

## 2023 Management Assumptions and Estimates

The preparation of financial statements necessarily includes amounts based on the best estimates and professional judgment of management. Below is a summary of assumptions and estimates impacting the City's financial position and financial results for the year ended December 31, 2023 that were made by management (City Administration) in the preparation of the financial statements.

### **Revenues**

Revenues are accounted for in the year in which events that gave rise to the revenues occurred. An estimate of fees and charges for services provided during the year is recorded, regardless of whether invoices have been prepared and issued.

### ***Subsidiary operations - EPCOR***

The regulatory environment that EPCOR operates in often requires amounts to be recorded at estimated values until finalized and adjusted pursuant to subsequent regulatory decisions or proceedings. The City reporting reflects the estimates made by EPCOR's management in preparing their financial statements, as audited by their external auditor, KPMG LLP.

### **Expenses**

Expenses are accounted for in the year in which goods and services are acquired, regardless of when payment takes place.

### **Assets**

#### ***Accounts receivable/local improvements receivable/taxes receivable/ debt recoverable:***

Financial assets must be valued at the lower of cost or net realizable value. Management estimates the amount of accounts receivable, local improvements receivable, debt recoverable and taxes receivable that will not be collectible and provides an allowance for doubtful accounts. Estimates are based upon such factors as an aging of outstanding balances, collection experience, legal advice and known factors such as customers in bankruptcy.

In the case of property tax forfeitures, information regarding property values (assessment or appraisal) is used to ensure that an allowance is calculated for any

portion of the receivable balance that exceeds the value of the property that the City may ultimately receive in the case of default.

### ***Investments:***

The City's equity investments are measured at fair value. Fixed income, private pooled funds and other investments are measured at amortized costs. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

### ***Tangible capital assets:***

Assumptions regarding the estimated useful lives of tangible capital assets (note 1r), part i)) as well as patterns of asset usage are applied to calculate the appropriate amortization charge to be recognized on an annual basis. Where applicable, engineering estimates are used in the calculations.

Contributed tangible capital asset values are based on the fair market value at the time of contribution.

Land values are stated based upon the lower of cost or net realizable value. At times appraisal estimates are required in order to apply this policy.

## **Liabilities**

### ***Accounts payable and accrued liabilities:***

Liabilities are recorded for goods or services received by the end of the year, where payment has not been issued until the following year. In some cases this relates to a portion of an invoice, or includes amounts for which final invoices have not yet been received. Management uses estimation techniques to calculate the appropriate expenses to be recognized, which may involve a proration based on time, consumption, etc. Reliance may be placed on engineering certificates regarding percentage of completion for construction.

Accrued liabilities may result where final decisions/actions have not been completed, but where there is a likelihood of payment and the amount can be estimated. Management records accrued liabilities, including estimates for the expropriation of municipal lands, based upon a legal and financial assessment of likelihood and anticipated dollar amount.

### ***Liability for Contaminated Sites:***

The City is required to record a liability to reflect the best estimate of the amount required to remediate non-productive sites to the current minimum environmental standard of use prior to contamination. Wherever possible, provisions for remediation are based on environmental assessments completed on a site; for those sites where an assessment has not been completed, estimates of the remediation are completed using information available for the site and by extrapolating from the cost to remediate similar sites.

### ***Employee pension and benefit obligations:***

The City sponsors four pension plans and a number of benefit plans. Two of the pension plans are active, one is closed to new members and one no longer has any beneficiaries and is in the process of being wound up. Liabilities for future benefits related to the pension plans are calculated by external professional actuaries for calculation of the pension asset (obligation) and to determine the appropriate note disclosure in the financial statements. In performing their work, the actuaries rely on management's estimates regarding the long-term borrowing rates (discount rates), rate of investment return on assets, rate of future salary increases, and inflation rates. Management's long-term assumptions are reviewed against the overall industry framework for reasonableness. The actuaries also apply estimates based upon mortality tables, retirement ages, etc.

A similar process is applied with respect to obligations for benefit plans, including the Income Replacement Plan (a previous City health benefit plan), post-employment benefits, the Long-term Disability Plan and the Supplementary Management Retirement Plan. Estimates based upon historic experience and post year-end results are used to calculate obligations for outstanding claims of major medical and dental benefit plans.

### ***Asset Retirement Obligations:***

Asset retirement obligations are initially measured as of the date of the legal obligation is incurred, based on management's best estimate of the amount required to retire tangible capital assets and subsequently remeasured taking into account any new information and the appropriateness of assumptions used. A present value technique is used to determine the amount of the obligation, the liability is adjusted for the passage of time and is recognized as accretion expense in the the Consolidated Statement of Operations and Accumulated Surplus. When a

liability of an asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying amount of the related asset by the same amount as the liability and are amortized over the estimated remaining useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

As at the financial reporting date, asset retirement obligations reflect the City's best estimate of the amount required to retire tangible capital assets. Estimates are made by management using professional judgment, similar contractor costs and third-party quotes, and are subsequently re-measured taking into account any new information and the appropriateness of assumptions used.

Included in asset retirement obligations are landfill closure and post-closure liabilities. The costs to close and maintain solid waste landfill sites are based on estimated future expenses, adjusted for inflation and discounted to current dollars. Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, monitoring ground and surface water, treatment and monitoring of leachates, ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively, as a change in estimate, when applicable.

### **Contingent assets and liabilities**

Contingencies are the result of existing conditions or situations involving uncertainties that will be resolved in the future when one or more events occur or fail to occur. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition and the amount of the loss can be reasonably estimated, amounts are included in accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded. Although such amounts are not recorded, information to describe significant contingencies must be disclosed in the financial statements. Management applies judgment as to what is significant. Contingent liabilities have been disclosed in Note 25 to the financial statements with respect to pending litigation and potential environmental obligations.

### **Attachment 3**

Contingent assets are not recorded in the financial statements. When the occurrence of future events is considered likely to result in a future asset, the existence of a contingent asset must be disclosed. Contingent assets have been disclosed in Note 26 to the financial statements with respect to outstanding claims against external parties where the upcoming legal proceedings are likely to result in settlement in favour of the City.