



City of Ottawa
Annual Report

2016



2016 Annual Report

Message from the Mayor

The City of Ottawa's 2016 Annual Report clearly demonstrates that the City continues to invest in our community's priorities, such as transit, active transportation, affordable housing and economic development, while practicing sound financial management.

As a Corporation, we want to live within our means. That is why we reviewed our structural financial issues and budgetary pressures, and developed efficiencies within our organization, fostering innovation and optimal services to residents.

This common sense fiscal approach has created a strong foundation to ensure the City maintains its strong financial credit standings, placing Ottawa in a position to realize its full potential as an affordable, caring, sustainable and prosperous city.

The City of Ottawa has been a driving force in economic development. The Innovation Centre at Bayview Yards opened its doors in the fall to continue and grow on the successes achieved through Invest Ottawa. The centre assists innovators and incubates new entrepreneurs and small businesses, which are the backbone to creating a vibrant and growing local economy. It also opens the door for investment from around the country and the world.

On the eve of Canada's 150th birthday, 2016 was a year of planning and preparations to welcome millions of visitors from Canada and abroad. However, showcasing our city as a tourism destination goes beyond 2017, as our Tourism Summit was held to share ideas on how to carry on the momentum into the future. We are also continuing our "Bid more, Win more, Host more" strategy to attract world-class cultural and sporting events to the nation's capital.

Work continues on the O-Train Confederation Line, our world-class light rail transit project, which will be ready in 2018. Work also began on the Western Transitway from Bayshore to Moodie, and the cycling network continued to expand with the opening of the O'Connor bike lanes and the Adawe Crossing over the Rideau River. These projects will not only enhance our mobility, but they also revitalize our neighbourhoods and bolster our local economy.



Work on the light rail transit project goes beyond 2018 with the planning of Stage 2, the largest infrastructure project in the City's history. Stage 2 will expand light rail service further east, west and south, bringing close to 70 per cent of Ottawa's population within five kilometres of LRT by 2023.

As the National Arts Centre underwent renovations to stage national and international talent, the City continues its investment in fostering local culture and talent – with the redevelopment of Arts Court and the new Ottawa Art Gallery, slated for completion this fall.

The hallmark to any great city is the ability of all residents to participate and benefit from the community's quality of life. As a result, the City of Ottawa holds a strong commitment to its 10-year Housing and Homelessness Plan, which aims to meet the most pressing housing needs of our residents.

The environment is also an important priority that is upheld in our community. The City has invested in projects to increase our tree canopy and greenspace, and further protecting our waterways, including work on the Combined Sewer and Storage Tunnel, which will reduce overflows into the Ottawa River.

In 2017, we will be celebrating our nation and its capital's colourful past, as both have evolved over 150 years of nationhood. But it is also an exciting time to look towards our future, as our city continues to grow and prosper. But one constant will remain: our city is safe, clean and vibrant, making it the best place in the world to live, work, play and raise a family.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Watson". The signature is fluid and cursive, with a horizontal line underneath the name.

Jim Watson

Mayor

2016 Annual Report

Message from the City Manager

The City of Ottawa's 2016 Annual Report exemplifies the importance of sound financial management, organizational effectiveness and the optimal delivery of services and programs to our residents.

Every year presents new challenges that must be addressed to ensure that our City continues to maintain its sound financial position. We have succeeded in this effort in 2016.

To ensure we operate within our means, we undertook a significant organizational alignment that increases the City's overall effectiveness by flattening management, empowering staff, stabilizing the workforce, consolidating service areas, streamlining the administration and delivering services within the Council established tax target.

The process to achieve this goal involved extensive consultation with members of Council, employees and stakeholders to help determine the organization's strengths and weaknesses and to identify areas for continuous improvement to meet the growing needs of our residents.

We have adopted a One City, One Team philosophy to create a more collaborative organization that can evolve with our growing city and the ever-changing needs of our residents. This unified approach enables us to remain financially sustainable to meet the City's priorities, complete major projects and deliver excellent service to residents.

With many transformative projects now underway or approaching completion, our city is becoming an increasingly dynamic and exciting place. City employees are working together across departments to deliver on big city-building projects such as the Confederation Line and LRT Stage 2, the Arts Court/Ottawa Art Gallery redevelopment and construction of the Combined Sewer and Storage Tunnel, to name just a few. City staff have also been heavily involved in preparing the nation's capital for Canada's 150th birthday celebrations that will put us on the world-stage.

The City of Ottawa is highly recognized within the municipal government sector as being a leader in service delivery innovation with a highly skilled and motivated workforce. Our people have a vested interest in creating a vibrant, innovative and affordable city. As we unite with a common purpose and foster pride in our work as one city, I have every



confidence that this organization will have the strength and stability to meet new challenges ahead.

A handwritten signature in black ink, appearing to read "Steve Kanellakos". The signature is written in a cursive style with a large initial "S" and "K".

Steve Kanellakos
City Manager

2016 Financial Statement Discussion and Analysis

INTRODUCTION

The City of Ottawa 2016 Annual Financial Report contains the audited consolidated financial statements prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board [“PSAB”] of the Chartered Professional Accountants of Canada [“CPA Canada”], as required by the Ontario Municipal Act.

The City of Ottawa Administration is responsible for preparing the following financial statement discussion and analysis (FSD&A). It should be read in conjunction with the audited consolidated financial statements and the financial and statistical schedules.

The FSD&A reports to stakeholders on how the financial resources entrusted to the City are being managed to provide municipal infrastructure and services, and presents significant activities that affected 2016 results or that may have an impact on future results.

ECONOMIC ENVIRONMENT

As indicated in the statistics provided below, the City of Ottawa has experienced an increase in housing starts and building permits activity during 2016.

At December 31, 2016, with comparative information for 2015.

Economic environment	2016	2015	% Change
Population	968,580	960,754	0.8 %
Residential housing starts ¹	5,298	4,972	6.6 %
Value of building permits issued (in millions)	2,646	2,143	23.5 %
Inflation, CPI annual increases ² (%)	1.3	1.0	30 %
Unemployment rate ² (%)	6.3	6.3	0 %

The City of Ottawa had an estimated population of 968,580 at the end of 2016, which represents an increase of 19.0% since 2001 (814,200). This growth rate is faster than Ontario’s (17.5%) and faster than Canada’s rate (16.8%). Ottawa accounts for approximately three-quarters of the population of the Greater Ottawa-Gatineau Area, which had a combined population of over 1.4 million at the end of 2016.

Population growth is expected to continue. The City has prepared population growth projections for the period from 2011 to 2031. From 2016 to 2031 the City’s Official Plan projects an 19.4% population increase from 968,580 to 1.15 million people. Immigration is a major reason Ottawa’s population will continue to grow.

¹ *Canada Mortgage and Housing Corporation (CMHC)*

² *Statistics Canada*

THE OUTLOOK

The City experienced an increase in the total value of building permits issued in comparison to the previous year. The City's unemployment rate remained below the provincial 2016 rate of 6.5%.

The City has developed constructive relationships with other levels of government and the private sector in order to obtain sustainable funding to provide the municipal infrastructure necessary to support healthy local, provincial and national economies. In addition, continued gas tax funding, combined with federal and provincial commitments to assist with funding the City's Confederation Line light rail construction project, will ensure the required infrastructure is in place to support the transit needs of our residents.

FINANCIAL HIGHLIGHTS

CONSOLIDATED FINANCIAL POSITION

As at December 31, 2016, with comparative information for 2015 [*dollars in thousands*]

Consolidated financial position	2016	2015
A. Financial assets	\$2,587,594	\$2,522,648
B. Financial liabilities	4,420,611	4,087,122
C. Net debt (A - B)	(1,833,017)	(1,564,474)
D. Non-financial assets	14,557,541	13,787,550
E. Accumulated surplus (C + D)	\$12,724,524	\$12,223,076

Construction of the Confederation Line in 2016 continued to have a significant impact on the consolidated financial statements. Amounts paid to the contractor through milestone payments as well as amounts expended by the contractor to be paid in future milestone payments have been capitalized as assets under construction and represents \$402 million of the total \$1,700 million acquisition of tangible capital assets for the Confederation line.

Financial assets increased by approximately \$65 million due primarily to the following:

There was a shift from long term investments to cash and cash equivalents to align with cash flow requirements for major City projects for an overall increase of \$48 million.

Accounts receivable increased by approximately \$4 million due to increases in government receivables for a new storm sewage storage tunnel as well as increased funding for financial assistance due to caseload growth.

Investment in government business enterprise increased by \$13 million related to the increased value of the net assets of Hydro Ottawa Holding Inc. ["Hydro

Ottawa”]. Approximately \$15 million, represents the net of the City’s share of Hydro Ottawa income of approximately \$34 million and dividends paid of \$19 million. This increase of \$15 million is offset by a \$2 million decrease related to accumulated other comprehensive income of Hydro Ottawa

Financial liabilities increased by approximately \$333 million in 2016.

Increases in accounts payable and accrued liabilities in 2016 were in the amount of approximately \$147 million. Approximately \$119 million related to accounts payable, and \$28 million related to increases in accrued liabilities. A change in the accounting treatment of front ending agreements where developers have built specific growth related projects in advance of the City’s capital budget project plans and recording these as liabilities until they are repaid resulted in an increase of \$51 million in accounts payable. In addition, payables associated with the Confederation line and early planning stages of Light Rail Stage 2 increased by \$28 million. The balance of the increase in accounts payable relates primarily to higher taxation payables due to increases in tax reassessments and vacancy rebates, liabilities for Brownsfield properties and legal claims and other trade payables. Accrued liabilities increased by approximately \$27 million due to timing differences in scheduled pay, accruals for unsettled collective agreements and other employee costs.

Employee future benefits and pension agreements increased by approximately \$7 million. Employee future benefits includes increases of \$21 million due to an increase in long term disability claims and an \$8 million increase in post retirement benefits. Employees are retiring at an older age and are requiring more health benefits. These liabilities were partially offset by a \$9 million reduction in the total liability for Workplace Safety and Insurance Board (WSIB) due to more refined estimates. Although the WSIB liability decreased as a whole, fire continues to have an increased share of the liability due to provincial legislation deeming a number of cancers as work related. There was also a \$13 million decrease in the liability for the City of Ottawa Superannuation fund due to the recognition of an actuarial gain from last year.

Financial liabilities increases also included landfill closure and post closure costs in the amount of \$4 million in 2016 partly due to a reduction in the discount rate and the addition of 10 years to the monitoring of the Nepean closed landfill site. The liability for contaminated sites increased by \$2 million mainly due to the results of additional investigative work that was undertaken in the year.

Deferred revenue increased by approximately \$65 million. The bulk of the increase related to development charge receipts which were approximately \$50 million higher in 2016 compared to 2015 due to an influx of building permit applications in advance of the provincially mandated building code changes that took effect in 2017.

Also offsetting the increase in financial liabilities was an increase of approximately \$88 million for net long term debt which reflects the difference between \$190 million of new debt issues and \$102 million of repayment of debt principal.

Non-financial assets which include primarily tangible capital assets increased by approximately \$770 million, and include the significant investments in the Confederation Line Light Rail System.

Net debt is comprised of the difference between financial liabilities and the City's financial assets. It is a measure of the future revenues required to pay for past transactions. Net debt increased by \$269 million to \$1.833 billion in 2016 from \$1.564 billion in 2015.

Accumulated surplus shows the investment in assets, net of all liabilities, which will be available to provide services to future generations. Increases in investment in tangible capital assets of \$567 million is offset by increases in unfunded liabilities of approximately \$34 million, resulting in an increase in the fund surplus of approximately \$533 million. Reserves and reserve funds decreased approximately \$45 million while investment in government business enterprises increased by approximately \$13 million resulting in an overall \$501 million increase in accumulated surplus.

FINANCIAL ANALYSIS REVIEW

Budget to Actual Comparison

For the year ended December 31, 2016 [dollars in thousands]

Revenues – Budget to actual comparison	Budget 2016	Actual 2016	Favourable/ (Unfavourable)
Taxes available for municipal purposes	\$1,671,093	\$1,653,541	\$(17,552)
Government transfers	881,439	907,057	25,618
Fees and user charges	809,566	815,294	5,728
Contributed tangible capital assets	182,296	182,296	0
Development charges	123,579	121,851	(1,728)
Investment income	36,241	40,570	4,329
Fines and penalties	27,387	31,618	4,231
Other revenue	34,191	30,730	(3,461)
Equity in earnings of government business enterprises	32,436	34,836	2,400
Total revenues	\$3,798,228	\$3,817,793	\$19,565

Taxes available for municipal purposes were lower than budgeted due to higher tax remissions as a result of a number of appeals in the multi-residential tax class, as well as office and retail class appeals (\$28 million) offset by a favourable budget variance (\$8 million) for supplementary assessments and payments in lieu of taxation (\$2 million).

Government grants were higher than budgeted partly due to the increase in case load volume for social assistance (\$21 million). The balance of the increase is due to an increase in federal revenue relating to policing cost recoveries (\$4 million).

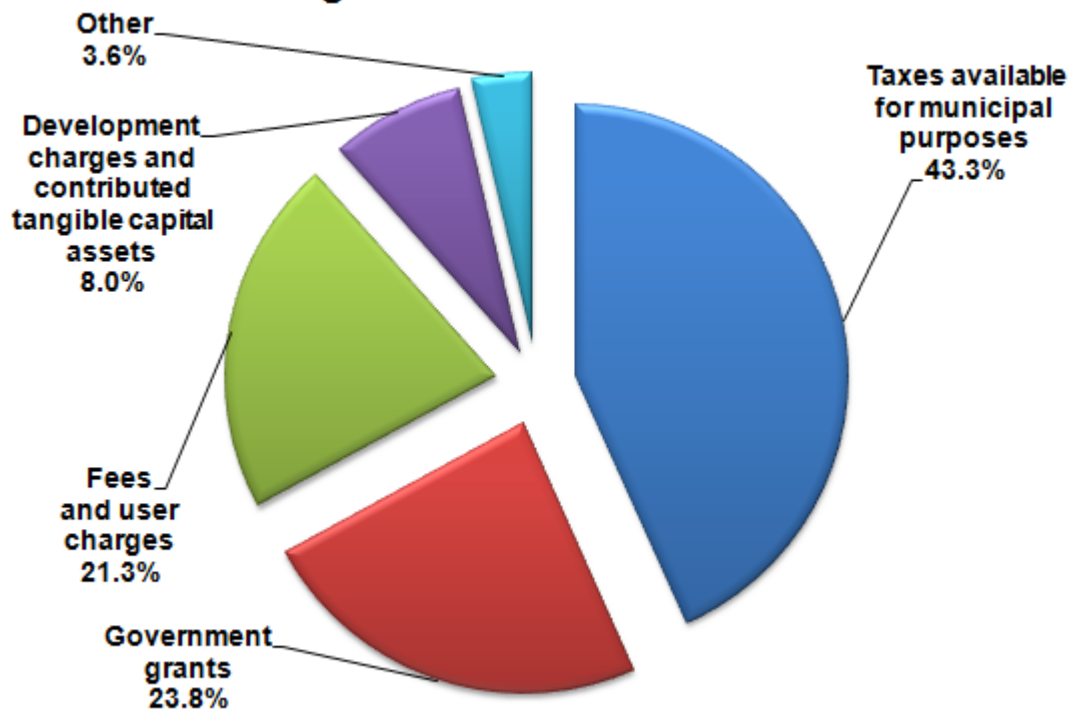
Fees and user charges were higher than budgeted due to increases in water consumption resulting from a dry summer, as well as increases in waste and recycling services.

Investment income was higher than budgeted due to an increase in the performance of investments combined with higher than expected realized capital gains on the disposition of a portion of bond holdings.

Other revenue was lower than budgeted in 2016 due to unrealized revenue from land developed and sold through the City's wholly owned land development subsidiaries.

Sources of Revenue <i>[dollars in thousands]</i>	\$	%
Taxes available for municipal purposes	\$1,653,541	43.3%
Government transfers	907,057	23.8%
Fees and user charges	815,294	21.3%
Development charges and contributed tangible capital assets	304,147	8.0%
Other	137,754	3.6%
Total revenue	\$3,817,793	100.0%

Figure 1 – Sources of Revenue



Budget to Actual Comparison

For the year ended December 31, 2016 [dollars in thousands]

Expenses – Budget to actual comparison	Budget 2016	Actual 2016	Favourable/ (Unfavourable)
General government	\$95,903	\$92,017	\$3,886
Protection to persons and property	573,864	578,309	(4,445)
Roads, traffic and parking	400,538	413,504	(12,966)
Transit	578,035	563,769	14,266
Environmental services	389,704	381,763	7,941
Health services	161,832	162,164	(332)
Social and family services	441,283	463,604	(22,321)
Social housing	271,256	273,291	(2,035)
Recreation and cultural services	318,062	316,348	1,714
Planning and development	65,690	69,538	(3,848)
Total expenses	\$3,296,167	\$3,314,307	\$(18,140)

General government expenses were lower than budgeted due to savings related to the administrative restructuring and hiring freeze implemented in 2016.

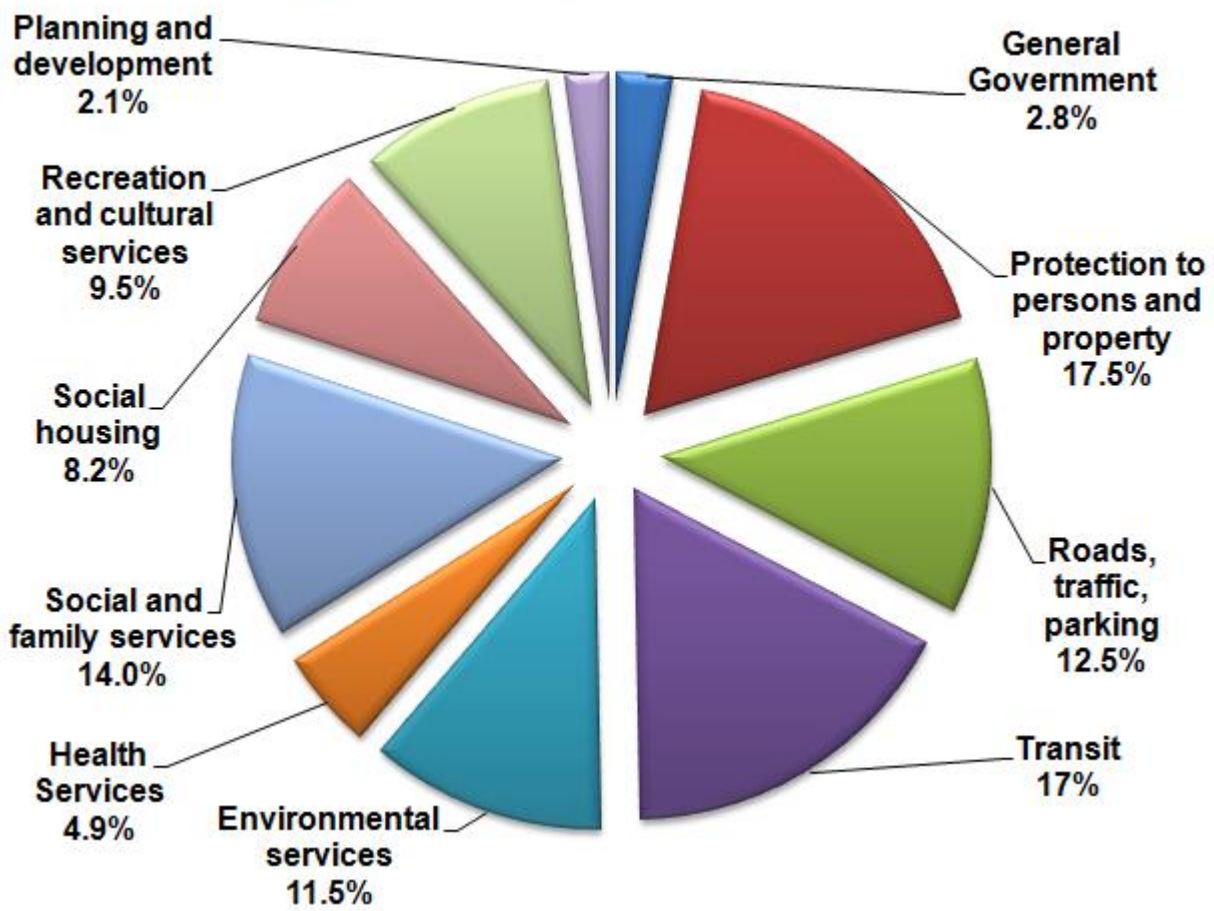
Protection to persons and property expenses were higher than budgeted due to additional staff costs relating to overtime and retirement.

Roads, traffic and parking expenses were higher than budgeted as a result of additional costs for winter maintenance operations associated with above normal winter conditions and associated clean up in 2016.

Social and family services expenses were higher than budgeted due to caseload and rate increases for family assistance, as well as increased costs for support services specific to long term care.

Expenses [dollars in thousands]	\$	%
General government	\$92,017	2.8%
Protection to persons and property	578,309	17.5%
Roads, traffic, and parking	413,504	12.5%
Transit	563,769	17.0%
Environmental services	381,763	11.5%
Health services	162,164	4.9%
Social and family services	463,604	14.0%
Social housing	273,291	8.2%
Recreation and cultural services	316,348	9.5%
Planning and development	69,538	2.1%
Total expenses	\$3,314,307	100.0%

Figure 2 – Expense distribution



Revenues - Comparison to Prior Year

For the year ended December 31, 2016, with comparative information for 2015 [*dollars in thousands*]

Revenues – Comparison to prior year	Actual 2016	Actual 2015	Increase/ (Decrease)
Taxes available for municipal purposes	\$1,653,541	\$1,626,544	\$26,997
Government transfers	907,057	858,647	48,410
Fees and user charges	815,294	783,282	32,012
Contributed tangible capital assets	182,296	184,121	(1,825)
Development charges	121,851	137,743	(15,892)
Investment income	40,570	29,575	10,995
Fines and penalties	31,618	27,416	4,202
Other revenue	30,730	22,010	8,720
Equity in earnings of government business enterprises	34,836	32,370	2,466
Total revenues	\$3,817,793	\$3,701,708	\$116,085

Taxes available for municipal purposes increased approximately \$27 million to \$1.653 billion (2015 - \$1.626 billion). This increase is net of a tax levy increase of approximately \$50 million offset by higher remissions of \$20 million and lower supplementary assessment revenue of approximately \$4 million compared to 2015. The tax levy increase includes a 2% overall property tax bill increase amounting to \$29 million combined with a \$21 million increase in the assessment base due to new properties.

Government transfer revenue increased approximately \$49 million to \$907 million (2015 - \$858 million). Government transfers increases include additional funding for social assistance associated with higher caseload (\$16 million), new government funding recognized for the Ottawa River Action Plan (\$12 million), an increase in provincial grants for Investment in Affordable Housing (\$9 million), and additional wage enhancement funding received for Child Care services (\$9 million). Additional cost sharing funding associated with increased expenses for health and long term care services made up the balance of the increase.

Fees and user charge revenue increased by \$32 million to \$815 million (2015 - \$783 million). A 6% increase in water rates combined with increased consumption resulted in a combined increase of water and sewer surcharge revenue of approximately \$28 million. An average 2.5% increase in transit rates brought in an additional \$4 million in fees and user charges revenue.

Contributed tangible capital assets represent assets that are donated or contributed to the city by developers. In 2016 contributed assets decreased slightly by \$2 million to \$182 million (2015 - \$184 million).

Development charge revenue decreased by \$16 million to \$122 million (2015 - \$138 million). Development charge revenue is not recognized until the funds are spent for its intended purpose.

Investment income increased by \$11 million to \$41 million partly due to higher performance of the City's Endowment Fund compared to 2015, combined with higher gains realized on the disposition of a portion of the City's bond holdings.

Other revenue increased by \$9 million to \$31 million (2015 - \$22 million) partly due to additional revenue received for the Canterbury Outdoor Rink and Cycling Lane projects. This was combined with additional revenue recognized to match increased expenses for cash in lieu initiatives. The sale of surplus land of Innovation Drive also contributed to the overall increase.

Expenses – Comparison to prior year

For the year ended December 31, 2016, with comparative information for 2015 [*dollars in thousands*]

Expenses – Comparison to prior year	Actual 2016	Actual 2015	Increase/ (Decrease)
General government	\$92,017	\$95,681	\$(3,664)
Protection to persons and property	578,309	557,516	20,793
Roads, traffic, and parking	413,504	426,978	(13,474)
Transit	563,769	556,332	7,437
Environmental services	381,763	378,303	3,460
Health services	162,164	163,260	(1,096)
Social and family services	463,604	441,631	21,973
Social housing	273,291	259,246	14,045
Recreation and cultural services	316,348	333,828	(17,480)
Planning and development	69,538	61,739	7,799
Total expenses	\$3,314,307	\$3,274,514	\$39,793

General government experienced an overall decrease of \$4 million to \$92 million (2015 - \$96 million) due to restructuring and savings achieved through discretionary freeze.

Protection to persons and property increased by \$20 million in 2016 to \$578 million (2015 - \$558 million) mainly due to recent provincial legislation deeming certain types of cancer as work related.

Roads, traffic and parking decreased by \$13 million to \$414 million in 2016 (2015 - \$427 million) mainly due to lower costs associated with road maintenance.

Transit expenses increased by \$8 million to \$564 million in 2016 (2015 - \$556 million) mainly due to higher costs required for the transition to light rail, including costs associated with bus detours and bus service hours.

Environmental services increased by \$4 million in 2016 to \$382 million (2015 - \$378 million) mainly due to additional investigation work in 2016 on contaminated sites.

Social and family services increased by \$22 million to \$464 million in 2016 (2015 - \$442 million) due to higher caseload volume combined with changes in provincial legislation for child care allocation.

Social housing expenses increased by \$14 million to \$273 million in 2016 (2015 - \$259 million) for the renovation and rehabilitation of social housing units.

Recreation and cultural services decreased by \$18 million to \$316 million in 2016 (2015 - \$334 million) due to a decrease in repairs and maintenance to recreational facilities compared to 2015. 2015 included roof replacement programs for Goulbourn, Brewer, Canterbury, and the Ron Maslin theatre.

Planning and development expenses increased by \$8 million to \$70 million in 2016 (2015 - \$62 million) primarily due to an increase in repairs and maintenance for projects such as river restoration and streetscaping.

NET LONG TERM DEBT

The City of Ottawa is rated by two international agencies: Moody's Investors Service and Standard & Poor's Ratings Services (S&P). Moody's has given the City an Aaa rating - the highest possible ranking and one the City has maintained since 1975. S&P has assigned an AA stable rating to the City.

The capital financing policy approved by Council allows the City to provide additional capital assets such as roads, water and sewer systems, buildings, and transit infrastructure that will be funded over the long term by taxpayers benefiting from the use of these capital assets. This policy follows Provincial regulations which require that capital assets financed by debt have a useful life at least as long as the term of the debt.

The City issued 190 million in new debentures in 2016 and total net long term debt increased from \$1.62 billion to \$1.71 billion.

Debt levels are carefully monitored to ensure the ongoing financial well being of the City in accordance with its fiscal framework principles. Two of the key targets established by Council which are to be reported on annually by the Treasurer are as follows:

- 1) Principal and interest payments for tax supported debt are not to exceed 7.5% of the City's own source revenue, and principal and interest on water and sewer rate supported debt will be limited to no more than 15% of rate revenues; for a combined target of 8.5% of total own source revenues;
- 2) The increase in debt servicing for non-legacy projects in any year will not be greater than one-quarter of 1 per cent of taxes from property taxes:

With respect to the first key target, the total debt interest and principal payments in 2016 for tax and rate supported long-term debt was \$145 million, which represents 5.6% of the City's own source revenues. These revenues include all revenues shown on the Consolidated Statement of Operations, except for government grants and contributed tangible capital assets and development charge revenues.

Regarding the second key target, non-legacy projects are defined as capital works associated with the rehabilitation and renewal of existing City infrastructure along with the construction of new infrastructure to address growth pressures. The increase in debt servicing as it affects property tax increases is within the target mentioned above.

TANGIBLE CAPITAL ASSETS

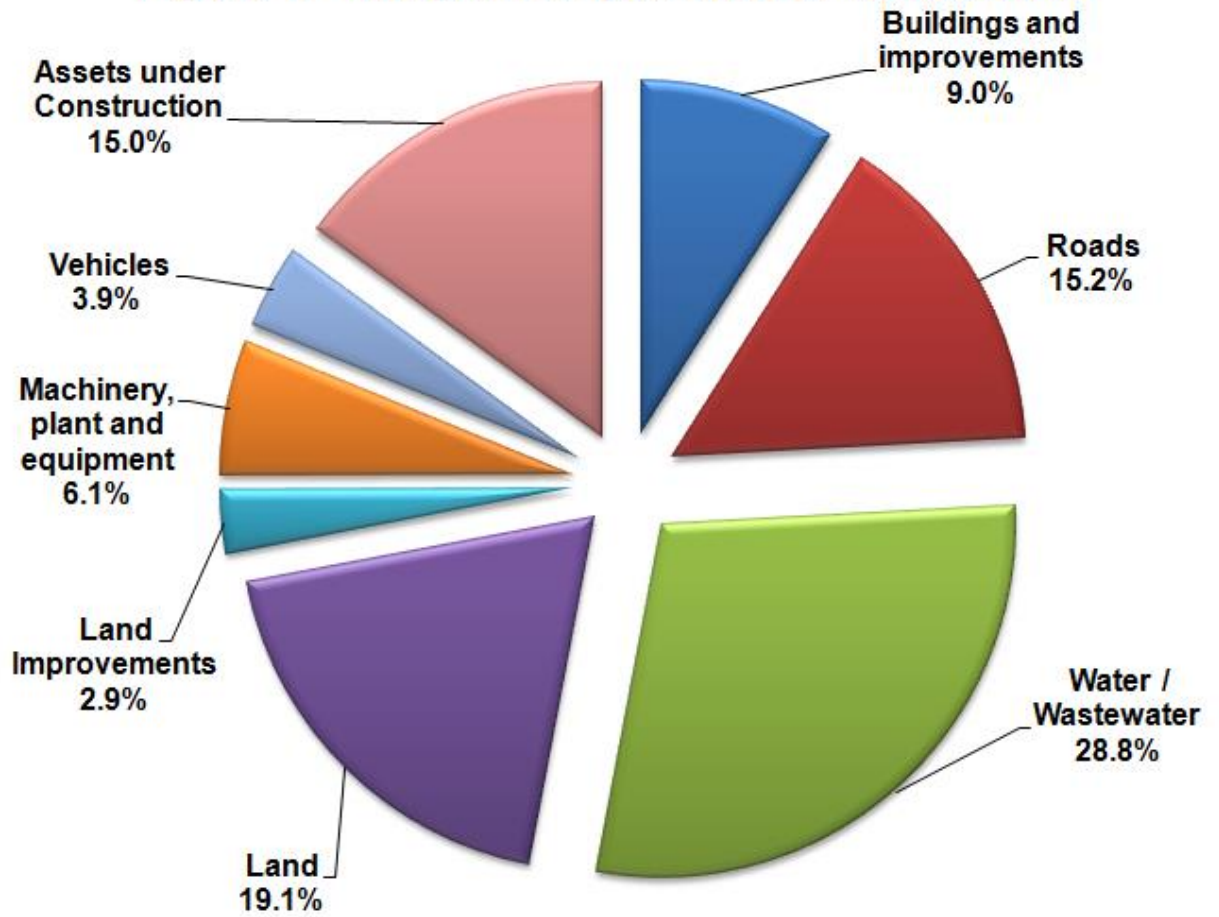
Tangible capital assets represent a significant investment for the City and the related information is vital for stewardship, accountability, costing, and the development of asset management plans. Assets are valued at their historical cost on the date of purchase or construction and are amortized over their useful lives. The residual net book value of these assets represents the value of assets available to serve future generations.

The City's tangible capital assets consist primarily of water and wastewater infrastructure, land, roads, buildings, and machinery, plant and equipment. Costs associated with construction of the Confederation Line are included in assets under construction.

The overall value of tangible capital assets (which makes up the bulk of non - financial assets) increased by approximately \$1 billion from \$18.3 billion to \$19.3 billion on a gross cost basis. Approximately \$402 million (or 40%) of this increase is attributable to increased spending on the Confederation Line. Other significant projects that contributed to this increase included road related projects (\$167 million) and water / wastewater infrastructure (\$268 million). \$319 million of amortization was recognized in 2016, bringing the total accumulated amortization to \$4.89 billion.

Tangible capital assets <i>[dollars in thousands]</i>	\$ NBV	%
Buildings and improvements	\$1,303,863	9.0%
Roads	2,196,978	15.2%
Water/wastewater	4,176,912	28.8%
Land	2,765,262	19.1%
Land improvements	421,068	2.9%
Machinery, plant and equipment	891,862	6.1%
Vehicles	560,440	3.9%
Assets under construction	2,178,506	15.0%
Total tangible capital assets	\$14,494,891	100.0%

Figure 3 - Tangible Capital Asset breakdown



Consolidated Financial Statements

The City of Ottawa

December 31, 2016

MANAGEMENT'S REPORT

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management of the City of Ottawa (the "City").

The consolidated financial statements are prepared by management, in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The financial statements necessarily include some amounts that are based on the best estimates and judgments of management. Financial data elsewhere in the report is consistent with that in the financial statements.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for the preparation of financial statements.

The Auditor General's office reports directly to City Council ("Council") and, on an ongoing basis, carries out its audit program to ensure internal controls and their application are reviewed and financial information is tested and independently verified.

Council fulfils its responsibility for financial reporting through its Audit Committee and Finance and Economic Development Committee.

Ernst & Young LLP, Chartered Professional Accountants, have been appointed by Council to express an opinion on the City's consolidated financial statements. Their report follows.



Steve Kanellakos
City Manager
Ottawa, Canada



Marian Simulik
City Treasurer
Ottawa, Canada

INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council

We have audited the accompanying consolidated financial statements of **The City of Ottawa**, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations and accumulated surplus, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **The City of Ottawa** as at December 31, 2016 and the results of its operations, its change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Original signature on file

Ottawa, Canada

Chartered Professional Accountants

June, 2017

Licensed Public Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2016, with comparative information as at December 31, 2015
[dollars in thousands]

Table 1 - Consolidated statement of financial position - Financial assets

Financial assets	2016	2015
Cash and cash equivalents	\$257,124	\$95,017
Accounts receivable <i>[note 3]</i>	630,299	626,590
Investments <i>[note 4]</i>	1,273,376	1,387,644
Investment in government business enterprise <i>[note 5]</i>	426,795	413,397
Total financial assets	2,587,594	2,522,648

Table 2 - Consolidated statement of financial position - Liabilities

Liabilities	2016	2015
Accounts payable and accrued liabilities <i>[note 6]</i>	1,148,444	1,001,255
Deferred revenue <i>[note 7]</i>	563,272	497,903
Employee future benefits and pension agreements <i>[note 8]</i>	595,152	588,553
Accrued interest	25,763	23,809
Landfill closure and post-closure <i>[note 9]</i>	24,676	20,828
Contaminated sites <i>[note 10]</i>	9,374	6,801
Net long-term debt <i>[note 11]</i>	1,710,431	1,621,896
Mortgages payable <i>[note 12]</i>	237,230	215,563
Capital lease obligations <i>[note 13]</i>	106,269	110,514
Total liabilities	4,420,611	4,087,122
Net debt	(1,833,017)	(1,564,474)

Table 3 - Consolidated statement of financial position - Non-financial assets

Non-financial assets	2016	2015
Tangible capital assets <i>[note 14]</i>	14,494,891	13,741,490
Inventories	32,174	25,189
Prepaid expenses	30,476	20,871
Total non-financial assets	14,557,541	13,787,550
Accumulated surplus <i>[note 15]</i>	\$12,724,524	\$12,223,076

Contingencies and commitments *[note 16]*

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

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31, 2016, with comparative information for the year ended December 31, 2015 [dollars in thousands]

Table 4 - Consolidated statement of operations and accumulated surplus - Revenue

Revenue	2016 Budget [note 21]	2016 Actual	2015 Actual
Taxes available for municipal purposes [note 17]	\$1,671,093	\$1,653,541	\$1,626,544
Government transfers	881,439	907,057	858,647
Fees and user charges	809,566	815,294	783,282
Contributed tangible capital assets	182,296	182,296	184,121
Development charges	123,579	121,851	137,743
Investment income	36,241	40,570	29,575
Fines and penalties	27,387	31,618	27,416
Other revenue	34,191	30,730	22,010
Share of earnings of government business enterprise [note 5]	32,436	34,836	32,370
Total revenue	3,798,228	3,817,793	3,701,708

Table 5 - Consolidated statement of operations and accumulated surplus - Expenses

Expenses	2016 Budget [note 21]	2016 Actual	2015 Actual
General government	95,903	92,017	95,681
Protection to persons and property	573,864	578,309	557,516
Roads, traffic and parking	400,538	413,504	426,978
Transit	578,035	563,769	556,332
Environmental services	389,704	381,763	378,303
Health services	161,832	162,164	163,260
Social and family services	441,283	463,604	441,631
Social housing	271,256	273,291	259,246
Recreation and cultural services	318,062	316,348	333,828
Planning and development	65,690	69,538	61,739
Total expenses [note 18]	3,296,167	3,314,307	3,274,514
Annual surplus	502,061	503,486	427,194
Accumulated surplus, beginning of the year	12,270,888	12,223,076	11,789,207
Other comprehensive income (loss)	(2,038)	(2,038)	6,675
Accumulated surplus, end of the year	\$12,770,911	\$12,724,524	\$12,223,076

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

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the year ended December 31, 2016, with comparative information for the year ended December 31, 2015 [dollars in thousands]

Table 6 - Consolidated statement of change in net debt

Consolidated statement of change in net debt	2016 Budget	2016 Actual	2015 Actual
Annual surplus	502,061	503,486	\$427,194
Acquisition of tangible capital assets including contributed assets	(1,093,107)	(1,093,107)	(929,418)
Amortization of tangible capital assets	318,951	318,951	332,300
Loss on disposal of tangible capital assets	18,431	18,431	40,313
Proceeds on disposal of tangible capital assets	2,324	2,324	1,814
Supply of inventories	(6,985)	(6,985)	(603)
Prepaid expenses	(9,605)	(9,605)	3,117
Change in net debt	(267,930)	(266,505)	(125,283)
Net debt, beginning of the year	(1,564,474)	(1,564,474)	(1,445,866)
Other comprehensive income (loss)	(2,038)	(2,038)	6,675
Net debt, end of the year	\$(1,834,442)	\$(1,833,017)	\$(1,564,474)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2016, with comparative information for the year ended December 31, 2015 [dollars in thousands]

Table 7 - Consolidated statement of cash flows - Operating activities

OPERATING ACTIVITIES	2016	2015
Annual surplus	\$503,486	\$427,194
Items not affecting cash		
Share of earnings of government business enterprise	(34,836)	(32,370)
Amortization of tangible capital assets	318,951	332,300
Contributed tangible capital assets	(182,296)	(184,121)
Loss on disposal of tangible capital assets	18,431	40,313
Cash provided by operating activities, adjusted for non-cash items	623,736	583,316
Changes in non-cash assets and liabilities		
Increase in accounts receivable	(3,709)	(190,997)
Increase in inventories	(6,985)	(603)
Decrease (increase) in prepaid expenses	(9,605)	3,117
Increase in accounts payable and accrued liabilities	147,189	216,272
Increase (decrease) in deferred revenue	65,369	(32,482)
Increase in employee future benefits and pension agreements	6,599	26,358
Increase (decrease) in accrued interest	1,954	(154)
Increase in landfill closure and post-closure liabilities	3,848	10,559
Increase (decrease) in liabilities for contaminated sites	2,573	(194)
Cash provided by operating activities	830,969	615,192

Table 8 - Consolidated statement of cash flows - Capital activities

CAPITAL ACTIVITIES	2016	2015
Acquisition of tangible capital assets	(910,811)	(745,297)
Proceeds on disposal of tangible capital assets	2,324	1,814
Cash applied to capital activities	(908,487)	(743,483)

Table 9 - Consolidated statement of cash flows - Investing activities

INVESTING ACTIVITIES	2016	2015
Decrease (increase) in investments	114,268	(290,439)
Dividends from Hydro Ottawa Holding Inc.	19,400	18,200
Cash provided by (applied to) investing activities	133,668	(272,239)

CONSOLIDATED STATEMENT OF CASH FLOWS [CONTINUED]

For the year ended December 31, 2016, with comparative information for the year ended December 31, 2015 [dollars in thousands]

Table 10 - Consolidated statement of cash flows - Financing activities

FINANCING ACTIVITIES	2016	2015
New debt issued	222,676	167,419
Interest earned on sinking funds	(3,448)	(2,988)
Debt principal repayments		
Net long-term debt	(98,225)	(90,400)
Mortgages	(10,801)	(10,952)
Capital lease obligations	(4,245)	(3,001)
Cash provided by financing activities	105,957	60,078

Table 11 - Consolidated statement of cash flows - Change in cash and cash equivalents

Change in cash and cash equivalents	2016	2015
Increase (decrease) in cash and cash equivalents during the year	162,107	(340,452)
Cash and cash equivalents, beginning of the year	95,017	435,469
Cash and cash equivalents, end of the year	\$257,124	\$95,017

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

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 [dollars in thousands]

1. NATURE OF BUSINESS

The City of Ottawa [the “City”] was created through provincial legislation on December 20, 1999 and commenced operations on January 1, 2001.

The City is responsible for providing municipal services such as employment and financial assistance; long-term care; community services and libraries; emergency and protective services including police, fire and ambulance; and transportation, utilities and public works, including roads, sewers and wastewater, drinking water, waste collection and disposal.

As sole shareholder of Hydro Ottawa Holding Inc. [“Hydro Ottawa”], and the Ottawa Community Housing Corporation [“OCHC”], the City also provides hydro and housing services to the residents of Ottawa. In 2009, the Ottawa Community Lands Development and the Manotick Mill Quarter Community Development Corporations were created for the purpose of promoting and undertaking community improvements in the City by managing real property.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board [“PSAB”] of the Chartered Professional Accountants of Canada.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Basis of consolidation

The consolidated financial statements of the City reflect the assets, liabilities, revenue and expenses for the activities of all committees of Council and the following boards, Business Improvement Areas ["BIAs"] and entities:

The Police Services Board	The Heart of Orleans BIA
The Ottawa Public Library Board	The Carp Road Corridor BIA
The Ottawa Board of Health	The Carp Village BIA
The Ottawa Community Housing Corporation	The Vanier BIA
Manotick Mill Quarter Community Development Corporation	The Manotick BIA
Ottawa Community Lands Development Corporation	The Sparks Street Mall Authority
The Bank Street BIA	The Somerset Village BIA
The Westboro Village BIA	The Preston Street BIA
The Sparks Street BIA	The Byward Market BIA
The Somerset Street Chinatown BIA	The Downtown Rideau BIA
The Glebe BIA	The Barrhaven BIA
	The Wellington West BIA
	The Kanata North BIA
	The Bells Corners BIA

All interfund assets, liabilities, revenue and expenses have been eliminated.

Condensed supplementary information for the Ottawa Public Library Board is provided in Appendix 1.

Hydro Ottawa and its subsidiaries are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for such government business enterprise *[see note 5]*. These corporations follow International Financial Reporting Standards ["IFRS"]. Under the modified equity basis, the business enterprise's accounting policies are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated. Other comprehensive income or loss of the enterprise is recorded directly to the City's accumulated surplus and net debt.

School boards

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements as school boards are separate entities and the City does not control or have any involvement in the operations of school boards.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 [dollars in thousands]

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Use of estimates and measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions on such areas as employee benefits, property tax assessment appeals, legal claims, landfill closure and post-closure liabilities and liabilities for contaminated sites. These estimates and assumptions are based on the City's best information and judgment and actual amounts may differ significantly from these estimates.

Revenue and expenses

Revenue and expenses are reported on the accrual basis of accounting, which recognizes revenue as it is earned and measurable; expenses are recognized as they are incurred and measurable, as a result of receipt of goods or services.

Tax revenue

Annually, the City bills and collects property tax revenue for municipal purposes, provincial education taxes on behalf of the Province of Ontario [the "Province"], payment in lieu of taxes, local improvements and other charges [see note 17]. The authority to levy and collect property taxes is established under the *Municipal Act, 2001*, the *Assessment Act*, the *Education Act*, and other legislation.

Taxation revenue consists of non-exchange transactions. It is recognized in the period to which the assessment relates where reasonable estimates of amounts can be made. Annual revenue also includes adjustments related to prior years, which were not estimable until the current year.

Government transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction. Government transfers are recognized in the fiscal years during which events giving rise to the transfer occur, provided the transfers are authorized, eligibility criteria and stipulations have been met and reasonable estimates of the amounts can be made.

In addition, the City provides transfers to individuals or organizations. These transfers are recognized as expenses once they are authorized and eligibility criteria, if any, are met.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Fees and user charges

Fees and user charges relate to transit fares; utility charges; water, wastewater, and solid waste; licensing fees; fees for use of various programming; and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Contributed tangible capital assets

Contributed tangible capital assets represent assets that are donated or contributed to the City by developers. Revenue is recognized in the year the assets are contributed and have been recognized at fair market value at the date of contribution.

Development charges

Development charges are one-time fees levied by the City on new residential and non-residential properties to help fund a portion of the growth-related capital infrastructure. The authority to introduce development charges is provided by provincial legislation, and the operational details and schedule of charges are outlined in the City's by-law. Development charges are determined and accounted for by type of service component. The amount of charges varies by dwelling type and by location within the City reflecting different actual costs of establishing and providing the service. The underlying intent of development charges is that growth pays for growth and that the financing of capital costs required to service new growth does not place a burden on existing taxpayers.

Actual funding transfers to capital projects are made in accordance with regulations that stipulate that development charges may only be applied to projects when costs are incurred. Growth-related spending authority is approved annually as part of the City's budgeting process, with only those capital projects included in the current Development Charges Background Study being eligible for funding. Development charge fund balances are monitored annually through the capital budget approval process to ensure they are in compliance with the overall policies adopted by Council. Development charges are recognized as revenue when the related expenses are incurred.

Investment income

Investment income is recorded as revenue in the period in which it is earned. Investment income also includes income from the City's Endowment Fund.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 [dollars in thousands]

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Other revenue

Other revenue includes revenue from cash in lieu of parkland, cash in lieu of parking and other miscellaneous revenue. Amounts received relating to revenue that will be earned in a subsequent year are deferred and reported as deferred revenue.

Financial instruments

The City's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities, accrued interest, net long-term debt, and mortgages payable.

The City uses derivative financial instruments consisting of bank swaps to reduce its exposure to interest rate risk related to its debt. The City does not use financial instruments for trading or speculative purposes.

The City uses bank swaps to manage commodity price fluctuations. These bank swaps are used to set a fixed price for a specific quantity over a defined term and settle on specific dates commensurate with the defined term. Swaps result in a payment or receipt of funds to or from the counterparty to the transaction. Gains (receipts) or losses (payments) are recognized in the same period as the delivery of the underlying commodity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with original maturities of 90 days or less from the date when the securities are purchased.

Investments

Investments are recorded at amortized cost less amounts written off to reflect a permanent decline in value. Investments consist of authorized investments pursuant to provisions of the *Municipal Act* and comprise financial instruments issued by the Canadian government and Schedule I, II, and III banks, as well as asset-backed securities and eligible commercial paper. Investments for the Endowment Fund also include Canadian equities and corporate bonds as authorized by Provincial Regulation 438/97 and the Investment Policy approved by City Council. Investments with original maturity dates of more than 90 days are classified as investments on the consolidated statement of financial position.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the year during which the related expenses are incurred provided eligibility criteria and stipulations have been met.

Employee benefit plans

The City has adopted the following policies with respect to employee benefit plans:

[a] The costs of post-employment benefits are recognized as a liability when the event that obligates the City occurs. The costs are actuarially determined using projected future income payments, health care continuation costs, and fees paid to independent administrators of these plans, calculated on a present value basis.

[b] The costs of post-retirement benefits are recognized as a liability when the event that obligates the City occurs. The costs are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs, and plan investment performance.

[c] Past service costs for plan amendments related to prior-period employee services are accounted for in the period of the plan amendment. The effects of gain or loss from settlements or curtailments are expensed in the period during which they occur. Net actuarial gains and losses related to employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefits are discounted using current interest rates on City-issued long-term bonds.

[d] The costs of workplace safety and insurance obligations are recognized as a liability when the event that obligates the City occurs. The costs are actuarially determined and expensed in the period they occur.

[e] The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs; costs include projected future income payments, health care continuation costs, and fees paid to independent administrators of these plans, calculated on a present value basis.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Pension agreements

The City has adopted the following policies with respect to pension agreements:

[a] The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due.

[b] The actuarial valuation is determined using the projected unit credit method prorated on credited service. It is also based on management's best estimates and assumptions that include assumptions for employee retirement ages, salary escalation, and plan investment performance, which are used for discounting benefits. Plan assets are valued using a market-related value, determined over a three-year period.

Legal claims and contingencies

Estimated costs to settle legal claims and possible legal claims are determined based on available information. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an expense on the consolidated statement of operations and accumulated surplus and a liability on the consolidated statement of financial position. Where costs are deemed not to be determinable, no liability is reported on the consolidated statement of financial position.

Landfill closure and post-closure liabilities

The estimated costs to close and maintain solid waste landfill sites are based on future expenses for 25 years, adjusted for inflation and discounted to current dollars. These costs are reported as a liability on the consolidated statement of financial position.

Contaminated sites

When all the criteria for recognition are met, the City accrues a liability to estimate the cost to remediate contaminated sites to the level necessary to allow the property to meet the environmental standards appropriate to its current or prior use.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 [dollars in thousands]

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives beyond the current year and are not intended for sale in the ordinary course of operations.

[a] Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of an asset. 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:

Table 12 - Useful life of tangible capital assets

Asset - Useful life - Years	Minimum	Maximum
Buildings and improvements	20	80
Infrastructure linear-roads	50	75
Infrastructure linear-water/wastewater	50	100
Land improvements	50	200
Machinery, plant and equipment	10	50
Vehicles	5	15

Assets under construction are not amortized. All assets start amortization in the month following the in-service date.

[b] Contributions of tangible capital assets

Tangible capital assets received as contributions have been recorded at their fair market value at the date of receipt and are included in revenue in the year of contribution.

[c] Intangible assets

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

[d] Interest capitalization

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

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 *[dollars in thousands]*

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

[e] Leases

Leases are classified as operating or capital leases. Leases that transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases and recorded as a liability. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

[f] Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

Reserves and reserve funds

Reserves and reserve funds comprise funds set aside for specific purposes by Council *[see note 15]*. Reserve funds set aside by legislation, regulation, or agreement are reported as deferred revenue on the consolidated statement of financial position.

3. ACCOUNTS RECEIVABLE

Accounts receivable comprise the following:

Table 13 - Accounts receivable

Accounts receivable	2016	2015
Taxes and user charges	\$155,990	\$155,561
Federal government	211,263	201,362
Provincial government	190,232	204,059
Trade	72,814	65,608
Total accounts receivable	\$630,299	\$626,590

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 [dollars in thousands]

4. INVESTMENTS

Fair market values for City investments are based on pricing sources that gather data on a daily basis from secondary market trading activity. Investments comprise the following:

Table 14 - 2016 investments breakdown

Investments	Cost	2016	
		Fair market value	Carrying value
Federal government bonds	\$179,780	\$182,403	\$179,780
Provincial government bonds	243,183	245,975	243,183
Municipal government bonds	214,850	219,112	214,850
Corporate bonds (Schedule I banks)	402,893	403,506	402,893
Endowment [note 2]	162,632	197,664	162,632
Other	70,038	69,675	70,038
Total	\$1,273,376	\$1,318,335	\$1,273,376

Table 15 - 2015 investments breakdown

Investments	Cost	2015	
		Fair market value	Carrying value
Federal government bonds	\$257,272	\$263,764	\$257,272
Provincial government bonds	211,089	216,301	211,089
Municipal government bonds	198,055	204,927	198,055
Corporate bonds (Schedule I banks)	503,728	504,599	503,728
Endowment [note 2]	170,576	186,080	170,576
Other	46,924	47,708	46,924
Total	\$1,387,644	\$1,423,379	\$1,387,644

Included in the City's municipal government bonds portfolio are City of Ottawa debentures at coupon rates varying from 3.05% to 7.25% [2015 – 3.05% to 8.25%] with a carrying value of \$10,137 [2015 – \$10,790].

The holdings of the Endowment Fund are selected by professional portfolio managers engaged by the City and are subject to the investment policy adopted by City Council as detailed in note 2. The City determines the market value of the Fund to be maintained.

Other includes guaranteed investment certificates, commercial paper, asset-backed securities and units of the One Investment Program equity portfolio operated by a subsidiary of the Municipal Finance Officers' Association of Ontario.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 *[dollars in thousands]*

4. INVESTMENTS [CONTINUED]

The weighted average yield on investments held as at December 31, 2016 is 1.79% [2015 – 1.87%]. Investments mature from January 25, 2017 to December 1, 2048, [2015 – January 5, 2016 to December 1, 2048].

According to the investment policy for the Endowment Fund adopted by City Council, investment earnings are paid to the City at the lesser of 6.5% and the actual earnings of the Endowment Fund, provided that the market value of the Fund is not reduced below the original \$200,000 investment. In 2016, \$18,000 [2015 – \$0] was distributed from the Endowment Fund to the City.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 *[dollars in thousands]*

5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE

Investment [100% owned] in Hydro Ottawa

The following table provides condensed supplementary financial information for Hydro Ottawa under IFRS:

Table 16 - Hydro Ottawa condensed financial information - Assets

Financial position [As at December 31]	2016	2015
Current assets	\$283,446	\$181,376
Capital assets	1,267,838	1,072,731
Other assets	79,294	30,256
Total assets	1,630,578	1,284,363

Table 17 - Hydro Ottawa condensed financial information - Liabilities

Liabilities	2016	2015
Current liabilities	267,504	159,976
Other liabilities	936,279	710,990
Total liabilities	1,203,783	870,966
Net assets	\$426,795	\$413,397

Table 18 - Hydro Ottawa condensed financial information – Net assets

Net assets consisting of investment in Hydro Ottawa	2016	2015
Common shares [100%]	\$228,453	\$228,453
Retained earnings	193,705	178,269
Accumulated other comprehensive income	4,637	6,675
Net assets	\$426,795	\$413,397

Table 19 - Hydro Ottawa condensed financial information – Results of operations

Results of operations [For the year ended December 31]	2016	2015
Total revenue	\$1,205,735	\$1,099,267
Total expenses	1,170,899	1,066,897
Net income	\$34,836	\$32,370

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 *[dollars in thousands]*

5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE [CONTINUED]

The City, as holder of common shares in Hydro Ottawa, is entitled to receive dividends related to 2016 operations as declared by Hydro Ottawa's Board. Dividends in the amount of \$19,400 [2015 – \$18,200] were received in 2016 related to 2015 operations. During the year, the City purchased electricity from Hydro Ottawa at prices and terms approved by the Ontario Energy Board. In addition, the following transactions took place during the year:

Table 20 - Transactions with Hydro Ottawa

Services purchased from Hydro Ottawa by the City	2016	2015
Energy management consulting	\$8,882	\$3,657
Other services	5,806	2,513
Fees paid to the City by Hydro Ottawa	2016	2015
Property taxes, fuel, permits and other services	\$2,744	\$2,165

As at December 31, 2016, Hydro Ottawa's accounts receivable include \$9,203 [2015 – \$5,595] due in respect of the transactions above, while Hydro Ottawa's accounts payable and accrued liabilities include \$136 [2015 – \$131] due to the City and its subsidiaries.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

Table 21 - Accounts payable and accrued liabilities

Accounts payable and accrued liabilities	2016	2015
Trade payables and accruals	\$1,010,880	\$891,659
Payroll accruals and deductions	137,564	109,596
Total accounts payable and accrued liabilities	\$1,148,444	\$1,001,255

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 [dollars in thousands]

7. DEFERRED REVENUE

Deferred revenue, set aside for specific purposes by legislation, regulation or agreement, comprises the following:

Table 22 - Deferred revenue

Deferred revenue	2016	2015
Development charges	\$413,204	\$361,308
Other government transfers	33,973	25,553
Other deferred revenue	37,986	28,970
Building code revenue	46,524	51,006
Cash in lieu of parkland	27,485	27,007
Cash in lieu of parking	4,100	4,059
Total deferred revenue	\$563,272	\$497,903

8. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS

Employee future benefits and pension agreements liabilities comprise the following:

Table 23 - Employee future benefits and pension agreements

Employee future benefits and pension agreements	2016	2015
Employee future benefits	\$585,183	\$565,420
City of Ottawa Superannuation Fund	9,969	23,133
OC Transpo Employee's pension plan	0	0
Total	\$595,152	\$588,553

[a] Employee future benefits

Employee future benefit liabilities of the City as at December 31, 2016, with comparative information for 2015, are as follows:

Table 24 - Employee future benefits

Employee future benefits	2016	2015
Post-retirement benefits	\$211,215	\$203,351
Post-employment benefits	242,210	221,510
WSIB	131,758	140,559
Total	\$585,183	\$565,420

The defined benefit plans relating to post-retirement and post-employment provide a variety of benefits to retirees and active and long-term disabled employees, including income, medical, dental, and life insurance; workers' compensation; and sick leave benefits.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 [dollars in thousands]

8. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

The City is a Schedule 2 employer under the *Workplace Safety and Insurance Act* and, as such, assumes full responsibility for financing its workplace safety insurance costs. The accrued obligation represents the present value of future benefits on existing claims.

The continuity for post-retirement, post-employment, and Workplace Safety and Insurance Board ["WSIB"] benefits for 2016 is as follows:

Table 25 - Employee future benefits continuity

Employee future benefits continuity	Post-retirement	Post-employment	WSIB	Total
Balance, at the beginning of the year	\$203,351	\$221,510	\$140,559	\$565,420
Current service costs/cost of new claims	9,348	42,319	5,070	56,737
Interest cost	5,649	6,831	3,870	16,350
Amortization of actuarial loss	(84)	2,136	0	2,052
Benefits paid	(7,049)	(30,586)	(17,741)	(55,376)
Balance, at the end of the year	\$211,215	\$242,210	\$131,758	\$585,183

Expenses for post-retirement and post-employment benefits in the amount of \$66,199 [2015 – \$62,216] are recorded on the consolidated statement of operations and accumulated surplus.

The liability for post-retirement and post-employment benefits is calculated based on an estimate of future outlays required under contractual agreements with various City employee bargaining units. These estimates are based on a number of assumptions regarding the expected costs of benefits, which are dependent on the demographic makeup of the various groups, future interest rates, and inflation rates. The liability for WSIB is calculated based on an estimate of future claims to be insured. This is based on a number of assumptions including future interest rates, inflation rates, and the history of claims with City employees. The City engages the services of an actuarial consulting firm to provide a determination of the City's obligation for post-retirement and post-employment benefits, as well as for WSIB benefits.

Due to the complexities in valuing the plans, actuarial valuations are conducted on a periodic basis. The liabilities for post-retirement and post-employment benefits reported in these consolidated financial statements are based on a valuation as of September 30, 2016 with an extrapolation to December 31, 2016. The liability for WSIB benefits reported in these consolidated financial statements is based on a valuation as of December 31, 2015 with an extrapolation to December 31, 2016.

Gains or losses are generated each year due to changes in assumptions and corrections or clarifications to the plan design previously provided by the City. These gains or losses are amortized over the expected average remaining service life of the related employee groups

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8. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

beginning in the year following the gain or loss. Amortization of the 2016 actuarial loss of \$7,171 [2015 – gain \$8,807] for post-retirement and post-employment benefits will

commence in fiscal 2017. Amortization of the 2016 actuarial loss of \$323 [2015 – nil] for WSIB will commence in fiscal 2017.

The significant actuarial assumptions adopted in measuring the City’s accrued benefit obligations and benefit cost for post-retirement, post-employment benefits and WSIB are as follows:

Table 26 - Actuarial assumptions

Actuarial assumptions	2016	2015
Discount rate	3.00%	2.8%
Inflation rate	2.00%	2.00%
Salary increase rate	1.75% to 2.50 in 2017 1.95% to 2.50 in 2018 2.00 to 2.50% there after	2.00% to 2.50% in 2016 and thereafter
Health care inflation rate	5.18% grading down to 4.50% in 2029	5.40% grading down to 4.50% in 2029

An employee benefits reserve fund has been established to help reduce the future impact of employee future benefit obligations. As at December 31, 2016, the balance in the employee benefits reserve fund was \$64,599 [2015 – \$69,307] [see note 15].

[b] Pension agreements

[i] Ontario Municipal Employees’ Retirement Fund

The City makes contributions to the Ontario Municipal Employees Retirement System [“OMERS”], which is a multi-employer pension plan, on behalf of most of its employees.

The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. The City’s contribution to the OMERS plan for 2016 totalled \$116,766 [2015 – \$117,732] for current services and is included as an expense on the consolidated statement of operations and accumulated surplus. These contributions were matched with identical employee contributions for both years.

As OMERS is a multi-employer pension plan, the City does not recognize in its consolidated financial statements any share of the pension plan deficit of \$2,341,000 [2015 – \$5,259,000] as this is a joint responsibility of all Ontario municipalities and their employees.

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8. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

The amount contributed for past service to OMERS for the year ended December 31, 2016 totalled \$535 [2015 – \$673] and is included as an expense on the consolidated statement of operations and accumulated surplus.

[ii] City of Ottawa Superannuation Fund

The City sponsors the City of Ottawa Superannuation Fund ["COSF"], a defined benefit plan that provides retirement benefits to employees based on length of service and rates of pay. With the introduction of OMERS, the COSF became a closed group in 1965. As at December 31, 2016, there were no active members and 599 pension recipients. As at December 31, 2015, there were no active members and 634 pension recipients. Pension payments during 2016 amounted to \$17,329 [2015 – \$21,290]. No employee or matching employer contributions to this pension plan for current service were required in 2016 or 2015. Employer contributions for past service amounted to \$3,258 in 2016 [2015 – \$3,258].

The reported accrued benefit liability is as follows:

Table 27 - City of Ottawa Superannuation Fund pension accrued benefit liability

City of Ottawa Superannuation Fund	2016	2015
Pension fund assets - end of the year	\$182,624	\$181,812
Accrued benefit obligation - end of the year	186,765	194,513
Plan deficiency	4,141	12,701
Unamortized actuarial gains	5,828	10,432
Liability at end of year	9,969	23,133
Accrued benefit liability	\$9,969	\$23,133

Table 28 - Superannuation fund pension-related expenses

Expenses	2016	2015
Pension gain, including change in valuation allowance	\$(10,431)	\$(14,151)
Pension interest expense	526	1,123
Total pension-related expenses	\$(9,905)	\$(13,028)

There is no remaining service life in this plan.

The actuarial valuation performed for accounting purposes was based on a number of assumptions that are based on management's best estimates and are in accordance with accepted actuarial practice. Inflation rate was estimated at 2.00% [2015 – 2.00%] and the discount rate for the plan was estimated at 4.60% [2015 – 4.75%]

The accrued benefit obligations and benefit cost levels will change in the future as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of true experience gains or losses.

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8. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

Emerging experience, differing from the assumptions, will result in gains or losses that will be included in future accounting valuations.

The reported pension liability of the above plan has been reflected on the consolidated statement of financial position.

The last filed actuarial valuation for funding purposes dated December 31, 2013 quantified a solvency deficit of \$19,000 [December 31, 2010 – \$32,352] on a going concern basis. The going concern deficit is being amortized over 4 years with annual contribution of \$3,258 to the plan by the City.

The market value of the assets of the plan as at December 31, 2016 amounted to \$186,817 [2015 – \$182,906].

[iii] Ottawa-Carleton Regional Transit Commission Employees' Pension Plan

The City sponsors the Ottawa-Carleton Regional Transit Commission ["OC Transpo"] Employees' Pension Plan, a defined benefit plan that provides retirement benefits to employees based on length of service and rates of pay. Effective January 1, 1999, OC Transpo adopted the OMERS pension plan for all employees and new hires to accrue future benefits. Members retiring with both pre-1999 and post-1998 service will receive pension incomes under both plans. Net pension payments during 2016 amounted to \$31,486 [2015 – \$28,549]. No employee or matching employer contributions to this pension plan for current service were required in 2016 or 2015. Employer contributions for past service during 2016 amounted to \$3,048 [2015 – \$1,560].

The pension fund assets disclosed are based on a valuation method whereby the capital gains and losses on the assets are partially recognized in the year in which they are incurred and the remainder are recognized in the following year. The reported pension asset is as follows:

Table 29 - OC Transpo Employees' pension asset

OC Transpo Employees' Pension Plan	2016	2015
Pension fund assets – end of the year	\$631,258	\$612,315
Accrued benefit obligation – end of the year	577,638	576,257
Plan surplus	53,620	36,058
Unamortized actuarial gains	(32,727)	(26,789)
Accrued benefit asset	20,893	9,269
Valuation allowance	(20,893)	(9,269)
Reported pension asset	\$0	\$0

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. EMPLOYEE FUTURE BENEFITS AND PENSION AGREEMENTS [CONTINUED]

Table 30 - OC Transpo Employees' pension-related expenses

Expenses	2016	2015
Pension expense, including change in valuation allowance	\$(6,697)	\$(1,005)
Pension interest expense	(1,879)	(596)
Change in valuation allowance	11,625	3,160
Total pension-related expenses	\$3,049	\$1,559

The expected average remaining service life of this plan is four years.

The market value of the assets of the plan as at December 31, 2016 amounted to \$634,997 [2015 – \$623,332].

The actuarial valuation performed for accounting purposes was based on a number of assumptions that are based on management's best estimates and are in accordance with accepted actuarial practice. The inflation rate was estimated at 2.00% [2015 – 2.00%], the discount rate for the plan was estimated at 4.80% [2015 – 5.00%], and long-term salary forecasts for actuarial purposes were estimated at 3.25% [2015 – 3.25%].

The accrued benefit obligations and benefits cost levels will change in the future as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of true experience gains or losses.

Emerging experience, differing from the assumptions, will result in gains or losses that will be included in future accounting valuations.

The last filed actuarial valuation for funding purposes dated January 1, 2016 quantified a solvency deficit of \$45,735 [2015 – \$70,217]. The solvency deficit is being amortized over five years starting in 2016. In 2016, the City contributed an amount of \$3,048 [2015 – \$1,560] to the plan and increased the amount secured by a letter of credit by \$9,100 [2015 – \$12,924] in lieu of additional contributions, bringing the total amount outstanding under the letter of credit to \$73,733 [2015 – \$64,633]. On December 28, 2016, the City contributed an additional \$3,000 to the OC Transpo pension, which will further reduce the letter of credit in 2017. Many of the estimates and assumptions used in 2016 may change significantly with the next detailed actuarial valuation.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES

The *Ontario Environmental Protection Act* sets out the regulatory requirements for the closure and maintenance of landfill sites. Under this Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are included in operating expenses over the estimated remaining life of the landfill sites based on usage. The liability for closure and post-closure active and inactive sites is reported on the consolidated statement of financial position.

Table 31 - Landfill closure and post closure liabilities

Landfill closure and post-closure liabilities	2016	2015
Active sites	\$11,598	\$10,379
Inactive sites	13,078	10,449
Total	\$24,676	\$20,828

Active sites

The City has two active landfill sites, Trail Road Landfill and Springhill. The City has responsibilities for all costs relating to closure and post-closure care for these active landfill sites. As at December 31, 2016, the remaining capacity of the Trail Road site is approximately 5,826,365 [2015 – 5,885,250] cubic metres, all of which is expected to be used by the year 2043 [2015 – 2043]. The remaining capacity at the Springhill site is approximately 315,821 [2015 – 347,634] cubic metres, which is expected to be used by the year 2019 [2015 – 2019].

Closure of the Trail Road Landfill and Springhill sites will involve covering the sites, implementing drainage control, and installing groundwater monitoring wells and gas recovery facilities. Post-closure care activities for these sites are expected to occur for approximately 25 years.

The estimated liability for the landfill sites is based on future expenses, adjusted for inflation based on the Consumer Price Index 10-year average rate of 1.64% [2015 – 1.70%] and discounted to current dollars using the City's average long-term borrowing rate of 3.30% [2015 – 3.58%]. This estimate amounts to \$11,598 as at December 31, 2016 [2015 – \$10,379]. In order to help reduce the future impact of these obligations, the City has established reserve funds for the care of these sites. As at December 31, 2016, the balance in these reserve funds was \$4,319 [2015 – \$3,878] and is included within transportation and environmental services reserve funds [see note 15].

Estimated total undiscounted expenses over the 25-year post-closure period amount to approximately \$30,214.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES [CONTINUED]

Inactive sites

The City has identified 44 inactive or closed landfill sites. Of the total, 15 sites require ongoing monitoring over the next 25 years. Post-closure care activities for landfill sites will involve surface and groundwater monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

The estimated liability for the inactive or closed landfill sites is based on future expenses, adjusted for inflation based on the Consumer Price Index 10-year average rate of 1.64% [2015 – 1.70%] and discounted to current dollars using the City's average long-term borrowing rate of 3.30% [2015 – 3.58%]. The estimated present value of future expenditures for post-closure care for inactive sites as at December 31, 2016 is \$13,078 [2015 – \$10,449].

10. CONTAMINATED SITES

Contaminated sites are a result of a contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environment standard. The liability relates to sites that are not in productive use and for which the City is responsible or has accepted responsibility for remediation, future economic benefit will be given up and costs can be reasonably estimated.

Liabilities are recorded for the estimated costs related to the management and remediation of contaminated sites where the City is likely to be obligated to incur costs. The liability estimate includes costs that are directly attributable to remediation activities and reflects the costs required to bring the site up to the current environmental standard for its use prior to contamination. The assumptions used in estimating the liability include a unique assessment of the depth of soil to be removed and disposed for each property as well as excavation, trucking and backfilling soft costs.

The City recognized an estimated liability of \$9,374 [2015 – \$6,801] for remediation of 44 [2015 – 44] contaminated land sites based on the estimated costs of removal and replacement of contaminated soil.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. NET LONG-TERM DEBT

[a] Net long-term debt reported on the consolidated statement of financial position comprises the following:

Table 32 - Net long-term debt

Net long-term debt	2016	2015
Installment and sinking fund debenture issued at various rates of interest ranging from 0.95% to 6.20%, and maturing from April 19, 2017 to July 30, 2053	\$1,740,319	\$1,647,945
Bank loan agreements and interest rate exchange agreements	74,873	63,399
Total value of sinking fund deposits, which have accumulated to the end of the year to retire sinking fund debentures included in the above amount	(104,761)	(89,448)
Total	\$1,710,431	\$1,621,896

[b] Principal payments including contributions to the sinking fund in future years are as follows:

Table 33 - Principal payments on net long-term debt

Principal payments	
2017	\$105,548
2018	108,175
2019	110,214
2020	98,062
2021	95,774
2022 and thereafter	857,673
Total	\$1,375,446

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. NET LONG-TERM DEBT [CONTINUED]

Principal payments will be funded from tax and rate-supported operations. It is estimated that interest to be earned by the sinking fund will amount to approximately \$334,985, which together with the amount of \$1,375,446 shown above will be used to retire the outstanding total debt of \$1,710,431.

The City has entered into interest rate swap agreements to manage the volatility of interest rates. The City converted notional floating rate debt totalling \$74,873 [2015 – \$63,399] to fixed rate debt with interest rates ranging from 1.705% to 5.92%. The related derivative agreements are in place until the maturity of the debts in 2021, 2022, 2025 and 2031.

These interest rate swaps qualify, and have been designated by the City, as cash flow hedging items against the floating rate long-term debt. The City has assessed the hedging relationship as effective. If the interest rate swaps were cancelled as at December 31, 2016, the City would be required to pay the market value of \$1,984 [2015 – \$2,865]. The City has entered into bank swap agreements to improve budget certainty for commodity costs. As at December 31, 2016, the City had set bank swaps in place to hedge 50,250,000 litres [2015 – 44,250,000 litres] of diesel fuel for the 2017 and 2018 calendar years with expiry dates ranging from January 2017 to December 2018 [2015 – January 2016 to December 2017]. The City has assessed the relationship as effective. If the commodity swaps were cancelled as at December 31, 2016, the City would receive from the swap counterparty market value of \$2,627 [2015 – \$8,672].

12. MORTGAGES PAYABLE

Table 34 - Mortgages payable

Mortgages payable	2016	2015
Mortgages payable on housing properties at various rates ranging from 2.70% to 8.0% guaranteed by the Canada Mortgage and Housing Corporation with maturity dates ranging from January 1, 2017 to February 1, 2029 and debentures payable to Infrastructure Ontario maturing from 2036 to 2046 with interest rates ranging from 3.27% to 4.71%	\$233,911	\$212,165
Forgivable loans related to Canada Ontario Affordable Housing Program and Residential Rehabilitation Assistance Program	3,319	3,398
Total	\$237,230	\$215,563

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 *[dollars in thousands]*

12. MORTGAGES PAYABLE [CONTINUED]

[a] Public housing debentures issued by Canada Mortgage and Housing Corporation in the amount of \$29,683 [2015 – \$36,747] related to OCHC have not been included in these consolidated financial statements as they are the responsibility of the Province.

Mortgages and forgivable loans on housing properties are governed by operating agreements with the Province and/or Canada Mortgage and Housing Corporation and involve no direct or indirect obligation to the City.

With respect to the debenture payable to Infrastructure Ontario of \$153,967 [2015 – \$107,945], per OCHC’s direction, the City has transferred directly to Infrastructure Ontario amounts equivalent to the annual principal and interest payments owing on the debentures of \$7,084 [2015 – \$5,530]. These payments form part of the annual subsidy provided by the City to OCHC, which is calculated based on OCHC’s annual information return.

Mortgages for eight OCHC properties were refinanced in 2016 after detailed appraisals were conducted. The revised appraisals allowed OCHC to borrow additional funds while maintaining the same annual payments on the debt for the refinanced properties, providing \$31,500 of funding to be utilized for future capital repairs.

[b] Principal repayments in future years are as follows:

Table 35 - Principal repayments on mortgages payable

Principal repayments	
2017	\$10,710
2018	10,793
2019	10,810
2020	11,018
2021	10,562
2022 and thereafter	183,337
Total	\$237,230

The principal payments in 2016 totaled \$10,801 [2015 – \$10,952].

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. CAPITAL LEASE OBLIGATIONS

The City leases the following facilities and equipment as detailed below:

Table 36 - Capital lease obligations

Capital lease obligations	Office building	Paramedic services building	Shenkman Arts Centre
Lease term	24 years	30 years	30 years
Interest rate	6.00%	5.79%	4.99%
Purchase option	\$10,000	nil	nil

Future minimum payments for the above capital leases are as follows:

Table 37 - Future minimum payments on capital leases

Future payments	Office building		Paramedic services building		Shenkman Arts Centre		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$3,560	\$2,739	\$586	\$1,005	\$629	\$1,747	\$4,775	\$5,491
2018	3,773	2,526	619	971	686	1,715	5,078	5,212
2019	4,000	2,300	654	936	753	1,679	5,407	4,915
2020	4,240	2,060	690	898	846	1,640	5,776	4,598
2021	4,495	1,805	729	858	971	1,595	6,195	4,258
Thereafter	31,892	4,357	15,667	6,328	31,479	15,211	79,038	25,896
Total	\$51,960	\$15,787	\$18,945	\$10,996	\$35,364	\$23,587	\$106,269	\$50,370

THE CITY OF OTTAWA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14. TANGIBLE CAPITAL ASSETS FOR 2016 WITH COMPARATIVES FOR 2015

Table 38 - Tangible capital assets - cost

Cost	Buildings and improvements	Infrastructure		Land	Land improvements
		Linear roads	Linear water/wastewater		
Balance, beginning of year	\$2,151,138	\$3,488,636	\$5,369,112	\$2,712,099	\$618,707
Additions	6,684	153,999	189,161	53,745	36,744
Disposals	-	(17,968)	(6,505)	(582)	(193)
Balance, end of year	2,157,822	3,624,667	5,551,768	2,765,262	655,258

Table 39 - Tangible capital assets - accumulated amortization

Accumulated amortization	Buildings and improvements	Infrastructure		Land	Land improvements
		Linear roads	Linear water/wastewater		
Balance, beginning of year	805,886	1,363,421	1,312,488	0	217,320
Disposals	-	(13,407)	(3,331)	0	(121)
Amortization expense	48,073	77,675	65,699	0	16,991
Balance, end of year	853,959	1,427,689	1,374,856	0	234,190
Net book value, end of year	\$1,303,863	\$2,196,978	\$4,176,912	\$2,765,262	\$421,068

THE CITY OF OTTAWA
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14. TANGIBLE CAPITAL ASSETS FOR 2016 WITH COMPARATIVES FOR 2015
 [CONTINUED]

Table 40 - Tangible capital assets - cost (continued)

Cost	Machinery, plant and equipment	Vehicles	Assets under construction	Total 2016	Total 2015
Balance, beginning of year	\$1,409,470	\$966,083	\$1,638,162	\$18,353,407	\$17,497,952
Additions	31,077	71,518	550,179	1,093,107	929,418
Disposals	(4,750)	(23,729)	(9,835)	(63,562)	(73,963)
Balance, end of year	1,435,797	1,013,872	2,178,506	19,382,952	18,353,407

Table 41 - Tangible capital assets - accumulated amortization (continued)

Accumulated amortization	Machinery, plant and equipment	Vehicles	Assets under construction	Total 2016	Total 2015
Balance, beginning of year	507,990	404,812	0	4,611,917	4,311,453
Disposals	(3,751)	(22,197)	0	(42,807)	(31,836)
Amortization expense	39,696	70,817	0	318,951	332,300
Balance, end of year	543,935	453,432	0	4,888,061	4,611,917
Net book value, end of year	\$891,862	\$560,440	\$2,178,506	\$14,494,891	\$13,741,490

Assets under construction

During 2016, the City acquired \$1,093,107 [2015 – \$929,418] of assets under construction. As assets were placed into service, transfers in the amount of \$542,928 [2015 – \$676,689] were made from assets under construction to the respective asset classes to arrive at a net balance of \$550,179 [2015 – \$252,729] disclosed above.

Works of art and historical treasures

Ottawa City Council approved a Public Art Program [“PAP”] in 1985 to maintain and circulate the City’s corporate art collection. The City’s PAP collection includes over 1,700 works of art. The City also owns the Firestone Art Collection, consisting of 1,605 historical Canadian works of art produced from 1900 to 1980, which is housed and managed by the Ottawa Art Gallery. Works of art are not recorded in the City’s consolidated financial statements.

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14. TANGIBLE CAPITAL ASSETS FOR 2016 WITH COMPARATIVES FOR 2015
[CONTINUED]

Contributed tangible capital assets

The value of contributed tangible capital assets received during 2016 amounts to \$182,296 [2015 – \$184,121] and is included in additions disclosed above.

15. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus, reserves and reserve funds, and equity in government business enterprise.

Table 42 - Accumulated surplus

Surplus	2016	2015
Invested in tangible capital assets	\$12,415,787	\$11,769,708
Capital Fund – Unexpended Capital Financing	87,185	166,641
Employee future benefits and pension agreements	(595,152)	(588,553)
Landfill closure and post-closure liabilities	(24,676)	(20,828)
Contaminated sites	(9,374)	(6,801)
Other	(88,174)	(67,138)
Total surplus	11,785,596	11,253,029
Reserves set aside by Council	6,523	7,371

Table 43 - Accumulated surplus (continued)

Reserve funds set aside for specific purposes by Council	2016	2015
Endowment	165,309	168,228
Transportation and environmental services	160,574	227,672
Social housing and child care	66,955	51,983
Equipment replacement	35,366	21,723
Insurance	1,530	1,841
Employment benefits	64,599	69,307
Other	11,277	8,525
Total reserve funds	505,610	549,279
Equity in government business enterprise [note 5]	426,795	413,397
Accumulated surplus	\$12,724,524	\$12,223,076

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16. CONTINGENCIES AND COMMITMENTS

[a] In the course of its business, the City becomes involved in various claims and legal proceedings. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. A provision for these claims has been recorded in the consolidated financial statements based on management's best estimate of the likely outcome. Should claims be settled for amounts other than established accruals, which could be material to the financial results in the year of settlement, the outstanding amounts will be offset against operations as incurred.

[b] The City has the following contractual obligations for capital works over the next five years:

Table 44 - Contractual obligations for capital works

Contractual obligations for capital works	
2017	\$370,149
2018	606,051
2019	4,348
2020	3,936
2021	30

[c] The City is committed to the following payments over the next five years under operating lease agreements for building and equipment:

Table 45 - Building and equipment lease payments

Building and equipment lease payments	
2017	\$18,337
2018	12,399
2019	8,124
2020	6,612
2021	5,288

[d] In February 2013, the City entered into an agreement for the construction, service and maintenance of a light rail transit system, as well as for the widening of Highway 417. The contractor must design, construct, supply, test, commission, maintain and finance the Ottawa Light Rail Transit system and must widen certain portions of Highway 417.

The City is committed to making payments of \$554,010 including applicable taxes, through a series of milestone payments and a revenue service availability payment for the light rail transit system and highway works during the projected 2017 to 2018 construction period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. CONTINGENCIES AND COMMITMENTS [CONTINUED]

The City has committed to making a series of monthly service payments during the 30-year maintenance and service term. Payments include \$48,141 in the first full year of operation in base date [2013] dollars for capital construction costs deferred beyond the construction period, as well as for maintenance costs associated with the light rail system and vehicles. Annual payments will be adjusted as service levels change, and a portion will be adjusted for inflation, in accordance with the project agreement. The City has also committed to a series of payments for lifecycle costs, and for maintenance costs that will vary with service kilometres.

[e] As at December 31, 2016, Hydro Ottawa has total open commitments amounting to \$158,398 for 2017 to 2023. The commitments relate to a customer information system service agreement, construction projects, spare parts and standby equipment and overhead and underground services.

[f] The City has commitments for the purchase of ice rental time in the amounts of \$2,301, \$9,267 and \$19,058 in accordance with three public private partnership agreements. These commitments are set to expire in 2027, 2034 and 2043, respectively.

[g] The City has entered into natural gas forward contracts to reduce price fluctuations of natural gas prices used in heating costs of the City. The City is committed to the following natural gas forward contracts over the next year:

Table 46 - Natural gas forward contracts

Natural gas forward contracts	
2017	\$752

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 [dollars in thousands]

16. CONTINGENCIES AND COMMITMENTS [CONTINUED]

[h] The City has entered into guarantees of loans amounting to \$127,720 arranged to provide financing for the development of ice rinks, the construction of a paramedic headquarters facility, the development of an arts centre and Lansdowne roof replacement under public private partnerships. The City's guarantees for ice rinks, the paramedic facility and Lansdowne roof replacement also cover the borrowers' obligations under interest rate derivative agreements to manage the volatility of interest rates. The total amount outstanding under guarantees as of December 31, 2016 is \$120,567. The City has converted floating rate debt in the amount of \$98,830 for fixed rate debt ranging from 2.849% to 6.49% on four guarantees. The related derivative agreements are in place until the maturity of the debts in 2044. The City's guarantee of the loan in connection with the arts centre facility does not involve interest rate derivative agreements since the loans are on a fixed interest rate basis.

[i] On June 28, 2010, City Council authorized a payment covenant guarantee that may require the City to make annual payments of up to \$1,463 in respect of a loan in the amount of \$20,700 for the construction and operation of a trade and exhibition centre. The covenant agreement was signed by the City on April 15, 2011, and expires on April 15, 2041. No payments have been made on this guarantee in 2016 [2015 – nil].

17. TAXES AVAILABLE FOR MUNICIPAL PURPOSES

Table 47 - Taxes available for municipal purposes

Taxes available for municipal purposes	2016	2015
Property taxes	\$1,945,145	\$1,916,255
Payment in lieu of taxes	193,805	192,258
Local improvements and other charges	6,959	6,731
Less education taxes	(492,368)	(488,700)
Total taxes available for municipal purposes	\$1,653,541	\$1,626,544

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 *[dollars in thousands]*

18. EXPENSES BY OBJECT

The consolidated statement of operations and accumulated surplus represents the expenses by function; the following classifies those same expenses by object:

Table 48 - Expenses by object

Expenses by object	2016	2015
Salaries, wages and employee benefits	\$1,604,026	\$1,556,283
Contracted and general services	247,723	264,684
Materials, equipment and supplies	564,977	551,598
Interest charges	89,459	86,384
Rent and financial expenses	69,497	54,597
External transfers	401,243	388,355
Amortization	318,951	332,300
Loss on disposal	18,431	40,313
Total expenses	\$3,314,307	\$3,274,514

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 [dollars in thousands]

19. SEGMENTED INFORMATION
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2016

Table 49 - Consolidated schedule of segment disclosure

REVENUE	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Government transfers - provincial	58	8,856	4,744	148,044	15,386	94,516
Government transfers - federal	0	6,784	(9)	205,522	7,356	266
Fees and user charges	14,107	64,885	25,789	178,966	360,266	2,555
Contributed tangible capital assets	0	0	33,327	3,681	121,213	0
Development charges	0	2,224	46,614	38,266	20,115	0
Fines and penalties	2,066	12,586	0	0	0	0
Other	0	613	2,525	1,892	1,164	0
Total revenue	16,231	95,948	112,990	576,371	525,500	97,337
EXPENSES	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Salaries and benefits	68,822	488,283	134,339	304,040	79,723	136,224
Contracts and general services	5,702	18,017	68,669	25,575	85,110	6,353
Materials, equipment and supplies	20,192	48,615	97,312	134,231	59,312	17,982
Interest charges	1,470	2,144	21,828	12,249	20,750	1,380
Rent and financial expenses	14,287	4,618	5,748	15,836	6,380	3,016
External transfers	(19,462)	1,950	(20,073)	7,787	26,641	(7,519)
Amortization	1,003	13,810	98,604	64,137	93,961	4,600
Loss on disposal	3	872	7,077	(86)	9,886	128
Total expenses	92,017	578,309	413,504	563,769	381,763	162,164
ANNUAL SURPLUS (DEFICIT)	\$(75,786)	\$(482,361)	\$(300,514)	\$12,602	\$143,737	\$(64,827)

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 [dollars in thousands]

Table 50 - Consolidated schedule of segment disclosure (continued)

	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Non Departmental	Total
REVENUE						
Taxes	\$0	\$0	\$0	\$0	\$1,653,541	\$1,653,541
Government transfers - provincial	323,988	52,948	6,264	(2,097)	6,956	659,663
Government transfers - federal	0	27,583	352	(460)	0	247,394
Fees and user charges	24,455	65,587	61,077	14,788	2,819	815,294
Contributed tangible capital assets	0	0	20,962	3,113	0	182,296
Development charges	0	79	10,914	1,410	2,229	121,851
Fines and penalties	0	0	970	0	15,996	31,618
Other	0	13,504	10,590	3,793	72,055	106,136
Total revenue	348,443	159,701	111,129	20,547	1,753,596	3,817,793
EXPENSES						
Salaries and benefits	127,998	41,820	184,867	37,910	0	1,604,026
Contracts and general services	5,319	1,464	23,799	7,715	0	247,723
Materials, equipment and supplies	16,822	95,248	66,806	8,457	0	564,977
Interest charges	1,538	12,380	12,849	2,871	0	89,459
Rent and financial expenses	(722)	5,937	1,323	13,074	0	69,497
External transfers	310,701	98,249	4,038	(1,069)	0	401,243
Amortization	1,927	18,192	22,329	388	0	318,951
Loss on disposal	21	1	337	192	0	18,431
Total expenses	463,604	273,291	316,348	69,538	0	3,314,307
ANNUAL SURPLUS (DEFICIT)	\$(115,161)	\$(113,590)	\$(205,219)	\$(48,991)	\$1,753,596	\$503,486

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 [dollars in thousands]

19. SEGMENTED INFORMATION [CONTINUED]
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2015

Table 51 - 2015 Consolidated schedule of segment disclosure

REVENUE	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Government transfers - provincial	40	8,348	271	178,708	6,154	92,246
Government transfers - federal	0	2,616	781	187,151	26	8
Fees and user charges	15,172	64,390	28,071	180,791	329,109	2,441
Contributed tangible capital assets	0	0	21,891	3,712	148,178	0
Development charges	0	1,526	67,670	30,998	17,955	0
Fines and penalties	0	11,194	0	0	0	0
Other	0	236	793	280	(4)	0
Total revenue	15,212	88,310	119,477	581,640	501,418	94,695
EXPENSES	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Salaries and benefits	72,244	454,285	136,510	286,098	84,030	136,770
Contracts and general services	7,286	18,271	64,905	33,295	87,376	7,796
Materials, equipment and supplies	20,458	56,541	89,691	122,337	53,940	16,430
Interest charges	1,621	2,254	22,581	12,912	18,384	1,417
Rent and financial expenses	14,980	4,318	4,457	16,171	4,759	2,742
External transfers	(22,132)	3,428	(17,227)	12,322	26,864	(6,790)
Amortization	1,106	13,520	118,007	59,542	92,719	4,627
Loss on disposal	118	4,899	8,054	13,655	10,231	268
Total expenses	95,681	557,516	426,978	556,332	378,303	163,260
ANNUAL SURPLUS (DEFICIT)	\$(80,469)	\$(469,206)	\$(307,501)	\$25,308	\$123,115	\$(68,565)

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 [dollars in thousands]

Table 52 - 2015 Consolidated schedule of segment disclosure (continued)

	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Non Departmental	Total
REVENUE						
Taxes	\$0	\$0	\$0	\$0	\$1,626,544	\$1,626,544
Government transfers - provincial	300,257	43,101	3,371	5,104	1,478	639,078
Government transfers - federal	0	26,143	182	2,662	0	219,569
Fees and user charges	23,198	65,197	59,278	13,330	2,305	783,282
Contributed tangible capital assets	0	0	6,167	4,173	0	184,121
Development charges	1	127	10,105	2,069	7,292	137,743
Fines and penalties	0	0	984	0	15,238	27,416
Other	0	8,138	7,237	7,800	59,475	83,955
Total revenue	323,456	142,706	87,324	35,138	1,712,332	3,701,708
EXPENSES						
Salaries and benefits	133,207	41,306	173,181	38,652	0	1,556,283
Contracts and general services	5,048	1,117	35,035	4,555	0	264,684
Materials, equipment and supplies	16,718	104,063	62,816	8,604	0	551,598
Interest charges	1,591	9,904	12,807	2,913	0	86,384
Rent and financial expenses	3,643	(5,303)	1,665	7,165	0	54,597
External transfers	279,418	89,408	24,729	(1,665)	0	388,355
Amortization	1,824	17,715	22,819	421	0	332,300
Loss on disposal	182	1,036	776	1,094	0	40,313
Total expenses	441,631	259,246	333,828	61,739	0	3,274,514
ANNUAL SURPLUS (DEFICIT)	\$(118,175)	\$(116,540)	\$(246,504)	\$(26,601)	\$1,712,332	\$427,194

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 *[dollars in thousands]*

19. SEGMENTED INFORMATION [CONTINUED]

The City is responsible for providing a wide range of services to its citizens, including police, fire, ambulance, public transit, and water.

The City reports on functional areas and programs in its consolidated financial statements similar to reporting reflected as part of the Ontario Financial Information Return.

These functional areas represent segments for the City of Ottawa, and expanded disclosure by object has been reflected in the above consolidated schedules of segmented disclosure.

A brief description of each segment follows:

- General government consists of Council, administration, and Ontario Property Assessment.
- Protection consists of police, fire, and other protective services. These groups maintain the safety and security of all citizens by reducing or eliminating loss of life and property, by maintaining law enforcement, and preserving peace and good order.
- Roads, traffic and parking include parking, signs and signals, streetlights and the maintenance of roads and parks of the City.
- Transit services provide local public transportation for citizens. They also include other transportation services such as planning and development.
- Environmental services include water supply and distribution, wastewater treatment, and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.
- Health services include paramedic and health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.
- Social and family services include social assistance, long-term care, and childcare services. Social assistance services determine, issue, and monitor clients' eligibility for financial, social, and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Childcare services provide subsidized childcare spaces and provide funding for wage subsidy, pay equity, and special needs.
- Social housing, with the partnership of 120 community-based agencies, provides a range of services, including housing, emergency shelters, outreach, search, and stabilization to people in the community.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 *[dollars in thousands]*

19. SEGMENTED INFORMATION [CONTINUED]

- Recreation and cultural services include parks and recreation, culture, and libraries. Parks and recreation services develop and deliver high-quality recreational programs, and develop and maintain recreation facilities, parks and sports-fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Culture services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile, virtual, and telephone services.

- Planning and development services manage urban development for residential and business interests, as well as infrastructure and parks.

- Non departmental includes equity in earnings of government business enterprise, investment income, shared lottery earnings, and miscellaneous sundry revenue.

Program support costs for expenses have been allocated to other functions using guidelines and methodologies reflected in the Ontario Financial Information Return.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 2.

20. PUBLIC LIABILITY INSURANCE

The City self-insures for public liability claims up to a specific amount and outside coverage is in place for claims in excess of these limits.

The City has a reserve fund for self-insurance, which as at December 31, 2016 amounted to \$1,530 [2015 – \$1,841]. In 2016, the City contributed an amount of nil [2015 – nil] to this reserve fund from operations.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 [dollars in thousands]

21. BUDGET AMOUNTS

Budget data presented in these consolidated financial statements is based upon the 2016 operating and capital budgets approved by Council. Council-approved budgets are prepared on a modified cash basis, which differs from budget amounts reported on the consolidated statement of operations and accumulated surplus, which are prepared in accordance with Canadian public sector accounting standards. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Actuals have been used to approximate budget amounts for certain reconciling items that were not included in the Council budget.

Table 53 - Budget reconciliation

Budget reconciliation	Revenue	Expenses
Budget as approved by Council		
Operating	\$3,169,180	\$3,169,180
Capital	532,789	532,789
Add		
Consolidated entities	201,420	186,818
Contributed assets	182,296	0
Reserve fund revenue	20,838	0
Hydro Ottawa Holding Inc. equity pickup	15,436	0
Interest earned on sinking fund	3,448	3,448
Timing difference between capital authority and capital spending plan	323,206	808,441
Change in employee future benefits and pension agreements	0	9,970
Change in other obligations to be funded	0	24,327
Amortization	0	318,951
Loss on disposal	0	20,755
	<u>4,448,613</u>	<u>5,074,679</u>
Less		
Reclassifications and eliminations	(68,027)	(66,027)
Acquisition of tangible capital assets	0	(1,093,107)
Budgeted transfer from/to other funds	(378,173)	(502,657)
Budgeted proceeds on debt issue/debt principal payments	(204,185)	(116,721)
	<u>(650,385)</u>	<u>(1,778,512)</u>
Budget for financial statement purposes	\$3,798,228	\$3,296,167

22. COMPARATIVE FIGURES

Certain comparative figures for 2015 have been reclassified to conform with the presentation adopted for the current year.

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 [dollars in thousands]
APPENDIX 1 - CONDENSED SUPPLEMENTARY INFORMATION

OTTAWA PUBLIC LIBRARY BOARD

As at December 31, 2016, with comparative information for 2015 [dollars in thousands]

The Ottawa Public Library Board is consolidated with the City of Ottawa. The following table provides condensed supplementary information for the Ottawa Public Library Board.

Table 54 - Ottawa Public Library Board - Financial position

Financial position	2016	2015
Financial assets	\$27,382	\$22,059
Liabilities	30,318	28,798
Net debt	(2,936)	(6,739)

Table 55 - Ottawa Public Library Board - Non-financial assets

Non-financial assets	2016	2015
Tangible capital assets	44,355	43,181
Prepaid expenses	22	8
Total non-financial assets	44,377	43,189
Accumulated surplus	\$41,441	\$36,450

Consolidated statement of operations and accumulated surplus

For the year ended December 31, 2016, with comparative information for 2015 [dollars in thousands]

Table 56 - Ottawa Public Library Board - Consolidated statement of operations and accumulated surplus - Revenue

Revenue	2016	2015
City of Ottawa	\$49,643	\$45,069
Province of Ontario - Ministry of Tourism, Sport and Culture		
Operating funding	1,210	1,210
Pay equity funding	170	170
Capacity grant funding (Craig's)	0	105
Innovation grant funding (Elizabeth's)	67	126
Development charges	2,243	934
Other	2,803	2,234
Total revenue	56,136	49,848

THE CITY OF OTTAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 *[dollars in thousands]*

Table 57 - Ottawa Public Library Board - Consolidated statement of operations and accumulated surplus - Expenses

Expenses	2016	2015
Operating expenditures	51,145	51,579
Total expenses	51,145	51,579
Annual surplus (deficit)	4,991	(1,731)
Accumulated surplus, beginning of the year	36,450	38,181
Accumulated surplus, end of the year	\$41,441	\$36,450

2016

Financial and statistical schedules – unaudited

Revenues by Source – 5-year review [unaudited] [dollars in thousands]

Revenue by Source	2012	2013	2014	2015	2016
Taxes available for municipal purposes	\$ 1,462,797	\$ 1,511,051	\$1,568,444	\$1,626,544	\$1,653,541
Fees and user charges	2012	2013	2014	2015	2016
General administration	14,707	13,709	14,170	15,172	14,107
Paramedic services	943	817	760	929	1,058
Other protective services	64,409	65,370	65,515	64,030	64,355
Roads, traffic and parking	25,971	26,379	28,900	28,071	25,789
Public transit	176,396	177,584	180,104	180,841	185,803
Water and sewer	251,622	258,878	275,710	288,623	315,410
Waste and recycling services	42,222	39,481	40,992	39,860	44,856
Social housing	64,262	64,889	65,225	65,196	65,587
Parks and recreation	57,070	57,274	56,086	58,137	59,751
Planning and development	16,038	15,994	12,823	12,689	14,788
Long term care	16,048	16,319	16,683	17,104	17,536
Other	7,354	9,702	10,017	12,630	6,254
Total fees and user charges	737,042	746,396	766,985	783,282	815,294
Revenue by Source	2012	2013	2014	2015	2016
Government transfers	611,463	981,490	785,153	858,647	907,057
Contributed tangible capital assets	239,583	195,010	142,112	184,121	182,296
Development charges	114,931	161,931	118,776	137,743	121,851
Investment income	32,432	36,316	47,232	29,575	40,570
Fines and penalties	24,724	24,466	26,771	27,416	31,618
Other revenue	25,930	40,912	55,363	22,010	30,730
Equity in earnings of government business enterprises	31,150	34,008	30,137	32,370	34,836
Revenues	1,080,213	1,474,133	1,205,544	1,291,882	1,348,958
Total Revenues	\$ 3,280,052	\$ 3,731,580	\$3,540,973	\$3,701,708	\$3,817,793

Expenses by Function – 5-year review [unaudited] [dollars in thousands]

Expenses by Function	2012	2013	2014	2015	2016
General government ¹²	\$ 99,345	\$ 100,869	\$ 107,681	\$95,681	\$92,017
Protection to persons and property ²	517,150	522,752	573,943	557,516	578,309
Roads, traffic, and parking ²	312,694	359,029	396,660	426,978	413,504
Transit ²	483,177	500,037	530,456	556,332	563,769
Environmental services ²	333,358	336,589	357,582	378,303	381,763
Health services	155,282	148,229	160,304	163,260	162,164
Social and family services	419,538	406,668	421,195	441,631	463,604
Social housing	221,520	231,455	242,261	259,246	273,291
Recreation and cultural services	294,873	294,167	316,790	333,828	316,348
Planning and development ²	57,512	70,248	78,781	61,739	69,538
Total expenses	\$ 2,894,449	\$ 2,970,043	\$3,185,653	\$3,274,514	\$3,314,307

¹ Program support costs for operating expenses have been allocated to other functions using guidelines and methodologies reflected in the Ontario Financial Information Return.

² Operating costs for 2012-2013 have been restated to reflect allocations consistent with reporting in the Ontario Financial Information Return

Consolidated Reserves & Reserve Funds – 5-year review [unaudited] [dollars in thousands]

Consolidated Reserves & Reserve Funds	2012	2013	2014	2015	2016
Reserves	\$ 9,711	\$ 8,121	\$4,665	\$7,371	\$6,523
Endowment ³	183,361	176,642	164,374	168,228	165,309
Transportation and environmental services ⁴	56,552	157,707	234,079	227,672	160,574
Social housing and child care	57,584	71,802	67,338	51,983	66,955
Debt retirement	28	0	0	0	0
Equipment replacement	15,814	14,999	18,261	21,723	35,366
Insurance ⁵	2,321	4,750	1,707	1,841	1,530
Employment benefits ⁴	47,722	66,246	69,392	69,307	64,599
Other	7,184	7,916	8,788	8,525	11,277
Reserve Funds	370,566	500,062	563,939	549,279	505,610
Total reserves and reserve funds	\$ 380,277	\$ 508,183	\$ 568,604	\$556,650	\$512,133

³ A distribution of \$13,000 in 2016, \$33,940 in 2014, \$18,183 in 2013, \$9,698 in 2012 was made from the Endowment Fund to the City's Capital Program.

⁴ Reserve fund balances for 2012-2013 have been restated to reflect the funded portion of employee future benefits and landfill closure and post closure liabilities to conform with the presentation in the current year

⁵ Comparative balances for 2012-2013 have been restated to conform with the presentation in the current year.

Taxation and Assessments – 5-year review [unaudited]

Residential (Urban)	2012	2013	2014	2015	2016
Municipal city-wide	0.554056%	0.534135%	0.514869%	0.495750%	0.479442%
Municipal fire	0.096114%	0.090729%	0.087286%	0.083771%	0.081948%
Municipal police	0.165282%	0.159237%	0.152678%	0.147244%	0.142339%
Municipal transit	0.177495%	0.169593%	0.162449%	0.158427%	0.154287%
Municipal conservation area	0.007028%	0.006857%	0.006634%	0.006971%	0.006230%
Education	0.221000%	0.212000%	0.203000%	0.195000%	0.188000%
Total residential tax rates	1.220975%	1.172551%	1.126916%	1.087163%	1.052246%

Non-residential (Commercial Urban)	2012	2013	2014	2015	2016
Municipal city-wide	1.012238%	1.009664%	0.985501%	0.959845%	0.931769%
Municipal fire	0.175596%	0.171503%	0.168846%	0.163747%	0.160373%
Municipal police	0.301964%	0.301002%	0.292237%	0.285086%	0.276628%
Municipal transit	0.324276%	0.320578%	0.314240%	0.309676%	0.301942%
Municipal conservation area	0.012839%	0.012962%	0.012698%	0.013496%	0.012108%
Education	1.396652%	1.396652%	1.396652%	1.206133%	1.180000%
Total non-residential tax rates	3.223565%	3.212361%	3.170174%	2.937983%	2.862820%

Assessed Values [Dollars in Millions]	2012	2013	2014	2015	2016
Residential	\$ 85,545	\$ 93,005	\$100,602	\$108,229	\$116,278
Percentage of total	76.7%	77.0%	77.3%	78.1%	78.3%
Non-residential	\$ 26,017	\$ 27,775	29,557	30,364	32,280
Percentage of total	23.3%	23.0%	22.7%	21.9%	21.7%
Total assessment	\$ 111,562	\$ 120,780	\$130,159	\$138,593	\$148,558

Taxation and Assessments – 5-year review [unaudited] [dollars in thousands]

Taxes Receivable	2012	2013	2014	2015	2016
Taxes receivable at the beginning of the year	\$ 68,221	\$ 58,861	\$72,432	\$89,772	\$94,814
Property taxes levied	1,795,926	1,867,117	1,926,150	1,975,417	2,028,703
Non-tax items added for collection	58,227	48,696	37,830	33,873	34,376
Penalties and interest	11,040	11,275	12,885	12,737	14,659
In-year tax adjustments	(36,069)	(65,477)	(45,022)	(56,006)	(72,050)
Subtotal	\$ 1,897,345	\$ 1,920,472	\$2,004,275	\$2,055,793	\$2,100,502
Collections	2012	2013	2014	2015	2016
Current	\$ (1,709,787)	\$ (1,739,334)	\$(1,799,494)	\$(1,845,527)	\$(1,870,307)
Arrears	(128,697)	(108,706)	(115,009)	(115,451)	(122,899)
Tax collections	\$ (1,838,484)	\$ (1,848,040)	\$(1,914,503)	\$(1,960,978)	\$(1,993,206)
Net Taxes Receivable	2012	2013	2014	2015	2016
Taxes receivable at the end of the year	\$ 58,861	\$ 72,432	\$89,772	\$94,814	\$107,297
Allowance for doubtful accounts	(2,435)	(2,665)	(2,943)	(2,943)	(3,643)
Net taxes receivable at the end of the year	\$ 56,426	\$ 69,767	\$86,829	\$91,871	\$103,654
Percentage of current taxes collected	95.2%	93.0%	93.4%	93.4%	92.2%
Taxes outstanding as a percentage of the current year levy	3.1%	3.7%	4.5%	4.7%	5.1%

Investments – at amortized cost – 5-year review [unaudited] [dollars in thousands]

Investments	2012	2013	2014	2015	2016
Federal government bonds	\$ 310,250	\$ 257,397	\$ 194,565	\$257,272	\$179,780
Provincial government bonds	122,464	121,526	119,047	211,089	243,183
Municipal government bonds	115,218	126,736	121,102	198,055	214,850
Corporate bonds	438,614	282,295	378,288	503,728	402,893
Endowment fund	184,592	178,404	166,735	170,576	162,632
Other	74,408	79,395	117,468	46,924	70,038
Totals	\$ 1,245,546	\$1,045,753	\$1,097,205	\$1,387,644	\$1,273,376

Net Long-Term Debt – 5 year review [unaudited] [dollars in thousands]

Net Long-Term Debt	2012	2013	2014	2015	2016
Instalment and sinking fund debenture issued	\$ 1,403,617	\$ 1,637,756	\$ 1,568,529	\$1,647,945	\$1,740,319
Bank loan agreements and interest rate exchange agreements	80,089	72,769	65,237	63,399	74,873
The total value of sinking fund deposits, which have accumulated to the end of the year to retire sinking fund debentures included in the above amount	(47,795)	(60,233)	(74,596)	(89,448)	(104,761)
Total net long-term debt	\$ 1,435,911	\$ 1,650,292	\$ 1,559,170	\$1,621,896	\$1,710,431

Net Long-Term Debt by Function – 5 year review [unaudited] [dollars in thousands]

Net Long-Term Debt by Function	2012	2013	2014	2015	2016
General Government	\$ 12,638	\$ 13,642	\$12,062	\$10,009	\$7,881
Fire	7,169	6,848	6,538	6,216	5,884
Police	34,386	38,305	34,836	31,246	27,517
Protective inspection	6,404	5,298	993	4,490	4,061
Roads	562,754	524,425	487,659	470,679	457,376
Public transit	264,793	337,615	314,684	311,721	311,275
Parking	0	0	0	0	0
Wastewater treatment	190,370	202,868	179,482	206,173	252,791
Water supply and distribution	178,682	187,722	197,571	255,934	328,248
Waste and recycling services	6,803	6,493	6,834	5,855	5,528
Environmental Remediation	1,813	1,653	1,740	1,317	1,143
Social housing	109	0	0	0	0
Parks and recreation	83,389	235,709	231,049	236,471	230,953
Libraries	5,243	4,922	4,644	4,353	4,048
Planning and development	55,588	60,779	58,908	57,169	55,448
Social and family services	25,073	23,382	21,607	19,769	17,856
Health	697	631	563	494	422
Total net long-term debt	\$1,435,911	\$ 1,650,292	\$ 1,559,170	\$1,621,896	\$1,710,431

Demographics and Other Information – 5-year review [unaudited]

Demographics	2012	2013	2014	2015	2016
Population	935,255	943,260	951,727	960,754	968,580
Households	387,732	392,704	398,119	403,916	409,643
Budgeted municipal full-time equivalent positions	2012	2013	2014	2015	2016
Budgeted Full-time equivalent positions	15,264	15,134	15,095	15,088	15,061
Budgeted Full-time equivalent positions per 1,000 population	16.3	16.0	15.9	15.7	15.5
Inflation, CPI annual increases (%)⁶	2012	2013	2014	2015	2016
Ottawa	1.3	1.0	2.0	1.0	1.3
Ontario	1.4	1.0	2.4	1.2	1.8
Canada	1.5	0.9	2.0	1.1	1.4
Unemployment rate (%)⁶	2012	2013	2014	2015	2016
Ottawa	6.2	6.3	6.6	6.3	6.3
Ontario	7.8	7.5	7.3	6.8	6.5
Canada	7.2	7.1	6.9	6.9	7.0
Housing information	2012	2013	2014	2015	2016
Housing starts ⁷	5,730	6,284	5,762	4,972	5,298
Change from prior year (%)	3.8	9.7	(8.3)	(13.7)	6.6
Single family	1,424	1,596	1,775	1,992	1,990
Change from prior year (%)	7.28	12.08	11.22	12.23	(0.1)
Housing prices (\$000) ⁸	352	357	362	368	372
Change from prior year (%)	2.0	1.4	1.4	1.7	1.1
New housing price inflation (%) ⁶	2.6	0.3	(1.1)	(1.0)	1.1
Value of building permits issues (in millions)	\$2,041	\$2,393	\$2,682	\$2,143	\$2,646
Change from prior year (%)	12.2	17.2	12.1	(20.1)	23.5

⁶ Statistics Canada

⁷ Canada Mortgage and Housing Corporation (CMHC)

⁸ Ottawa Real Estate Board

