

Consolidated Financial Statements

CITY OF GREATER SUDBURY

And Independent Auditors' Report thereon

Year ended December 31, 2019

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the City of Greater Sudbury (the "City") are the responsibility of the City's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada. A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The City's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by Management.

Council meets with Management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the City. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the City's consolidated financial statements.



Ed Archer
Chief Administrative Officer



Ed Stankiewicz
Executive Director of Finance, Assets
and Fleet



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the City of Greater Sudbury

Opinion

We have audited the accompanying consolidated financial statements of the City of Greater Sudbury," (The City"), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2019, and its consolidated results of operations and accumulated surplus, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

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

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

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

July 7, 2020

CITY OF GREATER SUDBURY

Consolidated Statement of Financial Position
(in thousands of dollars)

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets		
Cash	\$ 16,439	\$ 8,174
Taxes receivable (note 3)	9,305	8,532
Accounts receivable (note 4)	76,857	73,993
Inventory held for resale	-	1,802
Investment in Government Business Enterprises (note 5(a))	117,133	114,145
Investments (note 6)	305,473	304,800
	<hr/> 525,207	<hr/> 511,446
Financial liabilities		
Accounts payable and accrued liabilities (note 7)	99,966	97,656
Deferred revenue - obligatory reserve funds (note 9)	55,191	50,418
Deferred revenue - other (note 10)	4,669	4,641
Employment benefit obligations (note 11)	68,860	65,209
Solid waste management facility liability (note 12)	15,535	14,316
Long-term liabilities (note 13)	70,264	76,530
	<hr/> 314,485	<hr/> 308,770
Net financial assets	210,722	202,676
Non-financial assets		
Tangible capital assets (note 14)	1,555,109	1,521,076
Inventory of supplies	5,482	4,523
Prepaid expenses	5,524	5,065
	<hr/> 1,566,115	<hr/> 1,530,664
Contractual rights and contingent assets (note 16)		
Contractual obligations and commitments (note 17)		
Subsequent events (note 26)		
Accumulated surplus (note 18)	\$ 1,776,837	\$ 1,733,340

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

CITY OF GREATER SUDBURY

Consolidated Statement of Operations and Accumulated Surplus
(in thousands of dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget	2019 Actual	2018 Actual
	(note 19)		
Revenue:			
Government transfers			
Provincial	\$ 165,522	\$ 160,598	\$ 156,171
Federal	25,064	25,217	21,170
Taxation (note 20)	282,724	282,721	267,956
User charges	136,821	136,412	131,252
Investment income	11,451	12,489	11,444
Fines and penalties	6,339	5,979	6,321
Other revenues (note 21)	27,594	27,664	22,307
Government Business Enterprises net earnings (note 5(b))	3,526	2,988	5,995
Total revenue	659,041	654,068	622,616
Expenses:			
General government	27,678	27,448	25,343
Protection services	103,624	107,935	104,245
Transportation services	115,678	125,510	108,320
Environmental services	99,449	99,190	92,411
Health services	30,918	31,912	31,941
Social and family services	115,808	119,578	116,550
Social housing	37,919	40,125	40,747
Recreational and cultural services	44,971	46,807	50,705
Planning and development	13,893	12,066	12,327
Total expenses	589,938	610,571	582,589
Annual surplus	69,103	43,497	40,027
Accumulated surplus, beginning of year	1,733,340	1,733,340	1,693,313
Accumulated surplus, end of year	\$ 1,802,443	\$ 1,776,837	\$ 1,733,340

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

CITY OF GREATER SUDBURY

Consolidated Statement of Change in Net Financial Assets
(in thousands of dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget (note 19)	2019 Actual	2018 Actual
Annual surplus	\$ 69,103	\$ 43,497	\$ 40,027
Acquisition of tangible capital assets	(123,165)	(112,158)	(106,977)
Amortization of tangible capital assets	72,012	75,626	73,201
Loss on sale of tangible capital assets	-	1,918	1,565
Proceeds on sale of tangible capital assets	-	580	17
	17,950	9,463	7,833
Use of inventory	-	(958)	(549)
Prepaid expenses	-	(459)	(345)
Change in net financial assets	17,950	8,046	6,939
Net financial assets, beginning of year	202,676	202,676	195,737
Net financial assets, end of year	\$ 220,626	\$ 210,722	\$ 202,676

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

CITY OF GREATER SUDBURY

Consolidated Statement of Cash Flows
(in thousands of dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 43,497	\$ 40,027
Items not involving cash:		
Amortization of tangible capital assets	75,626	73,201
Loss on sale of tangible capital assets	1,918	1,565
Inventory held for resale reclassified to tangible capital assets	(1,218)	-
Developer contributions of tangible capital assets	(7,120)	(2,124)
Change in employee benefit obligations	3,651	2,686
Change in solid waste management liabilities	1,219	(628)
Equity income in Government Business Enterprises	(2,988)	(5,995)
	114,585	108,732
Change in non-cash assets and liabilities:		
(Increase) in accounts and taxes receivable	(3,636)	(3,739)
Decrease in inventory held for resale	1,802	671
(Increase) in inventory of supplies	(958)	(549)
(Increase) in prepaid expenses	(459)	(345)
Increase (decrease) in accounts payable and accrued liabilities	2,310	(1,544)
Increase in deferred revenue - obligatory reserve funds	4,773	9,929
Increase in deferred revenue - other	27	1,052
Net change in cash from operating activities	118,444	114,207
Financing activities:		
Long-term debt issued	-	5,760
Debt principal repayments	(4,367)	(4,171)
Financial obligations payments	(1,760)	(3,050)
Capital lease issued	-	625
Capital lease payments	(139)	(107)
Net change in cash from financing activities	(6,266)	(943)
Capital activities:		
Proceeds on sale of tangible capital assets	580	17
Cash used to acquire tangible capital assets	(103,819)	(104,853)
Net change in cash from capital activities	(103,239)	(104,836)
Investing activities:		
Purchase of investments	(674)	(6,442)
Net change in cash	8,265	1,986
Cash, beginning of year	8,174	6,188
Cash, end of year	\$ 16,439	\$ 8,174
Supplementary information:		
Interest received	\$ 7,458	\$ 6,822
Interest paid	\$ 2,639	\$ 2,835

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

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

Year ended December 31, 2019

The City of Greater Sudbury is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes including the Municipal Act, 2001, Provincial Offences Act and other legislation.

1. Significant accounting policies

The consolidated financial statements of the City of Greater Sudbury (the "City") are prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

(a) Reporting entity

(i) Consolidated entities

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. These boards, organizations and entities include:

Greater Sudbury Housing Corporation
Greater Sudbury Police Services Board
Downtown Sudbury
Flour Mill Business Improvement Area
Greater Sudbury Public Library Board

All interdepartmental and inter-organizational assets and liabilities and revenue and expenses have been eliminated.

(ii) Related entities

These consolidated financial statements do not reflect the assets, liabilities, sources of financing, expenses and the activities of the following boards, organizations and entities which are not under the control of Council:

Nickel District Conservation Authority
Board of Health Sudbury & Districts
The City of Greater Sudbury Community Development Corporation

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

1. Significant accounting policies (continued)

(a) Reporting entity (continued)

(ii) Related entities (continued)

The following contributions were made by the City to these entities:

	2019	2018
Nickel District Conservation Authority	\$ 954	\$ 867
Board of Health Sudbury & Districts	6,318	6,136
The City of Greater Sudbury Community Development Corporation	1,576	1,564
	<hr/> \$ 8,848	<hr/> \$ 8,567

(iii) Investment in Government Business Enterprises

Government Business Enterprises (GBE) include the Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc. (GSU), and the Sudbury Airport Community Development Corporation (SACDC), and are accounted for by the modified equity method.

Under the modified equity method, the business enterprise's accounting principles are not adjusted to conform with those of the City and inter-organization transactions and balances are not eliminated.

(iv) Accounting for school board transactions

The taxation, other revenues, expenses, assets and liabilities of Le Conseil Scolaire de District Catholique du Nouvel-Ontario, Sudbury Catholic District School Board, Rainbow District School Board and Conseil Scolaire Du District Du Grand Nord De L'Ontario are not reflected in these consolidated financial statements.

(b) Revenue recognition

Government transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized. A transfer with eligibility criteria is recognized as revenue when the transfer is authorized and all eligibility criteria have been met. A transfer with or without eligibility criteria but with stipulations is recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except where and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the City.

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

1. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Taxation and related revenues

Annually, the City bills and collects property tax revenues for municipal purposes as well as provincial education taxes on behalf of the Province of Ontario (the “Province”) for education purposes. The authority to levy and collect property taxes is established under the Municipal Act, 2001, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual municipal property tax levy is determined each year through Council’s approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund the cost of education on a Province wide basis.

Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation (MPAC), a not-for-profit corporation funded by all of Ontario’s Municipalities. The current value assessment (CVA) of a property represents an estimated market value of a property as of a fixed date. Assessed values for all properties within the municipality are provided to the City in the returned assessment roll in December of each year.

The amount of property tax levied on an individual property is the product of the CVA of the property (assessed by MPAC), the municipal tax rate for the class (approved by Council) and the education rates (approved by the Province), together with any adjustments that reflect Council approved mitigation or other tax policy measures, rebate programs, etc.

Property taxes are billed by the City twice annually. The interim billing, issued in February is based on approximately 50% of the total property taxes in the previous year, and provides for the cash requirements of the City for the initial part of the year. Final bills are issued in June.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The City may receive supplementary assessment rolls over the course of the year from MPAC, identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the approved tax rate for the property class and on the supplementary/omitted due dates approved by Council.

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

1. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Taxation and related revenues (continued)

Taxation revenues in any year may also be reduced by reductions in assessment values resulting from assessment and/or property tax appeals. Each year, an amount is identified within the annual operating budget and accrued in the consolidated financial statements to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (i.e. uncollectible amounts, write offs, etc.).

In the City of Greater Sudbury, annual property tax increases for properties within the commercial, industrial and multi-residential tax classes have been subject to limitations on the maximum allowable year-over-year increase since 1998, in order to mitigate dramatic tax increases due to changes in assessed values.

User charges

User charges relate to various programs, and fees imposed based on specific activities, such as: transit fees, leisure services, water, wastewater and solid waste. Revenue is recognized when the activity is performed or when the services are rendered.

Fines and penalties

Fines and penalties revenue is primarily generated from the Provincial Offences Administration (POA) office.

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor License Act, Municipal By-Laws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

Balances arising from operation of the POA office have been consolidated with these consolidated financial statements. The City cannot reliably estimate the collections of this revenue, accordingly, revenue is recognized on the cash basis.

Other revenue

Other revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year, are deferred and reported as liabilities.

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

1. Significant accounting policies (continued)

(c) Investments and investment income

Investments are recorded at cost less any amounts written off to reflect a permanent decline in value.

Investment income is reported as revenue in the period earned. Investment income earned on reserve funds that are set aside for specific purposes by legislation, regulation or agreement, is added to the fund balance and forms part of the respective deferred revenue balances.

(d) Inventory held for resale

Inventory held for is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

(e) Pensions and employee benefits

The City makes contributions to the Ontario Municipal Employees' Retirement System plan (OMERS), a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit, as this is a joint responsibility of all Ontario municipalities and their employees. Employer's contributions for current and past service are included as an expense on the consolidated statement of operations and accumulated surplus.

The amount contributed to OMERS and expensed in 2019 was \$17,536 (2018 - \$16,830). As of December 31, 2019 the OMERS plan, with approximately 500,000 members, has a funding surplus of \$1,531,000 (2018 – deficit \$2,790,000).

Vacation entitlements are accrued for as entitlements are earned.

Sick leave benefits are accrued when they are vested and subject to pay out when an eligible employee leaves the City's employ.

Other post-employment benefits are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined with reference to the City's cost of borrowing at the measurement date taking into account the cash flows that match the timing and amount of expected benefit payments.

Actuarial gains (losses) on the accrued benefit obligation arise from the difference between actual and expected experiences and from changes in actuarial assumptions used to determine the accrued benefit obligation. These gains (losses) are amortized over the average remaining service period of active employees.

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

1. Significant accounting policies (continued)

(f) Deferred revenue - obligatory reserve funds

The City receives certain sub-divider contributions and other revenues under the authority of federal and provincial legislation and City by-laws. These funds, by their nature, are restricted in their use and, until applied to specific expenses, are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

(g) Deferred revenue – other

The City receives certain amounts pursuant to funding agreements that may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recorded as deferred revenue and are recognized as revenue in the fiscal year the eligibility criteria has been met (i.e. related expenses are incurred, services are performed) except when stipulations are present and to the extent that the transfer give rise to an obligation that meets the definition of a liability.

(h) 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 extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

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

Asset	Useful Life – Years
<hr/>	
General capital:	
Landfill and land improvements	15-75 years
Buildings	15-60 years
Machinery, furniture and equipment	2-50 years
Vehicles	2-20 years
Infrastructure:	
Land improvements	25-100 years
Plants and facilities	5-80 years
Roads infrastructure	10-75 years
Water and wastewater infrastructure	15-100 years

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

1. Significant accounting policies (continued)

(h) Non-financial assets (continued)

(i) Tangible capital assets (continued)

Landfill sites are amortized using the units of production method based upon the capacity used during the year.

Half of the annual amortization is recorded as amortization expense in the year of acquisition or construction and in the year of disposal. Assets under construction are not amortized until the asset is put into service.

(i) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

(ii) Capital interest

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

(iii) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(iv) Inventory

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

(v) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made or where there was no future benefit related to the asset, the tangible capital asset was recognized at a nominal value. Land, buildings and machinery, furniture and equipment are the categories where nominal values were assigned.

(vi) Works of art and historical treasures

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(i) Landfill closure and post closure liability

The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. The estimated liability for active sites is recognized as the landfills site capacity is used. These costs are reported as a liability on the consolidated statement of financial position.

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

1. Significant accounting policies (continued)

(j) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods.

Significant items subject to such estimates and assumptions include valuation allowances for taxes receivable, accounts receivable and post-employment benefits. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

Actual results could differ from these estimates.

(k) Adoption of new accounting standards

Section PS 3430, Restructuring Transactions is effective for fiscal years beginning on or after April 1, 2018. This Section establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. Restructurings can be initiated by the entities involved or imposed by a higher level of government through legislation or by the controlling government. The adoption of these accounting standards did not result in an accounting policy change for the City, nor did it result in any adjustments to the Financial Statements.

2. Accounting standards issued but not yet adopted

Section PS 1201, Financial Statement Presentation, PS 3041, Portfolio Investments, PS 3280, Asset Retirement Obligations, PS 3450, Financial Instruments, are effective for fiscal years beginning on or after April 1, 2021. While early adoption is permitted, all four of the standards must be adopted in the same year except for PS 3280. PS 1201 Financial Statement Presentation includes the addition of a new statement outlining re-measurement gains and losses. PS 3041, Portfolio Investments provides guidance on how to account for and report portfolio investments. PS 3280 Asset Retirement Obligations addresses the reporting of legal obligations associated with the retirement of tangible capital assets. PS 3450, Financial Instruments provides guidance on the recognition, measurement, presentation and disclosure of financial instruments including derivative instruments. The City has not yet adopted these standards or determined the effect on the consolidated financial statements.

Section PS 2601 Foreign Currency Translation is effective for fiscal years beginning on or after April 1, 2021. This section includes guidance on deferral and amortization of unrealized gains and losses, hedge accounting and separation of realized and unrealized foreign exchange gains and losses. The City has not yet adopted these standards or determined the effect on the consolidated financial statements.

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

2. Accounting standards issued but not yet adopted (continued)

Section PS 3400, Revenue is effective for fiscal years beginning on or after April 1, 2022, early adoption is permitted. This section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The City has not yet adopted this standard or determined the effect on the consolidated financial statements.

3. Taxes receivable

	2019	2018
Current taxes and grants in lieu of taxes	\$ 7,686	\$ 7,642
Taxes in arrears	7,584	7,575
	15,270	15,217
Less: allowance for doubtful accounts	(5,965)	(6,685)
Net taxes receivable	\$ 9,305	\$ 8,532

4. Accounts receivable

	2019	2018
Government of Canada	\$ 16,830	\$ 19,130
Province of Ontario	13,144	13,166
Other receivables	47,746	42,494
	77,720	74,790
Less: allowance for doubtful accounts	(863)	(797)
Net accounts receivable	\$ 76,857	\$ 73,993

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

5. Investment in Government Business Enterprises

The SACDC and GSU are 100% owned and controlled by the City. These corporations are business enterprises of the City and are accounted for on a modified equity basis in these consolidated financial statements.

(a) The investment in Government Business Enterprises consists of the following:

	SACDC	GSU	2019 Total	2018 Total
Balance, beginning of year	\$ 14,761	\$ 99,384	\$ 114,145	\$ 108,150
City's share of operating income for the year	1,378	1,610	2,988	5,995
Balance, end of year	\$ 16,139	\$ 100,994	\$ 117,133	\$ 114,145

The investment of \$100,994 in GSU includes a promissory note receivable of \$52,340 (2018 - \$52,340) which is unsecured and bears interest at a rate of 7.25% per annum. The note is repayable in full upon six months written notice from the City.

(b) Supplementary Information

The following tables provide condensed supplementary financial information for the year ended December 31, 2019:

Financial Position

	SACDC	GSU	2019 Total	2018 Total
Current assets	\$ 1,087	\$ 32,613	\$ 33,700	\$ 25,668
Capital assets	29,030	119,807	148,837	144,564
Other assets	—	17,051	17,051	14,794
Total assets	30,117	169,471	199,588	185,026
Current liabilities	299	22,015	22,314	12,702
Note payable to the City of Greater Sudbury	3,297	52,340	55,637	57,332
Long-term liabilities	10,382	46,463	56,845	53,187
Total liabilities	13,978	120,818	134,796	123,221
Net assets	\$ 16,139	\$ 48,653	\$ 64,792	\$ 61,805

The \$3,297 (2018 -\$4,992) note payable to the City from SACDC accrues interest at the City's average monthly rate of return on investments plus 1% and has no specified terms of repayment.

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

5. Investment in Government Business Enterprises (continued)

b) Supplementary Information (continued)

By-Law 2017-16 authorized an increased loan to the Sudbury Airport Community Development Corporation to \$7,500. The By-Law provides flexibility to temporarily exceed the \$7,500 limit for bridge financing in order to complete subsidized projects. As at December 31, 2019, the City is in compliance with the requirements of By-Law 2017-16.

	SACDC	GSU	2019 Total	2018 Total
Revenue	\$ 9,663	\$ 147,231	\$ 156,894	\$ 150,604
Expenses	(8,168)	(142,432)	(150,600)	(141,021)
Interest paid to the City of Greater Sudbury	(115)	(3,795)	(3,910)	(3,853)
Other	—	2,345	2,345	(926)
Other comprehensive income	(2)	(1,739)	(1,741)	1,191
Net income	\$ 1,378	\$ 1,610	\$ 2,988	\$ 5,995
 Budgeted net income	 \$ 1,798	 \$ 1,728	 \$ 3,526	 \$ 2,565

(c) Related Party Transactions

Related party transactions between the City and its government business enterprises are as follows:

- (i) At December 31, 2019, the City has the following amounts included in the consolidated statement of financial position:

A receivable of \$1,580 (2018 - \$683) for water billings collected by GSU on behalf of the City.

A payable of \$29 (2018 - \$29) for electricity and water bill payments collected by the City on behalf of GSU.

- (ii) Revenues included in the Consolidated Statement of Operations and Accumulated Surplus of the City are:

	2019	2018
Property taxes	\$ 472	\$ 466
Interest on promissory note receivable	3,911	3,853
\$ 4,383	\$ 4,319	

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

5. Investment in Government Business Enterprises (continued)

c) Related Party Transactions (continued)

(iii) Expenses included in the Consolidated Statement of Operations and Accumulated Surplus of the City are:

	2019	2018
Billing and collection services for water and wastewater	\$ 1,679	\$ 1,467
Streetlighting maintenance services	611	448
Streetlighting infrastructure	331	213
Electricity	7,740	6,782
Telecommunications	521	601
	<hr/> \$ 10,882	<hr/> \$ 9,511

Transactions with related parties are in the normal course of operations and are recorded at the exchange amount, which is the amount agreed to by the related parties. It is management's opinion that the exchange amount represents fair market value for these services.

6. Investments

2019 interest rates	2019		2018	
	Market	Cost	Market	Cost
Short-term investments (1.61% to 3.90%)	\$ 185,662	\$ 184,945	\$ 172,054	\$ 171,564
Long-term investments (0.00% to 3.97%)	127,315	120,528	134,410	133,236
	<hr/> \$ 312,977	<hr/> \$ 305,473	<hr/> \$ 306,464	<hr/> \$ 304,800

The investments consisting of term deposits, treasury bills, high interest savings accounts and bonds earn rates of return ranging from 0.00% to 3.90% per annum and are recorded at cost adjusted for amortization of discounts and premiums. Maturity dates on long term investments range from 2021 to 2037 (2018 – 2020 to 2035).

By-Law 2013-179 adopted the Investment Policy which allows up to \$150,000 to be invested in long-term instruments (greater than one year). The remainder of the portfolio is restricted to short-term investments (one year and shorter). At December 31, 2019, the City is in compliance with the requirements of By-Law 2013-179.

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2019	2018
Government of Canada	\$ 1,706	\$ 2,779
Province of Ontario	1,990	2,827
<u>Other payables</u>	<u>96,270</u>	<u>92,050</u>
Total accounts payable and accrued liabilities	\$ 99,966	\$ 97,656

8. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of \$10,000 (2018 - \$10,000) bearing interest at the bank's prime rate less 0.5% for Bankers' Acceptance and 0.9% on loans with an effective rate of 1.95% (2018 – 3.45%) per annum. No amounts were drawn against the facility as at December 31, 2019 and 2018.

9. Deferred revenue - obligatory reserve funds

Deferred revenue - obligatory reserve funds consist of the following:

	December 31, 2018	Externally restricted inflows	Revenue earned	December 31, 2019
Gasoline Tax - Federal	\$ 16,921	\$ 20,732	\$ (16,502)	\$ 21,151
Gasoline Tax - Provincial	–	2,674	(2,674)	–
Ontario Community Infrastructure Fund	6,411	9,481	(8,359)	7,533
Children's Services – Transition Mitigation Funding	6,296	–	–	6,296
Enabling Accessibility Fund	–	500	–	500
Development Charges Act	2,065	2,911	(2,873)	2,103
Recreational Land (Planning Act)	833	143	54	1,030
Subwatershed Provincial Fund		382	(382)	–
Sub-Divider Contributions	8,967	464	(432)	8,999
Building Permit Revenues (Bill 124)	6,958	176	(532)	6,602
Ontario Municipal Commuter Cycling Provincial Grant	1,050	27	(185)	892
Social Housing Apartment Improvement Program (SHAIP)	381	648	(1,029)	–
Municipal Accommodation Tax (MAT)	363	–	(363)	–
Ontario's Main Street Revitalization Initiatives	173	5	(93)	85
	\$ 50,418	\$ 38,143	\$ (33,370)	\$ 55,191

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

10. Deferred revenue – other

Deferred revenue - other consist of the following:

	December 31, 2018		Externally restricted inflows		Revenue earned	December 31, 2019	
Federal government	\$ 204		\$ 13		\$ (134)	\$ 83	
Provincial government	3,592		6,183		(6,377)		3,398
Municipal government	–		28		–		28
Other	612		1,100		(885)		827
Consolidated entities	233		333		(233)		333
	\$ 4,641		\$ 7,657		\$ (7,629)		\$ 4,669

11. Employee benefit obligations

Employee benefit obligations consist of the following:

	2019		2018	
Future payments required for:				
WSIB obligations	\$ 8,931		\$ 6,508	
Accumulated sick leave benefits	6,258		6,818	
Other post-employment benefits	35,515		34,445	
Liability for Stop Loss Insurance	972		1,005	
Vacation pay	17,184		16,433	
	\$ 68,860		\$ 65,209	

The City has established reserve funds in the amount of \$10,988 (2018 - \$13,963) to mitigate the future impact of these obligations.

The City is a Schedule 2 employer under the provisions of the Workplace Safety and Insurance Board Act (WSIB), and as such, remits payments to the WSIB as required to fund disability payments.

Accumulated sick leave benefits accrue to certain employees of the City and are paid out either on approved retirement or upon termination or death.

Other post-employment benefits represent the City's share of the cost to provide certain employees with extended benefits upon early retirement.

Liability for stop loss insurance represents future payments for claims relating to catastrophic losses that occurred during the insured period and has exceeded or will exceed the City's deductible.

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

11. Employee benefit obligations (continued)

The following table sets out the results as determined by the actuarial valuations completed for the year ended December 31, 2019 for each of the plans.

	WSIB	Sick Leave	Other Post-Employment Benefits	2019 Total	2018 Total
Accrued benefit liability,					
Beginning of year	\$ 13,286	\$ 6,312	\$ 34,445	\$ 54,043	\$ 52,619
Benefit cost	3,048	291	1,663	5,002	4,454
Interest cost	728	229	1,353	2,310	1,913
Benefit payments	(3,403)	(711)	(2,477)	(6,591)	(5,829)
Actuarial gain (loss)	4,918	(521)	647	5,044	2,911
Accrued benefit liability,					
End of year	18,577	5,600	35,631	59,808	56,068
Unamortized actuarial gain (loss)	(9,646)	658	(2,142)	(11,130)	(8,297)
	\$ 8,931	\$ 6,258	\$ 33,489	\$ 48,678	\$ 47,771

The total employee benefits expense include the following components:

	WSIB	Sick Leave	Other Post-Employment Benefits	2019 Total	2018 Total
Current period benefit cost					
Current period benefit cost	\$ 4,020	\$ 291	\$ 1,663	\$ 5,974	\$ 5,459
Prior period cost of plan amendment incurred during the year	–	(115)	–	(115)	–
Amortization of actuarial gain (loss)	2,050	(254)	1,353	3,149	1,739
Interest expense	728	229	531	1,488	1,913
Total employee benefit expense	\$ 6,798	\$ 151	\$ 3,547	\$ 10,496	\$ 9,111

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

11. Employee benefit obligations (continued)

The actuarial valuations of the plans were based upon a number of assumptions about future events, which reflect management's best estimates. The following represents the more significant assumptions made:

	WSIB	Sick Leave	Other Post-Employment Benefits
Expected inflation rate	2.0%	2.0%	2.0%
Expected level of salary increases	N/A	3.1%	3.1%
Discount rate	3.60%	3.60%	3.75%

For other post-employment benefits, as at December 31, 2019, the initial health care trend rate is 7.6% (2018 – 7.6 %) and the ultimate trend rate is 4.5% (2018 – 4.5%) which is expected to be reached in 2029 (2018 – 2029).

12. Solid waste management facility liability

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability, which is prepared by an engineering firm, is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management. Future events may result in significant changes to the estimated total expenses; capacity used or total capacity, useful life and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The City has three active and three inactive landfill sites. Estimated total expenses for these six sites represent the sum of the discounted future cash flows for closure and post-closure care activities discounted using an average borrowing rate of 3.85% (2018 – 4.0%) minus an inflation rate of 2.19% (2018 - 2.34%) (10-year average of CPI from 2009 to 2019). The estimated total landfill closure and post-closure care expenses are calculated to be \$25,181 (2018 - \$23,265). The estimated liability for the active sites is recognized as the landfill site's capacity is used. At December 31, 2019, an amount of \$15,535 (2018 - \$14,316) with respect to landfill closure and post-closure liabilities has been accrued.

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

12. Solid waste management facility liability (continued)

Active sites

The estimated remaining capacity of the Sudbury landfill site is 45% (3,472,763 cubic meters) (2018 - 45%) of its total estimated capacity and its estimated remaining life is 35 years (2018 - 34 years), after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Valley East landfill site is 35% (584,097 cubic meters) (2018 - 36%) of its total estimated capacity and its estimated remaining life is 25 years (2018 - 25 years), after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Rayside-Balfour landfill site is 46% (685,689 cubic meters) (2018 - 46%) of its total estimated capacity and its estimated remaining life is 31 years (2018 - 32 years), after which the period for post-closure care is estimated to be 25 years.

Inactive sites

The City has identified three (2018 – three) inactive landfill sites for which it retains responsibility for all costs relating to closure and post-closure care.

Post-closure care activities for landfill sites are expected to occur in perpetuity and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

The estimated liability for the care of inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 3.85% (2018 – 4.0%). The estimated present value of future expenditures for post-closure care is \$2,122 (2018 - \$2,057).

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

13. Long-term liabilities

(a) Long-term liabilities consist of the following:

	2019	2018
Debentures (i)	\$ 44,883	\$ 48,506
Other loans (ii)	15,722	16,466
Capital lease obligations (iii)	409	548
Accrued financial obligations (iv)	9,250	11,010
	<hr/> \$ 70,264	<hr/> \$ 76,530

- (i) The debentures bear interest at rates of 3.10% to 5.734%, repayable in aggregate blended monthly payments of \$441, maturing from March 2023 to May 2035.
- (ii) The other loans bear interest at rates of 5.47% to 6.162%, repayable in aggregate blended annual payments of \$354 and an aggregated blended monthly payment of \$116, maturing from March 2025 to May 2035.
- (iii) The capital lease obligations bear interest at a rate of 0%, repayable in aggregate blended monthly payments of \$13, maturing from April 2021 to April 2023.
- (iv) Accrued financial obligations consist of the following:

	Last Year of Obligation	2019	2018
Physician Service Agreements	2019	\$ —	\$ 10
Laurentian University (School of Architecture)	2019	—	500
Maison McCulloch Hospice	2022	450	600
Place des Arts	2022	4,500	4,500
Northeastern Ontario Regional Cancer Centre	2023	1,113	1,414
Health Sciences North	2023	2,587	3,286
Health Sciences North (PET Scanner)	2025	600	700
		<hr/> \$ 9,250	<hr/> \$ 11,010

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

13. Long-term liabilities (continued)

- (b) The principal payments on long-term liabilities are due as follows:
-

2020	\$ 8,462
2021	7,668
2022	6,895
2023	4,952
2024	4,046
Thereafter	38,241
	\$ 70,264

- (c) The City's long-term liabilities are to be recovered from the following sources:
-

General municipal revenues	\$ 29,054
Water/wastewater user fees	41,210
	\$ 70,264

- (d) The City expensed \$2,639 in 2019 (2018 - \$ 2,835) in interest on these borrowings.

CITY OF GREATER SUDBURY

(in thousands of dollars)

Notes to Consolidated Financial Statements

Year ended December 31, 2019

14. Tangible capital assets:

	Cost	Balance at December 31, 2018	Additions	Disposals / Transfers	Balance at December 31, 2019
General Capital:					
Land	\$ 78,224	6,967	-	\$ 85,191	
Landfill and land improvements	42,514	4,720	-	47,234	
Buildings	349,254	17,377	(1,603)	365,028	
Machinery, furniture and equipment	121,935	4,993	(4,112)	122,816	
Vehicles	79,737	3,401	(2,609)	80,529	
Infrastructure:					
Land improvements	31,553	326	-	31,879	
Plants and facilities	428,639	7,777	(398)	436,018	
Roads infrastructure	1,260,634	107,253	(13,747)	1,354,140	
Water and sewer infrastructure	539,498	8,953	(147)	548,304	
Assets under construction	90,133	30,501	(80,107)	40,527	
Total	\$ 3,022,121	192,268	(102,723)	\$ 3,111,666	
Accumulated Amortization		Balance at December 31, 2018	Amortization Expense	Disposals / Transfers	Balance at December 31, 2019
General Capital:					
Land	\$ -	-	-	\$ -	
Landfill and land improvements	20,122	1,612	-	21,734	
Buildings	179,891	10,401	(1,265)	189,027	
Machinery, furniture and equipment	75,955	8,126	(4,000)	80,081	
Vehicles	44,437	5,399	(2,530)	47,306	
Infrastructure:					
Land improvements	4,098	656	-	4,754	
Plants and facilities	220,867	10,425	(377)	230,915	
Roads infrastructure	777,324	31,580	(11,806)	797,098	
Water and sewer infrastructure	178,351	7,428	(137)	185,642	
Assets under construction	-	-	-	-	
Total	\$ 1,501,045	75,626	(20,115)	\$ 1,556,556	
Net Book Value		Balance at December 31, 2018			Balance at December 31, 2019
General Capital:					
Land	\$ 78,224			\$ 85,191	
Landfill and land improvements	22,392			25,500	
Buildings	169,363			176,001	
Machinery, furniture and equipment	45,980			42,735	
Vehicles	35,300			33,223	
Infrastructure:					
Land improvements	27,455			27,125	
Plants and facilities	207,772			205,103	
Roads infrastructure	483,310			557,042	
Water and sewer infrastructure	361,147			362,662	
Assets under construction	90,133			40,527	
Total	\$ 1,521,076			\$ 1,555,109	

CITY OF GREATER SUDBURY

(in thousands of dollars)

Notes to Consolidated Financial Statements

Year ended December 31, 2019

14. Tangible capital assets (continued):

	Cost	Balance at December 31, 2017	Additions	Disposals / Transfers	Balance at December 31, 2018
General Capital:					
Land	\$ 76,323	1,902	(1)	\$ 78,224	
Landfill and land improvements	40,338	2,176	-	42,514	
Buildings	344,280	5,366	(392)	349,254	
Machinery, furniture and equipment	117,517	8,478	(4,060)	121,935	
Vehicles	76,142	6,453	(2,858)	79,737	
Infrastructure:					
Land improvements	22,956	8,597	-	31,553	
Plants and facilities	426,201	3,129	(691)	428,639	
Roads infrastructure	1,235,342	29,599	(4,307)	1,260,634	
Water and sewer infrastructure	524,053	15,836	(391)	539,498	
Assets under construction	64,690	50,842	(25,399)	90,133	
Total	\$ 2,927,842	132,378	(38,099)	\$ 3,022,121	
Accumulated Amortization		Balance at December 31, 2017	Amortization Expense	Disposals / Transfers	Balance at December 31, 2018
General Capital:					
Land	\$ -	-	-	\$ -	
Landfill and land improvements	18,796	1,326	-	20,122	
Buildings	170,019	10,199	(327)	179,891	
Machinery, furniture and equipment	71,487	8,177	(3,709)	75,955	
Vehicles	42,010	5,277	(2,850)	44,437	
Infrastructure:					
Land improvements	3,613	485	-	4,098	
Plants and facilities	211,202	10,231	(566)	220,867	
Roads infrastructure	750,413	30,235	(3,324)	777,324	
Water and sewer infrastructure	171,421	7,271	(341)	178,351	
Assets under construction	-	-	-	-	
Total	\$ 1,438,961	73,201	(11,117)	\$ 1,501,045	
Net Book Value		Balance at December 31, 2017			Balance at December 31, 2018
General Capital:					
Land	\$ 76,323			\$ 78,224	
Landfill and land improvements	21,542			22,392	
Buildings	174,261			169,363	
Machinery, furniture and equipment	46,030			45,980	
Vehicles	34,132			35,300	
Infrastructure:					
Land improvements	19,343			27,455	
Plants and facilities	214,999			207,772	
Roads infrastructure	484,929			483,310	
Water and sewer infrastructure	352,632			361,147	
Assets under construction	64,690			90,133	
Total	\$ 1,488,881			\$ 1,521,076	

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

14. Tangible capital assets (continued)

a) Assets under construction

Assets under construction having a value of \$40,527 (2018- \$90,132) have not been amortized. Amortization of these assets will commence when the asset is put into service.

During the year, the City added \$30,501 (2018 - \$50,840) to assets under construction and transferred \$80,017 (2018 - \$24,804) from assets under construction to tangible capital assets.

b) Developer contributions of tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$7,120 (2018 - \$2,124) comprised of the following:

	2019	2018
General Capital		
Land	\$ 4,854	\$ 107
Machinery and equipment	289	319
Land improvements	-	217
Infrastructure		
Land improvements	-	35
Roads network	1,350	983
Water and wastewater network	627	463
Total	\$ 7,120	\$ 2,124

15. Operations of school boards

Further to note 1(a) (iv), taxation and other revenues generated from the operations of the school board excluded from reported revenues are comprised of the following:

	2019	2018
Taxation	\$ 52,181	\$ 52,508
Payment in lieu of taxes	137	139
	\$ 52,318	\$ 52,647

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

16. Contractual rights and contingent assets

- (a) Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The City's contractual rights arise because of contracts entered into for lease agreements. The following table summarizes the contractual rights of the City:

2020	\$ 4,143
2021	3,304
2022	3,278
2023	812
	\$ 11,537

- (b) Contingent assets

As of December 31, 2019, certain legal actions are pending in favour to the City. An estimate of the contingency cannot be made since the outcome of these matters is interminable. Should any gain result from the resolution of these matters, such gain would be realized to operations in the year of disposition.

17. Contractual obligations and commitments

- (a) Contracts for capital projects

The balance of capital works uncompleted under contracts in progress at December 31, 2019 amounts to approximately \$55,330 (2018 - \$47,184). The proposed financing of these obligations is \$37,096 (2018 - \$28,715) from surplus funds and \$18,232 (2018 - \$18,469) from external sources.

- (b) Contracts for services

The City has entered into contracts with third parties to provide various services to the City. The minimum anticipated payments under these contracts are as follows:

2020	\$ 35,125
2021	23,732
2022	19,434
2023	15,670
2024 and onwards	80,896
	\$ 174,857

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

17. Contractual obligations and commitments (continued)

(c) Contingent liabilities

As at December 31, 2019, certain legal actions are pending against the City. An estimate of the contingency cannot be made since the outcome of these matters is indeterminable. Should any loss result from the resolution of these matters, such loss would be charged to operations in the year of disposition.

(d) Liability for contaminated sites

A contaminated site is an unproductive site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. A liability for remediation of contaminated sites is recognized when the City is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate for the amount can be made. As at December 31, 2019 there is no liability recorded in the consolidated financial statements. The City will continue to review contaminated sites on an annual basis and when the criteria for recognition have been met, a liability will be recorded.

18. Accumulated surplus

Accumulated surplus consists of the following:

	2019	2018
Surplus:		
Invested in tangible capital assets	\$ 1,493,914	\$ 1,455,357
Invested in government business enterprises	117,133	114,145
Other	539	2,225
Committed capital:		
Capital projects not completed	139,955	120,446
Unfinanced capital projects to be recovered through taxation or user charges	(21,349)	(19,355)
Unfunded:		
Landfill closure costs	(15,535)	(14,316)
Employee benefits	(67,797)	(64,113)
Accrued financial obligations	(8,700)	(10,800)
	<hr/> 1,638,160	<hr/> 1,583,589
Reserves	12,958	6,519
Reserve funds	125,719	143,232
	<hr/> <hr/> \$ 1,776,837	<hr/> <hr/> \$ 1,733,340

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

19. Budget data

Budget data presented in these consolidated financial statements are based on the 2019 operating and capital budgets approved by Council and Local Boards. The chart below reconciles the approved budget with the budget figures as presented in these consolidated financial statements.

Revenues

Approved budget:

Operating	\$ 580,099
Capital	120,434
Consolidated Boards	22,469
	<hr/>

723,002

Adjustments:

Transfer from reserves to operating	(10,933)
Recognize revenues from obligatory reserve funds	11,467
In year budget adjustments – operating	948
Operating transfer to capital and future years funding	(62,296)
Reclass between revenues and expenses	(1,087)
Reclassification of taxation bad debt expense	(2,060)
	<hr/>
Total revenues	\$ 659,041

Expenses

Approved budget:

Operating	\$ 580,099
Capital	120,434
Consolidated Boards (A)	18,943
	<hr/>

719,476

Adjustments:

Amortization of tangible capital assets	72,012
Transfer to reserves and capital	(84,700)
Reduction due to tangible capital assets	(123,165)
Post-employment benefit expense	2,686
Landfill closure and post-closure expense	(628)
In year budget adjustments – operating	948
In year budget adjustments – capital	114
Reclassification of taxation bad debt expense	(1,087)
Debt principal repayments	(2,060)
Reclass between revenues and expenses	(9,733)
Operating expenses budgeted in capital expensed in current year	16,075
	<hr/>
Total revenues	\$ 589,938

Annual surplus	\$ 69,103
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THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

19. Budget data (continued)

Budget figures have been reclassified for purposes of these consolidated financial statements to comply with Public Sector Accounting Board reporting requirements and are not audited.

(A) The approved budgets of the Consolidated Boards include amortization. Their budgets also provide figures for the acquisition of tangible capital assets.

20. Taxation

Taxation consists of:

	2019 Budget	2019 Actual	2018 Actual
Municipal tax levy	\$ 274,538	\$ 274,570	\$ 260,764
Supplementary taxation	2,300	2,112	2,463
Payment in lieu of property taxes	7,904	7,928	7,744
Local improvements	42	42	42
	284,784	284,652	271,013
Rebates and tax concessions	(2,060)	(1,931)	(3,057)
Net municipal taxation	\$ 282,724	\$ 282,721	\$ 297,956

21. Other revenues

Other revenues consist of:

	2019 Budget	2019 Actual	2018 Actual
Gaming and casino revenues	\$ 2,175	\$ 2,078	\$ 2,153
Loss on sale of land and tangible capital assets	—	(1,918)	(1,566)
Donated tangible capital assets	—	7,120	2,124
Donations	212	74	101
Development charges earned	—	2,873	4,286
Sub-divider contributions	963	1,327	1,142
Miscellaneous recoveries/revenues	24,244	16,110	14,067
	\$ 27,594	\$ 27,664	\$ 22,307

22. Trust funds

Trust funds amounting to \$17,246 (2018 - \$17,553) administered by the City are not included in the consolidated financial statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus.

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

23. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year. These changes have no effect on the annual surplus previously reported in the prior year.

24. Segmented disclosure

The City is a diversified municipal government institution that provides a wide range of services to more than 166,000 citizens. Services include water, roads, fire, police, emergency medical services, waste management, public transit, recreation programs, economic development, land use planning and health and social services. For management reporting purposes the Government's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

City services are provided by departments and their activities are reported in these funds. Certain departments have been separately disclosed in the segmented information, along with the services they provide, and are as follows:

General Government

General Government consists of Office of the Mayor, Council expenses, Administrative Services (including Clerks, Elections, Communications, Legal and Information Technology Services), Human Resources, Auditor General and Finance Departments. Areas within the General Government respond to the needs of external and internal clients by providing high quality, supportive and responsive services. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues, relating to governance, strategic planning and service delivery.

Transportation Services

This area is responsible for management of Roadways including traffic and winter control, Transit services, and the administration and operation of City-owned parking lots. This section also provides employee services to the SACDC.

Protection Services

This section consists of Fire, Police, contribution to the Nickel District Conservation Authority, Animal Control, Building Services, Emergency measures and management of Provincial Offences Act. Police Services ensures the safety of the lives and property of citizens; preserves peace and order; prevents crimes from occurring; detect offenders and enforce the law. Fire Services is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection and extinguishment of fires. The Building Services Division processes permit applications and ensure compliance with the Ontario Building Code and with By-Laws enacted by Council.

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

24. Segmented disclosure (continued)

Environmental Services

In addition to the management of Waterworks, Sanitary and Storm Sewer systems, this area is responsible for Waste Collection, Waste Disposal and Recycling facilities and programs. This section is responsible for providing clean, potable water meeting all regulatory requirements and responsible for repairing breaks and leaks in the water and sewer system. This section produces quality effluents meeting regulatory requirements and minimizing environmental degradation.

Health and Social Services

This section consists of Ambulance Services, Social Services including Housing Services, Childcare, Assistance to Aged Persons, Cemetery Services as well as the City's contribution to the Health Unit and Hospital. The Social Services division is responsible for the administration and delivery of the Ontario Works Act. Ontario Works is an employment based, provincially mandated program, cost-shared with the Ministry of Community and Social Services. To enable low-income families to pursue employment and educational opportunities, Children Services deliver child care services and assist with costs of child care via the provision of subsidies. Pioneer Manor is a Long-Term Care facility providing 24-hour care and services to 433 residents. Housing Services reflects the cost of administering and delivering social housing programs downloaded from the Province.

Recreation and Cultural Services

This section provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs and provides management of arenas and leisure facilities. This section also contributes to the information needs of the City's citizens through the provision of library and cultural services and by preserving local history and managing archived data.

Planning and Development Services

The goal of this section is to offer coordinated development services in order to maximize economic development opportunities. The Planning and Development Division ensures that the City of Greater Sudbury is planned and developed in accordance with the Ontario Planning Act, Provincial policies and good planning principles so that Sudbury is an enjoyable and beautiful community to live, work, play and shop. This section also provides leadership in matters relating to landscape restoration, ecosystem health, biological integrity, energy conservation, air and lake water quality.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, certain government grants and other revenue are apportioned to services based on a percentage of operations.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

24. Segmented disclosure (continued)

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Social Services	Recreation and Cultural Services	Planning and Development	Government Business Enterprises	2019 Total	2018 Total
Revenue:										
Transfer payments	\$ 22,526	4,609	42,914	575	113,883	528	780	-	185,815	177,341
Taxation	24,907	88,639	57,543	18,399	52,091	29,481	11,661	-	282,721	267,956
User charges	5,963	5,522	10,975	83,749	20,279	9,196	728	-	136,412	131,252
Other	18,523	3,600	6,244	7,654	2,704	4,724	2,683	2,988	49,120	46,067
	71,919	102,370	117,676	110,377	188,957	43,929	15,852	2,988	654,068	622,616
Expenses:										
Salaries, wages and benefits	29,922	86,834	36,071	20,750	65,467	21,866	7,169	-	268,079	255,511
Materials	8,040	9,414	31,839	22,714	23,384	13,287	2,285	-	110,963	99,398
Contract services	5,853	1,656	17,731	29,887	42,565	1,767	432	-	99,891	94,830
Grants and transfer payments	1,555	977	14	66	46,418	1,656	1,281	-	51,967	55,507
Amortization of tangible capital assets	1,191	4,509	37,051	19,769	7,528	5,172	406	-	75,626	73,200
Other	686	308	497	1,920	256	332	46	-	4,045	4,143
Allocation of shared expenses	(19,799)	4,237	2,307	4,084	5,997	2,727	447	-	-	-
	27,448	107,935	125,510	99,190	191,615	46,807	12,066	-	610,571	582,589
Annual surplus (deficit)	\$ 44,471	(5,565)	(7,834)	11,187	(2,658)	(2,878)	3,786	2,988	\$ 43,497	40,027

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

25. Supplementary financial information

Schedule of Revenues and Expenses – Library

	2019	2018
Revenues		
Government transfers (note 1)	\$ 403	\$ 443
Fines and fees	131	143
Other	15	41
	549	627
Expenses		
Salaries, wages and benefits	4,802	4,768
Materials and contract services	1,732	1,710
	6,534	6,478
Deficiency of revenues over expenses	\$ (5,985)	\$ (5,851)

1. The government transfer are comprised of the following:

Provincial			
Ministry of Tourism and Culture - operating	\$ 403	\$ 438	
Ministry of Community & Social Services	—	5	
	\$ 403	\$ 443	

THE CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended December 31, 2019

26. Subsequent event

- (a) Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocation impact. In connection with the pandemic, the City declared a state of emergency on April 6, 2020 which remains in effect until such time as the Province lifts the State of Emergency.

At the time of approval of these financial statements, the City has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic;

- The closure of a number of indoor and outdoor facilities to the general public;
- Revisions to the delivery of a number of municipal services in order to contribute toward social distancing. In certain instances, the delivery of municipal services has been temporarily suspended during the state of emergency;
- The implementation of working from home requirements for certain municipal employees;
- Work force reductions for temporary and part-time employees; and
- In certain instances, the City has deferred payment timeframes and has waived interest charges, penalties and other fees.

As a result of these measures, the City has experienced a decrease in operating revenues during the subsequent period, as well as an increase in operating costs.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

- (b) Subsequent to year-end, City Council authorized the issuance of 30-year sinking fund debentures in the principal amount of \$200 million, the proceeds of which will be used to fund certain capital projects. The debentures bear interest at a rate of 2.416%, payable semi-annually. The principal amount of the debentures will be payable upon the maturity in March 2050. On an annual basis, the City will contribute \$4.2 million to a sinking fund, with the City's sinking fund contributions and associated investment income used to repay the debentures at maturity.