which is a multi-employer defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Municipality has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for past employee service.

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# Corporation of the City of Orillia

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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#### 1. Summary of significant accounting policies (continued)

##### (xi) Employee future benefits payable

The Municipality accrues its obligations under defined employee benefit plans, as the employees render the services necessary to earn employee future benefits. The Municipality has adopted the following valuation methods and assumptions:

##### i. Actuarial cost method:

Accrued benefit obligations are computed using the projected benefit method prorated on service, as defined in PSAB 3250 and PSAB 3255. The objective under this method is to expense each member's benefit under the plan taking into consideration projections of benefit costs to and during retirement. Under this method an equal portion of total estimated future benefit is attributed to each year of service.

##### ii. Funding policy:

The non-pension post-retirement benefits are funded on a pay-as-you-go basis. The Municipality funds on a cash basis as benefits are paid. No assets have been formally segregated and restricted to provide the non-pension post-retirement benefits.

##### iii. Accounting policies:

Actuarial gains and losses are amortized on a linear basis over the expected average remaining service life ("EARSL") of members expected to receive benefits under the plan, with amortization commencing in the period following the determination of the gain or loss.

##### iv. Workplace Safety and Insurance Board (WSIB):

The costs of WSIB obligations are actuarially determined and are expensed immediately in the period the event occurs.

##### (xii) Financial instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable, accounts payable, and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

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# Corporation of the City of Orillia

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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#### 1. Summary of significant accounting policies (continued)

##### (xiii) Financial instruments (continued)

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

The following classification system provides an analysis of financial instruments that are measured at fair value, using a fair value hierarchy of levels 1, 2 and 3. The levels reflect the significance of the inputs used in making the fair value measurements, as described below:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2023, cash and investments other than the Principal Protected Notes are classified as Level 1 while the Principal Protected Notes are classified as Level 2.

##### (xii) Asset retirement obligations

An asset retirement obligation liability is recognized when at the financial reporting date there is a statutory, contractual obligation or legal obligation to incur retirement costs in relation to a tangible capital asset, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

When a liability for an asset retirement obligation is initially recognized, a corresponding amount is added to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset or anticipated timing of settlement.

At each reporting date, the Municipality reviews the carrying amount of the liability. Where present value techniques are used, an accretion expense is recorded in the period to record the change in the liability due to the passage of time.

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**Corporation of the City of Orillia**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2023 and 2022**

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**1. Summary of significant accounting policies** (continued)

**(xii) Asset retirement obligations** (continued)

The Municipality recognizes the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability in the period they are incurred.

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**2. Budget reconciliation**

The budget approved by Council differs from the budget in the Consolidated Statement of Operations and Accumulated Surplus as the approved budget has been adjusted to account for the material changes due to PSAB reporting requirements.

	<u>Revenues</u>	<u>Expenses</u>
Total Council's approved budgets	\$ 119,210,419	\$ 122,700,144
Less: Acquisition of tangible capital assets budgeted	-	(43,322,784)
Add: Amortization of tangible capital assets	-	18,087,280
Adjusted budget per consolidated statement of operations	<u>\$ 119,210,419</u>	<u>\$ 97,464,640</u>

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**3. Cash and cash equivalents**

	<u>2023</u>	<u>2022</u>
Unrestricted cash, held at the bank and on hand	<b>\$ 2,458,031</b>	\$ 14,526,085
Restricted cash, held at the bank	<b>8,793,175</b>	9,681,564
	<u><b>\$ 11,251,206</b></u>	<u>\$ 24,207,649</u>

The Municipality's bank accounts are held at one chartered bank. The bank accounts earn interest at a variable rate calculated on the daily balances. The Municipality has a revolving demand credit facility with the Toronto-Dominion Bank for a maximum amount of \$15,000,000 available, including a letter of credit in the amount of \$34,000, at the bank's prime rate less 0.75% per annum (2022 – 0.75%). No amounts were drawn from the credit facility as at December 31, 2023 (2022 - \$nil).

There is provincial and municipal legislation that restricts how restricted funds may be used reported in Note 6.

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**Corporation of the City of Orillia**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2023 and 2022**

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**4. Investments**

	<b>2023</b>	2022
One Investment and Meridian - High Interest Savings Account	<b>\$ 20,437,610</b>	\$ 26,426,865
BMO GICs maturing between Feb 2024 and Oct 2024	<b>2,210,604</b>	2,210,604
Canacord GICs maturing between Dec 2023 and Dec 2027	<b>21,500,000</b>	10,000,000
National GICs maturing between Feb 2023 and Nov 2032	<b>36,000,000</b>	48,532,529
Meridian GICs maturing Jan 2024 and Mar 2025	<b>33,000,000</b>	19,000,000
CIBC GIC, maturing April 19, 2024	<b>2,500,000</b>	-
Scotiabank GICs, maturing between May 21, 2024 and May 20, 2025	<b>19,000,000</b>	-
BMO Fixed Rate Coupon maturing Nov 2027	<b>1,988,960</b>	2,000,000
BMO Ontario Hydro Coupon maturing Apr 2031	<b>3,670,131</b>	3,999,999
BMO Principal Protected Notes, maturing Nov 2029 and Jul 2031	<b>13,205,380</b>	14,000,000
RBC Principal Protected Notes, maturing Aug 2028	<b>5,547,600</b>	6,000,000
	<b><u>\$ 159,060,285</u></b>	<b><u>\$ 132,169,997</u></b>

Investments in Ontario Hydro Coupon and Principal Protected Notes held with BMO and RBC are reported at fair market value. The principal cost amounts for portfolio investments are \$2,000,000 for Fix Rate Coupon, \$3,999,999 for Ontario Hydro Coupon, \$14,000,000 for BMO Principal Protected Notes, and \$6,000,000 for RBC Principal Protected Note. The Municipality's practice is to hold investments to maturities and therefore no loss of principal is anticipated. The Principal Protected notes were previously reported at book value and as a result of the adoption of PS 3450 Financial Instruments, are now reported at fair value.

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**5. Investment in Orillia Power Generation Corporation**

Orillia Power Generation Corporation, established by Municipal Council under Municipal By-Law 2000-155, is wholly owned by the City of Orillia and provides electric utility services.

The following table provides condensed supplementary financial information of Orillia Power Generation Corporation.

	<b>2023</b>	2022
<b>Financial position</b>		
Current assets	<b>\$ 2,060,000</b>	\$ 1,991,000
Capital assets	<b>49,873,000</b>	50,034,000
Investment property	<b>1,365,000</b>	1,450,000
	<b><u>53,298,000</u></b>	<u>53,475,000</u>
Current liabilities	<b>2,089,000</b>	3,810,000
Long-term liabilities	<b>31,015,000</b>	29,812,000
	<b><u>33,104,000</u></b>	<u>33,622,000</u>
<b>Net assets</b>	<b><u>\$ 20,194,000</u></b>	<b><u>\$ 19,853,000</u></b>

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**Corporation of the City of Orillia**  
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**5. Investment in Orillia Power Generation Corporation (continued)**

	<u>2023</u>	<u>2022</u>
<b>Results of operations</b>		
Operating revenues	\$ 11,357,000	\$ 9,689,000
Operating expenses	(7,831,000)	(6,902,000)
Financing expenses net of finance income	(1,305,000)	(1,062,000)
Payments in lieu of taxes	(749,000)	(427,000)
Change in fair value of investment property	(85,000)	(75,000)
Actuarial loss on defined benefit plans net of deferred taxes	(3,000)	43,000
Change in derivative financial liability	(293,000)	(142,000)
	<u>1,091,000</u>	<u>1,124,000</u>
Dividend	(750,000)	(1,000,000)
	<u>\$ 341,000</u>	<u>\$ 124,000</u>

The above information is as reported by Orillia Power Generation Corporation.

The following summarizes the Municipality's related party transactions with Orillia Power Generation Corporation during the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties:

	<u>2023</u>	<u>2022</u>
<b>Related party transactions</b>		
Property taxes and other taxes	32,586	31,738
Solar panel lease	26,422	26,422
Interest received	314,625	314,625
Dividend received	750,000	1,000,000
Other services sold	36,000	52,000
<b>Balance outstanding</b>		
Orillia Power Generation Corporation payable and accrued liabilities	-	(14,848)
<b>Investment</b>		
Promissory note	5,034,000	5,034,000
Equity	20,194,000	19,853,000
	<u>\$ 25,228,000</u>	<u>\$ 24,887,000</u>

The promissory note payable to the City of Orillia ("the City") bears interest for the current year at 6.25% per annum (December 31, 2022; 6.25%).

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**5. Investment in Orillia Power Generation Corporation (continued)**

The City has agreed to a postponement of debt in the amount of \$5,034,000 (2022; \$5,034,000) related to the following OPGC / TD facility.

	<b>2023</b>	2022
Orillia Power Generation Corporation long-term debt repayable in 84 months at TD prime rate	<b>\$ 18,883,000</b>	\$ 18,498,000

Principal repayments over the next five years and thereafter are as follows:

2024	\$ 650,000
2025	679,000
2026	710,000
2027	9,189,000
2028	361,000
Thereafter	12,328,000
	<b>\$ 23,917,000</b>

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**6. Deferred revenue – obligatory reserves**

	<b>2023</b>	2022
Parkland and parking reserve, opening balance	<b>\$ 1,029,179</b>	\$ 153,118
Add: Developer contributions	<b>141,206</b>	480,616
Add: City funded contributions	<b>1,228,875</b>	640,000
Add: Interest earned	<b>114,327</b>	26,783
Deduct: Eligible expenditures	<b>-</b>	(271,338)
Parkland and parking reserve, closing balance	<b>2,513,587</b>	1,029,179
Ontario Community Infrastructure Fund reserve, opening balance	<b>1,703,280</b>	966,247
Add: Municipal funding	<b>2,826,255</b>	3,263,150
Add: Interest earned	<b>48,152</b>	62,588
Deduct: Eligible expenditures	<b>(1,813,400)</b>	(2,588,705)
Ontario Community Infrastructure Fund reserve, closing balance	<b>2,764,287</b>	1,703,280
Canada Community Building Fund reserve, opening balance	<b>6,949,105</b>	7,963,576
Add: Municipal funding	<b>2,961,189</b>	2,563,730
Add: Interest earned	<b>125,856</b>	160,479
Deduct: Eligible expenditures	<b>(5,897,064)</b>	(3,738,680)
Canada Community Building Fund reserve, closing balance	<b>4,139,086</b>	6,949,105
	<b>\$ 9,416,960</b>	\$ 9,681,564

There is provincial and municipal legislation that restricts how these funds may be used. Cash restricted to fund these reserves is reported in Note 3.

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**Corporation of the City of Orillia**  
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**6. Deferred revenue – obligatory reserves (continued)**

The City has net negative obligatory development charges discussed in Note 21.

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**7. Long term debt**

	<u>2023</u>	<u>2022</u>
Debenture, Ontario Infrastructure and Lands Corporation, repayable in monthly principal payments of \$32,129 plus interest at 1.12%, maturing September 2026.	<b>1,060,250</b>	1,445,801
Debenture, Ontario Infrastructure and Lands Corporation, repayable annually principal and interest payments of \$809,742 bearing interest at 4.25%, maturing June 2042.	<b>10,412,771</b>	10,765,000
Debenture, Ontario Infrastructure and Lands Corporation, repayable annually principal and interest payments of \$303,086 bearing interest at 4.57%, maturing December 15, 2033.	<b>2,390,000</b>	-
Debenture, Ontario Infrastructure and Lands Corporation, repayable annually principal and interest payments of \$538,272 bearing interest at 4.84%, maturing December 15, 2043.	<b>6,800,000</b>	-
	<b>\$ 20,663,021</b>	<b>\$ 12,210,801</b>

The interest expense relating to the above long-term debt was \$524,223 (2022 - \$255,072). Principal repayments over the next five years and thereafter are as follows:

2024	\$ 1,155,039
2025	1,189,749
2026	1,129,643
2027	878,406
2028	918,046
Thereafter	<u>15,392,138</u>
	<b>\$ 20,663,021</b>

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**8. Asset retirement obligations**

Effective January 1, 2023, the Municipality adopted new Public Sector Accounting Handbook Standard PS 3280 Asset Retirement Obligations. This change in accounting policy has been applied using the prospective application approach without restatement of prior periods for all asset retirement obligations. The costs are a best estimate at current cost, using the construction CPI 2.5% to calculate the future value and the weighted average cost of debt 4.39% to discount to present value. The Municipality's asset retirement obligation liability, recognized under PS3280 Asset Retirement Obligations is comprised of the following:

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**Corporation of the City of Orillia**  
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**8. Asset retirement obligations (continued)**

Landfill obligation

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, management of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance. The asset retirement obligation for the landfill is recorded as the present value of the Municipality's estimated future cash flows using a 2020 assessment of expected expenses extending over the closure and post-closure care period of the landfill. The landfill is expected to reach capacity in 44 years (2022 - 45 years) and the estimated length of time needed for post-closure care is 50 years.

The discount rate applied upon the adoption of PS 3280 to restate the landfill obligation as at December 31, 2023 is 4.39%, recorded at \$2,944,547 (2022 - \$6,588,000). The landfill obligation was previously recorded under PS 3270 Solid Waste Closure and Post-Closure Liability.

All other asset retirement obligations

The Municipality owns and operates several buildings that are known or assumed to have designated hazardous materials. Under the Occupational Health and Safety Act, there is a legal obligation to handle and dispose of designated hazardous materials when disturbed. Upon the adoption of PS 3280 Asset Retirement Obligations, the Municipality recognized a liability for the removal of designated hazardous materials in buildings known or assumed to contain them using best estimates as at December 31, 2023.

Changes to the asset retirement obligations in the year are as follows:

	<u>2023</u>	<u>2022</u>
Asset retirement obligations, opening balance	\$ -	\$ -
Adjustment on adoption of PS 3280	<b>2,975,005</b>	-
Accretion expense	<b>130,603</b>	-
Asset retirement obligations, closing balance	<b>\$ 3,105,608</b>	\$ -

**9. Employee future benefits payable**

	Retiree Benefits	Sick Leave	WSIB	<b>Total</b>
Accrued benefit liability, beginning of year	\$ 3,952,700	\$ 1,173,800	\$ 2,664,300	<b>\$ 7,790,800</b>
Expenses for the year	675,100	341,100	2,563,600	<b>3,579,800</b>
Benefits paid	(227,000)	(199,800)	(782,100)	<b>(1,208,900)</b>
Accrued benefit liability, beginning of year	<b>\$ 4,400,800</b>	<b>\$ 1,315,100</b>	<b>\$ 4,445,800</b>	<b>\$ 10,161,700</b>

The Municipality provides health care and dental benefits to certain employee groups after retirement until members reach 65 years of age. The benefit costs and liabilities related to this plan are based on an actuarial valuation prepared by an independent firm. The date of the most recent actuarial valuation was as of December 31, 2023.

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**Corporation of the City of Orillia**  
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**9. Employee future benefits payable** (continued)

The Municipality is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for financing its workplace safety and insurance costs. The costs and liabilities related to WSIB are based on an actuarial valuation prepared by an independent firm. The date of the most recent actuarial valuation was as of December 31, 2023.

The main actuarial assumptions employed for the valuation are as follows:

i. Interest (discount) rate

The obligation as at December 31, 2023 of the present value of future liabilities and the expenses, was determined using an annual discount rate of 4.30% per annum (Retirement Benefit Plan) (2022 – 2.90%) and 4.30% per annum (Sick Leave and WSIB Plan) (2022 – 2.80%).

ii. Salary level

Future general salary and wage levels were assumed to increase 3.00% per year (2022 – 3.00%).

iii. Health care costs

Health care costs were assumed to increase by 7.78% in 2023 and decrease by 3.28% per year to 4.50% in 2044 (2022 - assumed to increase by 7.43%).

i. Dental costs

Dental costs were assumed to increase at a rate of 7.13% in 2023 and decrease by 2.63% per year to 4.50% in 2044 (2022 – assumed to increase by 5.6%)

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**10. Other assets**

	<b>2023</b>	<b>2022</b>
Supplies inventory	<b>\$ 237,957</b>	<b>\$ 244,512</b>

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**Corporation of the City of Orillia**  
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**11. Tangible capital assets**

**For the year ended December 31, 2023**

	2022	Additions	Disposals/ Transfers	2023
<b>Cost</b>				
Land	\$ 61,296,143	\$ -	\$ (18,676)	\$ 61,277,467
Buildings	164,502,754	3,945,589	-	168,448,343
Vehicles	9,947,512	284,931	-	10,232,443
Equipment and furniture	32,084,573	5,014,188	(215,612)	36,883,149
Other	26,004,807	4,551,489	-	30,556,296
Roads and bridges	132,451,843	38,029,397	(9,285,288)	161,195,952
Underground and other networks	145,261,527	120,343	(1,274,840)	144,107,030
Infrastructure - vehicles and equipment	61,241,694	250,280	(257,721)	61,234,253
	<u>632,790,853</u>	<u>52,196,217</u>	<u>(11,052,137)</u>	<u>673,934,933</u>
Assets under construction	21,503,889	29,382,998	(31,191,645)	19,695,242
	<u>\$ 654,294,742</u>	<u>\$ 81,579,215</u>	<u>\$ (42,243,782)</u>	<u>\$ 693,630,175</u>
	2022	Additions	Disposals	2023
<b>Accumulated amortization</b>				
Land	\$ -	\$ -	\$ -	-
Buildings	41,098,103	4,221,794	-	45,319,897
Vehicles	5,895,248	611,605	-	6,506,853
Equipment and furniture	15,450,414	1,844,067	(215,612)	17,078,869
Other	14,386,120	1,236,603	-	15,622,723
Roads and bridges	74,097,617	4,878,298	(9,285,288)	69,690,627
Underground and other networks	64,992,230	2,721,778	(1,274,840)	66,439,168
Infrastructure - vehicles and equipment	24,425,671	2,573,135	(257,721)	26,741,085
	<u>\$ 240,345,403</u>	<u>\$ 18,087,280</u>	<u>\$ (11,033,461)</u>	<u>\$ 247,399,222</u>
	2022			2023
<b>Net book value</b>				
Land	\$ 61,296,143			\$ 61,277,467
Buildings	123,404,651			123,128,446
Vehicles	4,052,264			3,725,590
Equipment and furniture	16,634,159			19,804,280
Other	11,618,687			14,933,573
Roads and bridges	58,354,226			91,505,325
Underground and other networks	80,269,297			77,667,862
Infrastructure - vehicles and equipment	36,816,023			34,493,168
	<u>392,445,450</u>			<u>426,535,711</u>
Assets under construction	21,503,890			19,695,243
	<u>\$ 413,949,340</u>			<u>\$ 446,230,954</u>

**Corporation of the City of Orillia**  
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**December 31, 2023 and 2022**

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

**For the year ended December 31, 2022**

	2021	Additions	Disposals/ Transfers	2022
<b>Cost</b>				
Land	\$ 66,289,060	\$ -	\$ (4,992,917)	\$ 61,296,143
Buildings	168,420,350	1,358,126	(5,275,722)	164,502,754
Vehicles	9,890,224	78,899	(21,611)	9,947,512
Equipment and furniture	32,814,331	845,987	(1,575,745)	32,084,573
Other	25,473,411	558,196	(26,800)	26,004,807
Roads and bridges	141,011,446	1,743,310	(10,302,913)	132,451,843
Underground and other networks	144,963,532	1,572,835	(1,274,840)	145,261,527
Infrastructure - vehicles and equipment	60,147,098	2,203,591	(1,108,995)	61,241,694
	<u>649,009,452</u>	<u>8,360,944</u>	<u>(24,579,543)</u>	<u>632,790,853</u>
Assets under construction	15,963,401	9,977,229	(4,436,741)	21,503,889
	<u>\$ 664,972,853</u>	<u>\$ 18,338,173</u>	<u>\$ (29,016,284)</u>	<u>\$ 654,294,742</u>
	2021	Additions	Disposals	2022
<b>Accumulated amortization</b>				
Land	\$ -	\$ -	\$ -	-
Buildings	38,542,252	3,964,721	(1,408,870)	41,098,103
Vehicles	5,306,307	610,552	(21,611)	5,895,248
Equipment and furniture	15,112,838	1,872,742	(1,535,166)	15,450,414
Other	13,274,426	1,119,735	(8,041)	14,386,120
Roads and bridges	79,498,362	4,902,167	(10,302,912)	74,097,617
Underground and other networks	63,534,718	2,732,352	(1,274,840)	64,992,230
Infrastructure - vehicles and equipment	22,784,605	2,601,753	(960,687)	24,425,671
	<u>\$ 238,053,508</u>	<u>\$ 17,804,022</u>	<u>\$ (15,512,127)</u>	<u>\$ 240,345,403</u>
	2021			2022
<b>Net book value</b>				
Land	\$ 66,289,060			\$ 61,296,143
Buildings	129,878,098			123,404,651
Vehicles	4,583,917			4,052,264
Equipment and furniture	17,701,493			16,634,159
Other	12,198,985			11,618,687
Roads and bridges	61,513,084			58,354,226
Underground and other networks	81,428,814			80,269,297
Infrastructure - vehicles and equipment	37,362,493			36,816,023
	<u>410,955,944</u>			<u>392,445,450</u>
Assets under construction	15,963,401			21,503,890
	<u>\$ 426,919,345</u>			<u>\$ 413,949,340</u>

**Corporation of the City of Orillia**  
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**12. Accumulated surplus**

	<u>2023</u>	<u>2022</u>
<b>Reserves set aside by Council</b>		
For contingencies	\$ 10,559,363	\$ 8,943,893
For capital purposes	<u>2,507,823</u>	<u>1,301,496</u>
<b>Total reserves</b>	<u>13,067,186</u>	<u>10,245,389</u>
<b>Reserve funds set aside by Council</b>		
For contingencies	1,729,637	1,345,323
For capital purposes	58,940,787	33,813,242
For operating purposes	4,660,063	4,029,714
Legacy Fund	<u>36,210,603</u>	<u>36,210,603</u>
<b>Total reserve funds</b>	<u>101,541,090</u>	<u>75,398,882</u>
<b>Total reserves and reserve funds</b>	<u>\$ 114,608,276</u>	<u>\$ 85,644,271</u>
<b>Surpluses</b>		
Invested in tangible capital assets	\$ 446,230,954	\$ 413,949,340
General fund surplus	73,687	94,805
Committed capital funding	46,268,916	58,081,851
Equity in Orillia Power Generation Corporation (Note 5)	25,228,000	24,887,000
Downtown Orillia Management Board surplus	85,908	79,057
Long term debt	(20,663,021)	(12,210,801)
Less unfunded liabilities:		
Assessments at risk	(172,990)	(326,730)
Employee benefit and post-employment liabilities (Note 9)	(10,161,700)	(7,790,800)
Landfill closure and post-closure liabilities (Note 8)	-	(6,588,000)
Asset retirement obligations (Note 8)	<u>(3,105,608)</u>	<u>-</u>
<b>Total surpluses</b>	<u>483,784,146</u>	<u>470,175,722</u>
<b>Accumulated surplus</b>	<u>\$ 598,392,422</u>	<u>\$ 555,819,993</u>

Reserve funds set aside by Council for future capital purposes include development charges in a net deficit position. Additional information is provided in Note 21.

**13. Taxation**

	<u>Budget</u>	<u>2023</u>	<u>2022</u>
Real property	\$ 77,364,842	\$ 78,262,537	\$ 74,717,937
Payments in lieu of taxes	<u>4,939,056</u>	<u>4,811,320</u>	<u>4,794,080</u>
	82,303,898	83,073,857	79,512,017
Less: taxes collected on behalf of school boards (Note 14)	<u>11,783,797</u>	<u>11,749,568</u>	<u>11,404,736</u>
<b>Net taxes available for municipal purposes</b>	<u>\$ 70,520,101</u>	<u>\$ 71,324,289</u>	<u>\$ 68,107,281</u>

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**Corporation of the City of Orillia**  
**Notes to the Consolidated Financial Statements**  
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**13. Taxation (continued)**

	<u>Budget</u>	<u>2023</u>	<u>2022</u>
Residential and farm	\$ 46,823,443	\$ 46,577,125	\$ 44,475,701
Multi-residential	4,369,403	4,448,799	4,065,543
Commercial	17,837,144	18,741,626	18,167,392
Industrial	1,490,111	1,556,739	1,398,645
<b>Net taxes available for municipal purposes</b>	<b>\$ 70,520,101</b>	<b>\$ 71,324,289</b>	<b>\$ 68,107,281</b>

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**14. Collection on behalf of school boards**

	<u>2023</u>	<u>2022</u>
Taxes	\$ 11,783,797	\$ 11,638,932
Less: write-offs	<u>(34,229)</u>	<u>(234,196)</u>
	<b>11,749,568</b>	<b>11,404,736</b>
Development charges	<u>1,272,674</u>	<u>397,578</u>
	<b>\$ 13,022,242</b>	<b>\$ 11,802,314</b>

The Municipality is required to levy and collect taxes on behalf of the school boards. These taxes are recorded as revenue at the amounts levied. The taxes levied over (under) the amounts requisitioned, are recorded as accounts payable (receivable).

The Municipality is also required to bill and collect development charges on behalf of the school boards. Development charges collected in excess of those paid to the school boards are recorded as accounts payable.

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**15. Grants**

	<u>Budget</u>	<u>2023</u>	<u>2022</u>
<b>Operating</b>			
Province of Ontario	\$ 1,005,222	\$ 1,383,110	\$ 1,481,707
Government of Canada	<u>94,500</u>	<u>134,510</u>	<u>281,506</u>
	<b>1,099,722</b>	<b>1,517,620</b>	<b>1,763,213</b>
<b>Capital</b>			
Province of Ontario	2,795,000	2,916,502	\$ 2,588,704
Government of Canada	<u>1,556,000</u>	<u>5,119,491</u>	<u>3,194,700</u>
	<b>4,351,000</b>	<b>8,035,993</b>	<b>5,783,404</b>
	<b>\$ 5,450,722</b>	<b>\$ 9,553,613</b>	<b>\$ 7,546,617</b>

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**Corporation of the City of Orillia**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2023 and 2022**

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**16. User charges**

	<u>Budget</u>	<u>2023</u>	<u>2022</u>
<b>Operating</b>			
Fees and service charges	\$ 11,745,862	\$ 11,296,933	\$ 8,742,803
Direct water billings	8,243,047	8,567,913	8,203,011
Direct sewer billings	8,802,961	9,634,146	9,469,325
	<u>\$ 28,791,870</u>	<u>\$ 29,498,992</u>	<u>\$ 26,415,139</u>

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**17. Other revenue**

	<u>Budget</u>	<u>2023</u>	<u>2022</u>
Penalties and interest on taxes	\$ 770,000	\$ 1,027,923	\$ 979,471
Licenses and permits	1,067,837	1,464,406	646,288
Fines	252,150	252,998	159,623
Rents and leases	816,096	775,675	1,003,288
Investment income	1,620,912	8,888,707	3,629,616
Revenue from other municipalities	366,076	301,769	199,592
Other	689,657	2,409,452	964,750
	<u>\$ 5,582,728</u>	<u>\$ 15,120,930</u>	<u>\$ 7,582,628</u>

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**18. Pension agreement**

OMERS provides pension services to more than 541,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of 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 at December 31, 2023. The results of this valuation disclosed total actuarial liabilities of \$136,185 million in respect of benefits accrued for service with actuarial assets at that date of \$131,983 million indicating an actuarial deficit of \$4,202 million. The actuarial deficit is lower in 2023 than in 2022. Since OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit.

Contributions made by the Municipality to OMERS for 2023 were \$2,446,821 (2022 - \$2,295,019).

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**19. Contingencies**

The Municipality is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Municipality believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation.

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# Corporation of the City of Orillia

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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#### 20. Comparative figures

Certain comparative figures in these financial statements have been reclassified to conform with presentation adopted for the current year.

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#### 21. Internal Financing

The purpose of this note is to disclose the amount of obligatory development charge reserves in a deficit position that are internally financed from the City's reserve and reserve funds.

These balances were previously illustrated within Note 6 and 12, however have been moved to a separate note for 2023. This change is being noted for transparency.

The net amount of obligatory development charges reserves in a deficit position are as follows:

2023	2022
<u>\$ 21,742,657</u>	<u>\$ 23,800,738</u>

This financial position is a result of the City pre-building infrastructure in advance to support growth development. As a result, the City's reserve and reserve funds are leveraged to internally financed these requirements. This balance will be recovered through future growth development charge collections, however, the timing is development dependent. Interest is charged based on the balance of the fund, in compliance with City policy and Development Charges Act. For financial statement purposes, both the financing and the repayment are reflected as interfund transfers which are eliminated during consolidation.

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#### 22. Financial Instruments

The Municipality is exposed to credit risk, liquidity risk, interest rate risk and other price risk from its financial instruments. This note describes the Municipality's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

##### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Municipality is exposed to credit risk resulting from the possibility that a counterparty to a financial instrument default on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Municipality's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable.

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# Corporation of the City of Orillia

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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#### 22. Financial Instruments (continued)

##### Liquidity risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Municipality will not have sufficient funds to settle a transaction on the due date. The Municipality is exposed to this risk mainly in respect of its accounts payable, and short-term and long-term liabilities. The Municipality mitigates this risk by continuously reviewing cash levels to ensure it has sufficient cash to allow it to meet its liabilities when they become due. The Municipality also holds liquid investments easily converted to cash.

##### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Municipality is mainly exposed to interest rate risk and other price risk.

The Municipality's risk management strategies are described below.

##### Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Municipality is exposed to interest rate risk through its long-term debt that bears interest at a fixed rate. Fluctuations in prime interest rates could result in increases or decreases in the cash flow requirements of this financial instruments via increases or decreases in the related interest expense as the loans are renewed.

The Municipality manages its interest rate risk by spreading out the maturity dates of its various debentures.

##### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Municipality is exposed to other price risk through its investment in equity instruments traded in an active market.

The Municipality manages its other price risk by maintaining a diverse portfolio and by spreading out the maturity dates of its investments in equity instruments traded in an active market. The Municipality's practice is to hold investments to maturities keeping repayment of principal whole.

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# Corporation of the City of Orillia

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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#### 23. Changes in accounting policies

##### Financial Instruments

Effective January 1, 2023, the Municipality adopted new Public Sector Accounting Handbook Standard PS 3450 Financial Instruments. This change in accounting policy has been applied prospectively. As a result of the adoption of the new standard, unrealized losses from changes in the fair value of financial instruments are presented in the statement of remeasurement losses.

##### Asset Retirement Obligations

Effective January 1, 2023, the Municipality adopted new Public Sector Accounting Handbook Standard PS 3480 Asset Retirement Obligations. This change in accounting policy has been applied using the prospective application approach without restatement of prior periods. In accordance with the provisions of this new standard, the Municipality removed the landfill liability that had been recognized to date and recognized an asset retirement obligation.

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#### 24. Segmented reporting

In accordance with Section 2700 of the Public Sector Accounting Handbook of the Chartered Professional Accountants of Canada, the Municipality has prepared segmented financial information.

The Municipality is a municipal government entity that provides a wide range of services to its citizens. The schedule of segment disclosure provides the financial information by major reporting segments.

The revenue and expenses for each service area have been separately disclosed in the segmented information, and include the following activities:

##### General Government

The General Government reporting segment includes a wide variety of departments and functions within the Municipality. These include Council, City Manager's Office, Treasury, Clerk's Department, Human Resources, Payroll, Information Technology, Property Management, and other corporate management costs.

##### Protection

Protection services include Police, Fire, Bylaw Enforcement and Building Department. Police services are provided by the Ontario Provincial Police under contract.

##### Transportation

Transportation services include Roads, Winter Control, Transit, Parking and Street Lighting.

##### Environmental

Environmental services include the Sanitary Sewer, Storm Sewer and Waterworks Systems, Solid Waste Management, and Pollution Control.

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# Corporation of the City of Orillia

## Notes to the Consolidated Financial Statements

### December 31, 2023 and 2022

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#### 24. Segmented reporting (continued)

##### **Health, Social and Family**

The Municipality makes payments to operate a variety of social services on their behalf. Payments are made to Simcoe Muskoka District Health Unit for Public Health and to The County of Simcoe for Paramedic, General Assistances (OW/ODSP), Homes for the Aged, Child Care and Social Housing.

##### **Recreation and Culture**

Recreation and Culture services include Parks, Recreation Programs, Recreation Facilities, Cultural Services, Orillia Opera House, Leacock Museum, and the Orillia Public Library.

##### **Planning and Development**

This category includes Planning, Zoning and Development Services, the Economic Development Committee, the Downtown Orillia Management Board, and the operation of Commercial Rental Properties.

##### **Other**

Expenses and revenue not directly attributable to a specific category are reported under this category.

##### **Allocation Methods**

In the preparation of segmented financial information, it is necessary to use reasonable allocation methods. For each reported segment, revenue represents both amounts that are directly attributable to the segment and amounts that are allocated. Property taxation is allocated to each segment based on the approved budget.

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**Corporation of the City of Orillia**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2023 and 2022**

**24. Segmented reporting (continued)**

<b>December 31, 2023</b>	<b>General Government</b>	<b>Protection</b>	<b>Transportation</b>	<b>Environmental</b>	<b>Health, Social and Family</b>	<b>Recreation and Culture</b>	<b>Planning and Development</b>	<b>Other, reserves and capital tax levy</b>	<b>Consolidated</b>
<b>Revenue</b>									
Taxation	\$ 6,507,029	\$ 16,929,461	\$ 5,905,232	\$ 2,152,109	\$ 9,356,306	\$ 11,024,020	\$ 3,396,959	\$ 16,053,173	\$ 71,324,289
Grants	474,700	264,051	8,579,973	-	-	227,719	7,170	-	9,553,613
User charges	85,395	363,493	1,955,638	21,773,271	-	4,875,811	445,384	-	29,498,992
Other revenue	909,347	1,682,558	79,513	832,174	278,996	385,050	-	10,953,292	15,120,930
Developer contributions	-	-	-	-	-	-	-	2,245,458	2,245,458
<b>Total revenue</b>	<b>7,976,471</b>	<b>19,239,563</b>	<b>16,520,356</b>	<b>24,757,554</b>	<b>9,635,302</b>	<b>16,512,600</b>	<b>3,849,513</b>	<b>29,251,923</b>	<b>127,743,282</b>
<b>Expenses</b>									
Salaries and wages	5,330,215	8,799,472	3,089,099	5,663,040	386,685	9,565,299	2,056,072	-	34,889,882
Goods and services	2,691,367	9,522,896	4,324,920	7,538,493	335,189	6,197,614	73,120	-	30,683,599
Contracts and Other	950,676	-	218,596	2,834,917	8,787,565	655,481	545,379	-	13,992,614
Amortization	581,651	526,674	6,486,693	5,269,297	-	5,175,814	47,151	-	18,087,280
<b>Total expenses</b>	<b>9,553,909</b>	<b>18,849,042</b>	<b>14,119,308</b>	<b>21,305,747</b>	<b>9,509,439</b>	<b>21,594,208</b>	<b>2,721,722</b>	<b>-</b>	<b>97,653,375</b>
<b>Net revenue (expenses)</b>	<b>\$ (1,577,438)</b>	<b>\$ 390,521</b>	<b>\$ 2,401,048</b>	<b>\$ 3,451,807</b>	<b>\$ 125,863</b>	<b>\$ (5,081,608)</b>	<b>\$ 1,127,791</b>	<b>\$ 29,251,923</b>	<b>\$ 30,089,907</b>

**Corporation of the City of Orillia**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2023 and 2022**

**24. Segmented reporting (continued)**

<b>December 31, 2022</b>	<b>General Government</b>	<b>Protection</b>	<b>Transportation</b>	<b>Environmental</b>	<b>Health, Social and Family</b>	<b>Recreation and Culture</b>	<b>Planning and Development</b>	<b>Other, reserves and capital tax levy</b>	<b>Consolidated</b>
<b>Revenue</b>									
Taxation	\$ 6,832,549	\$ 16,550,843	\$ 5,999,193	\$ 2,166,491	\$ 9,073,926	\$ 10,277,356	\$ 2,902,799	\$ 14,304,124	<b>\$ 68,107,281</b>
Grants	472,530	375,522	6,355,508	-	-	331,557	11,500	-	<b>7,546,617</b>
User charges	36,174	273,144	1,500,112	20,709,848	-	3,600,489	295,372	-	<b>26,415,139</b>
Other revenue	1,127,306	717,689	52,693	543,047	193,472	355,855	57,500	4,535,066	<b>7,582,628</b>
Developer contributions	-	-	-	-	-	-	-	1,779,611	<b>1,779,611</b>
<b>Total revenue</b>	<b>8,468,559</b>	<b>17,917,198</b>	<b>13,907,506</b>	<b>23,419,386</b>	<b>9,267,398</b>	<b>14,565,257</b>	<b>3,267,171</b>	<b>20,618,801</b>	<b>111,431,276</b>
<b>Expenses</b>									
Salaries and wages	5,680,190	8,599,049	3,114,892	5,187,398	366,486	8,307,846	2,215,073	-	<b>33,470,934</b>
Goods and services	2,091,927	9,351,472	4,374,067	6,406,183	164,294	5,404,286	448,674	-	<b>28,240,903</b>
Contracts and Other	1,859,865	-	56,183	615,325	7,677,351	868,548	822,178	-	<b>11,899,450</b>
Amortization	567,295	524,422	6,508,691	5,222,129	-	4,934,334	47,151	-	<b>17,804,022</b>
<b>Total expenses</b>	<b>10,199,277</b>	<b>18,474,943</b>	<b>14,053,833</b>	<b>17,431,035</b>	<b>8,208,131</b>	<b>19,515,014</b>	<b>3,533,076</b>	<b>-</b>	<b>91,415,309</b>
<b>Net revenue (expenses)</b>	<b>\$ (1,730,718)</b>	<b>\$ (557,745)</b>	<b>\$ (146,327)</b>	<b>\$ 5,988,351</b>	<b>\$ 1,059,267</b>	<b>\$ (4,949,757)</b>	<b>\$ (265,905)</b>	<b>\$ 20,618,801</b>	<b>\$ 20,015,967</b>