

Consolidated Financial Statements of

CITY OF GREATER SADBURY

And Independent Auditors' report thereon

Year ended December 31, 2021

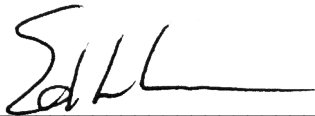
Management's Responsibility for the Consolidated Financial Statements

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



Kevin Fowke
General Manager, Corporate Services



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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, 2021
- 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, 2021, 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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

May 24, 2022

CITY OF GREATER SUDBURY

Consolidated Statement of Financial Position

(in thousands of dollars)

December 31, 2021, with comparative information for 2020

| | 2021 | 2020 |
|--|--------------|--------------|
| Financial assets | | |
| Cash | \$ 13,510 | \$ 14,138 |
| Taxes receivable (note 3) | 11,125 | 11,074 |
| Accounts receivable (note 4) | 76,431 | 80,930 |
| Investment in Government Business Enterprises (note 5 (a)) | 140,845 | 135,436 |
| Investments (note 6) | 550,518 | 514,370 |
| | 792,429 | 755,948 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities (note 7) | 111,461 | 117,525 |
| Deferred revenue - obligatory reserve funds (note 9) | 68,563 | 56,025 |
| Deferred revenue - other (note 10) | 16,690 | 10,891 |
| Employee benefit obligations (note 11) | 78,126 | 72,152 |
| Solid waste management facility liability (note 12) | 19,243 | 17,502 |
| Long-term liabilities (note 13) | 248,538 | 261,802 |
| | 542,621 | 535,897 |
| Net financial assets | 249,808 | 220,051 |
| Non-financial assets | | |
| Tangible capital assets (note 14) | 1,649,660 | 1,609,262 |
| Inventory of supplies | 6,848 | 6,838 |
| Prepaid expenses | 5,639 | 5,416 |
| | 1,662,147 | 1,621,516 |
| Contractual rights and contingent assets (note 16) | | |
| Contractual obligations and commitments (note 17) | | |
| Effects of Covid-19 (note 26) | | |
| Accumulated Surplus (note 18) | \$ 1,911,955 | \$ 1,841,567 |

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)
December 31, 2021, with comparative information for 2020

| | 2021 | 2021 | 2020 |
|---|--------------|-----------|--------------|
| | Budget | Actual | Actual |
| | (note 19) | | |
| Revenues | | | |
| Government transfers - Provincial | \$ 156,515 | 164,116 | \$ 170,819 |
| - Federal | 18,660 | 19,001 | 12,862 |
| Taxation (note 20) | 311,326 | 311,769 | 298,381 |
| User charges | 141,195 | 133,614 | 131,791 |
| Investment income | 10,491 | 10,740 | 14,950 |
| Fines and penalties | 6,945 | 5,318 | 4,733 |
| Other revenues (note 21) | 20,585 | 43,278 | 18,319 |
| Government Business Enterprises net earnings (note 5 (b)) | 484 | 5,409 | 18,303 |
| | 666,201 | 693,245 | 670,158 |
| Expenses | | | |
| General government | 38,782 | 38,193 | 33,749 |
| Protection services | 110,304 | 113,837 | 108,346 |
| Transportation services | 119,074 | 116,384 | 118,586 |
| Environmental services | 104,478 | 102,539 | 102,922 |
| Health services | 35,301 | 36,574 | 34,436 |
| Social and family services | 120,312 | 121,726 | 117,431 |
| Social housing | 34,917 | 39,696 | 38,365 |
| Recreation and cultural services | 43,512 | 40,284 | 39,736 |
| Planning and development | 14,944 | 13,624 | 11,857 |
| | 621,624 | 622,857 | 605,428 |
| Annual Surplus | 44,577 | 70,388 | 64,730 |
| Accumulated surplus, beginning of the year | 1,841,567 | 1,841,567 | 1,776,837 |
| Accumulated surplus, end of the year | \$ 1,886,144 | 1,911,955 | \$ 1,841,567 |

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)
December 31, 2021, with comparative information for 2020

| | 2021 | 2021 | 2020 |
|--|------------|-----------|------------|
| | Budget | Actual | Actual |
| | (note 19) | | |
| Annual Surplus | \$ 44,577 | 70,388 | \$ 64,730 |
| Acquisition of tangible capital assets | (175,267) | (122,509) | (135,484) |
| Amortization of tangible capital assets | 75,406 | 80,121 | 78,484 |
| Loss (gain) on sale of tangible capital assets | 1,839 | (9,346) | 2,475 |
| Proceeds on sale of tangible capital assets | - | 11,336 | 372 |
| | (53,445) | 29,990 | 10,577 |
| Use of inventory | - | (191) | (1,355) |
| Prepaid expenses | - | (42) | 107 |
| Change in net financial assets | (53,445) | 29,757 | 9,329 |
| Net financial assets, beginning of the year | 220,051 | 220,051 | 210,722 |
| Net financial assets, end of the year | \$ 166,606 | 249,808 | \$ 220,051 |

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

CITY OF GREATER SUDBURY

Consolidated Statement of Cash Flow

(in thousands of dollars)

December 31, 2021, with comparative information for 2020

| | 2021 | 2020 |
|---|-----------|-----------|
| Cash flows from operating activities | | |
| Annual Surplus | \$ 70,388 | \$ 64,730 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 80,121 | 78,484 |
| Loss (gain) on sale of tangible capital assets | (9,346) | 2,475 |
| Developer contributions of tangible capital assets | (3,679) | (1,812) |
| Change in employee benefit obligations | 5,974 | 3,292 |
| Change in solid waste management facility liability | 1,740 | 1,966 |
| Equity income in Government Business Enterprises | (5,409) | (18,303) |
| | 139,789 | 130,832 |
| Change in non-cash working capital: | | |
| Decrease (increase) in accounts and taxes receivable | 4,098 | (5,983) |
| Increase in inventory of supplies | (10) | (1,355) |
| Decrease (increase) in prepaid expenses | (223) | 107 |
| Increase (decrease) in accounts payable and accrued liabilities | (5,714) | 17,699 |
| Increase in deferred revenue - obligatory reserve funds | 12,538 | 834 |
| Increase in deferred revenue - other | 5,799 | 6,222 |
| Net change in cash from operating activities | 156,277 | 148,356 |
| Cash flows from financing activities | | |
| Long-term debt issued | - | 200,000 |
| Debt principal repayments | (12,378) | (4,572) |
| Financial obligations payments | (1,250) | (3,750) |
| Capital lease issued | 724 | - |
| Capital lease payments | (274) | (139) |
| | (13,178) | 191,539 |
| Cash flows from capital activities | | |
| Proceeds on sale of tangible capital assets | 11,088 | 372 |
| Cash used to acquire tangible capital assets | (118,582) | (133,671) |
| | (107,494) | (133,299) |
| Cash flows from investing activities | | |
| Purchase of investments | (36,233) | (208,897) |
| Net increase (decrease) in cash | (628) | (2,301) |
| Cash, beginning of the year | 14,138 | 16,439 |
| Cash, end of the year | \$ 13,510 | \$ 14,138 |
| Supplementary Information | | |
| Interest received | \$ 7,524 | \$ 8,286 |
| Interest paid | \$ 7,047 | \$ 6,304 |

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

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

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.

The City maintains separate fund for the purpose of providing for periodic repayments on debt to be retired by means of sinking funds. The financial activity and position of this fund are disclosed separately in the sinking funds financial statements.

(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 for the Sudbury & District Health Unit
The City of Greater Sudbury Community Development Corporation

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

1. Significant accounting policies (continued)

(a) Reporting entity (continued)

(ii) Related entities (continued)

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

| | 2021 | 2020 |
|---|----------|----------|
| Nickel District Conservation Authority | \$ 1,089 | \$ 1,018 |
| Board of Health for the Sudbury & District Health Unit | 7,297 | 6,950 |
| The City of Greater Sudbury Community Development Corporation | 1,576 | 1,565 |
| | \$ 9,962 | \$ 9,533 |

(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.

CITY OF GREATER SUBBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

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 resale, 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 employer contributed to OMERS and expensed in 2021 was \$17,524 (2020 - \$17,891). The amount of employee contributions to OMERS in 2021 was \$17,524 (2020 - \$17,891). As of December 31, 2021 the OMERS plan, with approximately 541,000 members, has a funding deficit of \$69,000 (2021 - deficit \$7,655,000).

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.

CITY OF GREATER SADBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

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 |
|-------------------------------------|---------------------|
| 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 |

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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

1. Significant accounting policies (continued)

(h) Non- financial assets (continued)

(i) Tangible capital assets (continued)

(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.

(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 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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

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.

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, 2022. 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, 2022. 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.

Section PS 3400, Revenue is effective for fiscal years beginning on or after April 1, 2023, 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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

3. Taxes receivable

| | 2021 | 2020 |
|---|-----------|-----------|
| Current taxes and grants in lieu of taxes | \$ 8,380 | \$ 8,609 |
| Taxes in arrears | 7,395 | 7,815 |
| | 15,775 | 16,424 |
| Less: allowance for doubtful accounts | (4,650) | (5,350) |
| Net taxes receivable | \$ 11,125 | \$ 11,074 |

4. Accounts receivable

Accounts receivable consists of the following:

| | 2021 | 2020 |
|---------------------------------------|-----------|-----------|
| Government of Canada | \$ 13,343 | \$ 12,661 |
| Province of Ontario | 10,664 | 10,662 |
| Other receivables | 53,691 | 59,074 |
| | 77,698 | 82,397 |
| Less: allowance for doubtful accounts | (1,267) | (1,467) |
| Net accounts receivable | \$ 76,431 | \$ 80,930 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

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 | 2021 Total | 2020 Total |
|--|-----------|---------|---------------|---------------|
| Balance, beginning of year | \$ 12,725 | 122,711 | 135,436 | \$ 117,133 |
| City's share of operating income for the year | 1,206 | 4,203 | 5,409 | 18,303 |
| Balance, end of year | \$ 13,931 | 126,914 | 140,845 | \$ 135,436 |

The investment of \$126,914 in GSU includes a promissory note receivable of \$52,340 (2020 - \$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, 2021:

Financial Position

| | SACDC | GSU | 2021 Total | 2020 Total |
|--|-----------|---------|---------------|---------------|
| Current assets | \$ 2,808 | 28,317 | 31,125 | \$ 27,150 |
| Capital assets | 25,521 | 134,425 | 159,946 | 153,943 |
| Other assets | - | 36,247 | 36,247 | 39,421 |
| Total assets | 28,329 | 198,989 | 227,318 | 220,514 |
| Current liabilities | 795 | 18,849 | 19,644 | 20,798 |
| Note payable to the City of Greater Sudbury | 4,658 | 52,340 | 56,998 | 57,610 |
| Long term liabilities | 8,945 | 53,226 | 62,171 | 59,010 |
| Total liabilities | 14,398 | 124,415 | 138,813 | 137,418 |
| Net assets | \$ 13,931 | 74,574 | 88,505 | \$ 83,096 |

The \$4,658 (2020 -\$5,270) 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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
 (in thousands of dollars)
 Year ended December 31, 2021

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, 2021, the City is in compliance with the requirements of By-Law 2017-16.

| | | | 2021 | 2020 |
|---|------------|-----------|-----------|------------|
| | SACDC | GSU | Total | Total |
| Revenue | \$ 9,060 | 145,233 | 154,293 | \$ 163,289 |
| Expenses | (7,722) | (136,005) | (143,727) | (171,704) |
| Interest paid to the City of Greater Sudbury | (136) | (3,795) | (3,931) | (3,895) |
| Other | - | (1,353) | (1,353) | 30,768 |
| Other comprehensive income | 4 | 123 | 127 | (155) |
| Net income | \$ 1,206 | 4,203 | 5,409 | \$ 18,303 |
| Budgeted net income | \$ (2,951) | 3,435 | 484 | 5,665 |

(c) Related Party Transactions

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

- (i) At December 31, 2021, the City has the following amounts included in the consolidated statement of financial position:

A receivable of \$991 (2020 - \$1,215) for water billings collected by GSU on behalf of the City.

A payable of \$11 (2020 - \$10) 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:

| | 2021 | 2020 |
|--|----------|----------|
| Property taxes | \$ 502 | \$ 494 |
| Interest on promissory note receivable | 3,930 | 3,896 |
| | \$ 4,432 | \$ 4,390 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

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:

| | 2021 | 2020 |
|--|----------|----------|
| Billing and collection services for water and wastewater | \$ 1,831 | \$ 1,638 |
| Streetlighting maintenance services | 475 | 527 |
| Streetlighting infrastructure | 37 | 236 |
| Electricity | 5,535 | 6,165 |
| Telecommunications | 583 | 572 |
| | \$ 8,461 | \$ 9,138 |

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

| | 2021 Interest Rates | Market | 2021 Cost | Market | 2020 Cost |
|------------------------|---------------------|------------|-----------|------------|-----------|
| Short term investments | (0.70% to 3.65%) | \$ 414,564 | 412,567 | \$ 379,548 | 377,667 |
| Long term investments | (0.00% to 3.97%) | 146,226 | 137,951 | 147,732 | 136,703 |
| | | \$ 560,790 | 550,518 | \$ 527,280 | 514,370 |

The investments consisting of term deposits, treasury bills, high interest savings accounts and bonds earn rates of return ranging from 0.00% to 3.97% per annum and are recorded at cost adjusted for amortization of discounts and premiums. Maturity dates on long term investments range from 2022 to 2050 (2020 - 2022 to 2050).

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, 2021, the City is in compliance with the requirements of By-Law 2013-179.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Government of Canada | \$ 2,682 | \$ 2,173 |
| Province of Ontario | 5,459 | 8,091 |
| Other payables | 103,320 | 107,261 |
| Total accounts payable and accrued liabilities | \$ 111,461 | \$ 117,525 |

8. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of \$10,000 (2020 - \$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% (2020 - 1.95%) per annum. No amounts were drawn against the facility as at December 31, 2021 and 2020.

9. Deferred revenue - obligatory reserve funds

Deferred revenue - obligatory reserve funds consist of the following:

| | December 31, 2020 | Externally restricted inflows | Revenue earned | December 31, 2021 |
|---|----------------------|-------------------------------------|-------------------|----------------------|
| Gasoline Tax - Federal | \$ 22,542 | 20,462 | (11,365) | \$ 31,639 |
| Gasoline Tax - Provincial | 1,401 | 2,873 | (1,865) | 2,409 |
| Ontario Community Infrastructure Fund | 3,636 | 9,349 | (8,494) | 4,491 |
| Children's Services - Transition Mitigation Funding | 6,296 | - | - | 6,296 |
| Enabling Accessibility Fund | 510 | 7 | - | 517 |
| Development Charges Act | 4,676 | 5,208 | (4,088) | 5,796 |
| Recreational Land (Planning Act) | 1,021 | 161 | - | 1,182 |
| Sub-Divider Contributions | 8,933 | 343 | (721) | 8,555 |
| Building Permit Revenues (Bill 124) | 6,999 | 84 | (1,512) | 5,571 |
| Ontario Safe Restart Funding | - | 3,459 | (1,364) | 2,095 |
| Ontario's Main Street Revitalization Initiatives | 11 | 1 | - | 12 |
| | \$ 56,025 | 41,947 | (29,409) | \$ 68,563 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

10. Deferred revenue – other

Deferred revenue - other consist of the following:

| | December 31, 2020 | Externally restricted inflows | Revenue earned | December 31, 2021 |
|-----------------------|----------------------|-------------------------------------|-------------------|----------------------|
| Federal government | \$ 742 | 471 | (932) | \$ 281 |
| Provincial government | 9,117 | 18,319 | (12,192) | 15,244 |
| Municipal government | 2 | - | (2) | - |
| Other | 638 | 726 | (616) | 748 |
| Consolidated entities | 392 | 417 | (392) | 417 |
| | \$ 10,891 | 19,933 | (14,134) | \$ 16,690 |

11. Employee benefit obligations

Employee benefit obligations consist of the following:

| | 2021 | 2020 |
|-----------------------------------|-----------|-----------|
| Future payments required for: | | |
| WSIB obligations | \$ 14,189 | \$ 11,367 |
| Accumulated sick leave benefits | 5,541 | 5,405 |
| Other post-employment benefits | 37,993 | 36,673 |
| Liability for Stop Loss Insurance | 992 | 732 |
| Vacation pay | 19,411 | 17,975 |
| | \$ 78,126 | \$ 72,152 |

The City has established reserve funds in the amount of \$10,370 (2020 - \$10,025) 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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
 (in thousands of dollars)
 Year ended December 31, 2021

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, 2021 for each of the plans.

| | WSIB | Sick leave | Other Post-Employment Benefits | 2021 Total | 2020 Total |
|--|-----------|------------|--------------------------------|------------|------------|
| Accrued benefit liability, beginning of year | \$ 11,367 | 5,405 | 36,673 | 53,445 | \$ 52,845 |
| Benefit cost | 3,532 | 326 | 1,941 | 5,799 | 5,335 |
| Interest cost | 757 | 174 | 1,286 | 2,217 | 2,249 |
| Benefit payments | (3,887) | (363) | (2,536) | (6,786) | (7,292) |
| Actuarial gain (loss) | 29,020 | (800) | (1,483) | 26,737 | 13,829 |
| Accrued benefit liability, end of year | 40,789 | 4,742 | 35,881 | 81,412 | 66,966 |
| Unamortized actuarial gain (loss) | (26,600) | 799 | 2,112 | (23,689) | (13,521) |
| | \$ 14,189 | 5,541 | 37,993 | 57,723 | \$ 53,445 |

The total employee benefits expense include the following components:

| | WSIB | Sick Leave | Other Post-Employment Benefits | 2021 Total | 2020 Total |
|---------------------------------------|----------|------------|--------------------------------|------------|------------|
| Current period benefit cost | \$ 3,532 | 326 | 1,941 | 5,799 | \$ 5,335 |
| Amortization of actuarial gain (loss) | 2,420 | (1) | 629 | 3,048 | 2,449 |
| Interest expense | 757 | 174 | 1,286 | 2,217 | 2,249 |
| Total employee benefit expense | \$ 6,709 | 499 | 3,856 | 11,064 | \$ 10,033 |

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 | 3.25% | 3.25% | 3.60% |

For other post employment benefits, as at December 31, 2021, the initial health care trend rate is 5.35% (2020 - 7.6 %) and the ultimate trend rate is 4.35% (2020 - 4.5%) which is expected to be reached in 2031 (2020 - 2029).

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

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 3.50% (2020 - 3.50%) minus an inflation rate of 1.70% (2020 - 1.61%) (10-year average of CPI from 2010 to 2020). The estimated total landfill closure and post-closure care expenses are calculated to be \$29,880 (2020 - \$27,720). The estimated liability for the active sites is recognized as the landfill site's capacity is used. At December 31, 2021, an amount of \$19,243 (2020 - \$17,502) with respect to landfill closure and post-closure liabilities has been accrued.

Active sites

The estimated remaining capacity of the Sudbury landfill site is 42% (3,291,523 cubic meters) (2020 - 43%) of its total estimated capacity and its estimated remaining life is 37 years (2020 - 37 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 30% (491,118 cubic meters) (2020 - 32%) of its total estimated capacity and its estimated remaining life is 15 years (2020 - 18 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 41% (608,363 cubic meters) (2020 - 43%) of its total estimated capacity and its estimated remaining life is 25 years (2020 - 28 years), after which the period for post-closure care is estimated to be 25 years.

Inactive sites

The City has identified three (2020 - 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 3.50% (2020 - 3.50%). The estimated present value of future expenditures for post-closure care is \$2,044 (2020 - \$2,070).

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

13. Long-term liabilities

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

| | 2021 | 2020 |
|--------------------------------------|-------------------|-------------------|
| Debentures (i) | \$ 37,148 | \$ 41,099 |
| Sinking fund debentures (ii) | 200,000 | 200,000 |
| Other loans (iii) | 14,097 | 14,934 |
| Capital lease obligations (iv) | 718 | 269 |
| Accrued financial obligations (v) | 4,250 | 5,500 |
| | <u>\$ 256,213</u> | <u>\$ 261,802</u> |
| Total value of sinking fund deposits | (7,675) | - |
| Net Long-term Liabilities | <u>\$ 248,538</u> | <u>\$ 261,802</u> |

- 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 March 2035.
- ii. The sinking fund debenture bears an interest rate of 2.416%, payable semi annually. On an annual basis the City, starting March 2021, must contribute \$4.2 million to a sinking fund, with the City's sinking fund contributions and associated investment income used to repay the debenture at maturity in March 2050.
- iii. 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.
- iv. The capital lease obligations bear interest at a rate of 0%, repayable in aggregate blended annual payments of \$274, maturing from Feb 2023 to Dec 2025.
- v. Accrued financial obligations consist of the following:

| | Last Year of Obligation | 2021 | 2020 |
|---|-------------------------------|-----------------|-----------------|
| Place des Arts | 2022 | 2,000 | 2,000 |
| Maison McCulloch Hospice | 2022 | 150 | 300 |
| Northeastern Ontario Regional Cancer Centre | 2023 | 511 | 812 |
| Health Sciences North | 2023 | 1,189 | 1,888 |
| Health Sciences North (PET Scanner) | 2025 | 400 | 500 |
| | | <u>\$ 4,250</u> | <u>\$ 5,500</u> |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

13. Long-term liabilities (continued)

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

| | | |
|--|----|---------|
| 2022 | \$ | 12,744 |
| 2023 | | 9,301 |
| 2024 | | 8,394 |
| 2025 | | 7,494 |
| 2026 | | 7,530 |
| Thereafter | | 129,276 |
| Interest to be earned on sinking funds | | 73,799 |
| | \$ | 248,538 |

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

| | | |
|----------------------------|----|---------|
| General municipal revenues | \$ | 211,615 |
| Water/wastewater user fees | | 36,923 |
| | \$ | 248,538 |

(d) The City expensed \$7,047 in 2021 (2020 - \$ 6,304) in interest on these borrowings.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

14. Tangible capital assets

| Cost | Balance December 31, 2020 | Additions | Disposals / Transfers | Balance at December 31, 2021 |
|------------------------------------|---------------------------------|----------------|--------------------------|------------------------------------|
| General Capital: | | | | |
| Land | \$ 87,675 | 1,264 | (752) | \$ 88,187 |
| Landfill and land improvements | 48,719 | 3,062 | (39) | 51,742 |
| Buildings | 370,475 | 5,532 | (3,083) | 372,924 |
| Machinery, furniture and equipment | 125,274 | 5,257 | (2,395) | 128,136 |
| Vehicles | 84,731 | 10,742 | (7,429) | 88,044 |
| Infrastructure: | | | | |
| Land improvements | 31,929 | 1,445 | (12) | 33,362 |
| Plants and facilities | 439,228 | 10,916 | (41) | 450,103 |
| Roads infrastructure | 1,424,398 | 37,110 | (6,044) | 1,455,464 |
| Water and sewer infrastructure | 556,736 | 20,248 | (1,406) | 575,578 |
| Assets under construction | 49,672 | 51,084 | (24,397) | 76,359 |
| Total | \$ 3,218,837 | 146,660 | (45,598) | \$ 3,319,899 |

| Accumulated amortization | Balance December 31, 2020 | Amortization expense | Disposals / Transfers | Balance at December 31, 2021 |
|------------------------------------|---------------------------------|-------------------------|--------------------------|------------------------------------|
| General Capital: | | | | |
| Land | \$ - | - | - | \$ - |
| Landfill and land improvements | 23,471 | 1,727 | (39) | 25,159 |
| Buildings | 199,129 | 10,718 | (2,784) | 207,063 |
| Machinery, furniture and equipment | 83,756 | 7,523 | (2,348) | 88,931 |
| Vehicles | 49,114 | 5,779 | (7,210) | 47,683 |
| Infrastructure: | | | | |
| Land improvements | 5,414 | 687 | (9) | 6,092 |
| Plants and facilities | 241,010 | 10,016 | (35) | 250,991 |
| Roads infrastructure | 814,991 | 35,927 | (5,630) | 845,288 |
| Water and sewer infrastructure | 192,690 | 7,745 | (1,404) | 199,031 |
| Assets under construction | - | - | - | - |
| Total | \$ 1,609,575 | 80,121 | (19,459) | \$ 1,670,238 |

| | Net book value December 31, 2020 | Net book value December 31, 2021 |
|------------------------------------|--|--|
| General Capital: | | |
| Land | \$ 87,675 | \$ 88,187 |
| Landfill and land improvements | 25,248 | 26,583 |
| Buildings | 171,349 | 165,861 |
| Machinery, furniture and equipment | 41,518 | 39,205 |
| Vehicles | 35,617 | 40,361 |
| Infrastructure: | | |
| Land improvements | 26,515 | 27,270 |
| Plants and facilities | 198,218 | 199,112 |
| Roads infrastructure | 609,403 | 610,176 |
| Water and sewer infrastructure | 364,047 | 376,547 |
| Assets under construction | 49,672 | 76,359 |
| Total | \$ 1,609,262 | \$ 1,649,660 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

14. Tangible capital assets

| Cost | Balance December 31, 2019 | Additions | Disposals / Transfers | Balance at December 31, 2020 |
|------------------------------------|---------------------------------|----------------|--------------------------|------------------------------------|
| General Capital: | | | | |
| Land | \$ 85,191 | 2,838 | (354) | \$ 87,675 |
| Landfill and land improvements | 47,234 | 1,485 | - | 48,719 |
| Buildings | 365,028 | 6,228 | (781) | 370,475 |
| Machinery, furniture and equipment | 122,816 | 6,743 | (4,285) | 125,274 |
| Vehicles | 80,529 | 7,880 | (3,678) | 84,731 |
| Infrastructure: | | | | |
| Land improvements | 31,879 | 50 | - | 31,929 |
| Plants and facilities | 436,018 | 3,330 | (120) | 439,228 |
| Roads infrastructure | 1,354,140 | 88,941 | (18,683) | 1,424,398 |
| Water and sewer infrastructure | 548,304 | 8,965 | (533) | 556,736 |
| Assets under construction | 40,527 | 36,806 | (27,661) | 49,672 |
| Total | \$ 3,111,666 | 163,266 | (56,095) | \$ 3,218,837 |

| Accumulated amortization | Balance December 31, 2019 | Amortization expense | Disposals / Transfers | Balance at December 31, 2020 |
|------------------------------------|---------------------------------|-------------------------|--------------------------|------------------------------------|
| General Capital: | | | | |
| Land | \$ - | - | - | \$ - |
| Landfill and land improvements | 21,734 | 1,737 | - | 23,471 |
| Buildings | 189,027 | 10,712 | (610) | 199,129 |
| Machinery, furniture and equipment | 80,081 | 7,855 | (4,180) | 83,756 |
| Vehicles | 47,306 | 5,461 | (3,653) | 49,114 |
| Infrastructure: | | | | |
| Land improvements | 4,754 | 660 | - | 5,414 |
| Plants and facilities | 230,915 | 10,214 | (119) | 241,010 |
| Roads infrastructure | 797,098 | 34,300 | (16,407) | 814,991 |
| Water and sewer infrastructure | 185,642 | 7,546 | (498) | 192,690 |
| Assets under construction | - | - | - | - |
| Total | \$ 1,556,556 | 78,484 | (25,467) | \$ 1,609,575 |

| | Net book value December 31, 2019 | Net book value December 31, 2020 |
|------------------------------------|--|--|
| General Capital: | | |
| Land | \$ 85,191 | \$ 87,675 |
| Landfill and land improvements | 25,500 | 25,248 |
| Buildings | 176,001 | 171,346 |
| Machinery, furniture and equipment | 42,735 | 41,518 |
| Vehicles | 33,223 | 35,617 |
| Infrastructure: | | |
| Land improvements | 27,125 | 26,515 |
| Plants and facilities | 205,103 | 198,218 |
| Roads infrastructure | 557,042 | 609,407 |
| Water and sewer infrastructure | 362,662 | 364,046 |
| Assets under construction | 40,527 | 49,672 |
| Total | \$ 1,555,109 | \$ 1,609,262 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

14. Tangible capital assets (continued)

a) Assets under construction

Assets under construction having a value of \$76,356 (2020- \$49,669) have not been amortized. Amortization of these assets will commence when the asset is put into service.

During the year, the City added \$51,084 (2020 - \$336,806) to assets under construction and transferred \$24,149 (2020 - \$37,402) 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 \$3,679 (2020 - \$1,812) comprised of the following:

| | 2021 | 2020 |
|------------------------------|----------|----------|
| General Capital | | |
| Land | \$ 289 | \$ 400 |
| Machinery and equipment | 302 | 230 |
| Infrastructure | | |
| Plant and Facilities | 11 | - |
| Roads network | 1,716 | 577 |
| Water and wastewater network | 1,361 | 605 |
| Total | \$ 3,679 | \$ 1,812 |

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:

| | 2021 | 2020 |
|---------------------------|-----------|-----------|
| Taxation | \$ 48,531 | \$ 51,475 |
| Payments in lieu of taxes | 137 | 137 |
| | \$ 48,668 | \$ 51,612 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
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Year ended December 31, 2021

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:

| | |
|------------------|----------|
| 2022 | \$ 3,958 |
| 2023 | 4,491 |
| 2024 | 910 |
| 2024 | 98 |
| 2026 and onwards | 74 |
| | <hr/> |
| | \$ 9,531 |

- (b) Contingent assets

As of December 31, 2021, 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, 2021 amounts to approximately \$55,608 (2020 - \$53,761). The proposed financing of these obligations is \$51,503 (2020 - \$49,176) from surplus funds and \$4,105 (2020 - \$4,585) 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:

| | |
|------------------|------------|
| 2022 | \$ 28,913 |
| 2023 | 23,048 |
| 2024 | 20,519 |
| 2025 | 14,318 |
| 2026 and onwards | 64,052 |
| | <hr/> |
| | \$ 150,850 |

- (c) Contingent liabilities

As at December 31, 2021, 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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

17. Contractual obligations and commitments (continued)

(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, 2021 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:

| | 2021 | 2020 |
|---|--------------|--------------|
| Surplus | | |
| Invested in tangible capital assets | \$ 1,405,231 | \$ 1,356,184 |
| Invested in government business enterprises | 140,845 | 135,436 |
| Other | 699 | 787 |
| Committed capital: | | |
| Capital projects not completed | 305,201 | 320,475 |
| Unfinanced capital projects to be recovered through taxation or user charges | (24,003) | (32,010) |
| Unfunded: | | |
| Landfill closure costs | (19,243) | (17,502) |
| Employee benefits | (77,043) | (71,330) |
| Accrued financial obligations | (5,500) | (7,100) |
| | 1,726,187 | 1,684,940 |
| Reserves | 39,339 | 38,647 |
| Reserve funds | 146,429 | 117,980 |
| | \$ 1,911,955 | \$ 1,841,567 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

19. Budget data

Budget data presented in these consolidated financial statements are based on the 2021 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.

| | 2021 |
|---|-------------------------|
| Revenues | |
| Approved budget: | |
| Operating | \$ 622,838 |
| Capital | 172,546 |
| Consolidated Boards | 20,938 |
| | <hr/> 816,322 |
| Adjustments: | |
| Transfer from reserves to operating | (13,964) |
| Recognize revenues from obligatory reserve funds | (18,516) |
| In year budget adjustments - operating | 1,979 |
| Operating transfer to capital and future years funding | (118,397) |
| Contributed tangible capital assets | 1,839 |
| Reclass between revenues and expenses | (702) |
| Reclassification of taxation bad debt expense | (2,360) |
| Total revenues | <hr/> \$ 666,201 |
| Expenses | |
| Approved budget: | |
| Operating | \$ 622,354 |
| Capital | 172,546 |
| Consolidated Boards (A) | 20,938 |
| | <hr/> 815,838 |
| Adjustments: | |
| Amortization of tangible capital assets | 75,406 |
| Transfer to reserves and capital | (92,200) |
| Reduction due to tangible capital assets | (175,268) |
| Post employment benefit expense | 3,292 |
| Landfill closure and post closure expense | 1,967 |
| In year budget adjustments - operating | 1,979 |
| Reclassification of taxation bad debt expense | (2,360) |
| Debt principal repayments | (15,440) |
| Reclass between revenues and expenses | (702) |
| Operating expenses budgeted in capital expensed in current year | 9,112 |
| Total expenses | <hr/> \$ 621,624 |
| Annual surplus | <hr/> \$ 44,577 |

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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

20. Taxation

Taxation consists of:

| | 2021 Budget | 2021 Actual | 2020 Actual |
|-----------------------------------|----------------|----------------|----------------|
| Municipal tax levy | \$ 302,704 | 302,733 | \$ 289,703 |
| Supplementary taxation | 2,467 | 2,769 | 1,757 |
| Payment in lieu of property taxes | 8,493 | 8,554 | 8,344 |
| Local improvements | 22 | 22 | 39 |
| | 313,686 | 314,078 | 299,843 |
| Rebates and tax concessions | (2,360) | (2,309) | (1,462) |
| Net municipal taxation | \$ 311,326 | 311,769 | \$ 298,381 |

21. Other revenues

Other revenues consist of:

| | 2021 Budget | 2021 Actual | 2020 Actual |
|---|----------------|----------------|----------------|
| Gaming and casino revenues | \$ 2,175 | 880 | \$ 579 |
| Loss (gain) on sale of land and tangible capital assets | - | 3,567 | (2,474) |
| Donated tangible capital assets | - | 3,679 | 1,812 |
| Donations | 120 | 56 | 62 |
| Development Charges earned | - | 4,088 | 2,665 |
| Sub-divider contributions | 1,702 | 2,233 | 729 |
| Miscellaneous recoveries/revenues | 16,588 | 28,775 | 14,946 |
| | \$ 20,585 | 43,278 | \$ 18,319 |

22. Trust funds

Trust funds amounting to \$18,195 (2020 - \$17,811) 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.

23. Comparative information

Certain comparative information 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.

CITY OF GREATER SUBBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

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.

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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

24. Segmented disclosure (continued)

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, 2020

24. Segmented Disclosure (continued)

| December 31, 2021 | General Government | Protection Services | Transportation Services | Environmental Services | Health and Social Services | Recreation and Cultural Services | Planning and Development | Government Business Enterprises | Total |
|---------------------------------|-----------------------|------------------------|----------------------------|---------------------------|-------------------------------|-------------------------------------|-----------------------------|---------------------------------------|------------------|
| Revenues | | | | | | | | | |
| Transfer Payments | \$ 49,381 | \$ 5,028 | \$ 26,680 | \$ 664 | \$ 98,332 | \$ 1,597 | \$ 1,435 | \$ - | \$ 183,117 |
| Taxation | 22,793 | 97,901 | 69,607 | 19,304 | 56,089 | 34,067 | 12,008 | - | 311,769 |
| User Charges | 5,517 | 5,211 | 5,961 | 93,000 | 19,560 | 3,624 | 742 | - | 133,614 |
| Other | 23,492 | 2,730 | 7,139 | 8,405 | 8,876 | 4,851 | 3,842 | 5,409 | 64,745 |
| | 101,183 | 110,870 | 109,387 | 121,373 | 182,857 | 44,139 | 18,027 | 5,409 | 693,245 |
| Expenses | | | | | | | | | |
| Salaries, Wages and Benefits | 35,574 | 91,538 | 37,629 | 22,547 | 72,020 | 17,369 | 7,731 | - | 284,408 |
| Materials | 9,617 | 10,407 | 23,424 | 21,826 | 25,007 | 10,516 | 2,844 | - | 103,641 |
| Contract Services | 4,378 | 1,368 | 11,453 | 33,893 | 43,043 | 1,483 | 738 | - | 96,355 |
| Grants and Transfer Payments | 968 | 1,090 | 2 | 64 | 43,556 | 1,977 | 1,239 | - | 48,896 |
| Amortization | 1,301 | 4,240 | 41,581 | 19,940 | 7,279 | 5,377 | 404 | - | 80,121 |
| Other | 2,771 | 749 | 1,539 | 1,857 | 217 | 2,202 | 102 | - | 9,436 |
| Allocation of shared expenses | (19,073) | 4,445 | 1,717 | 2,412 | 6,874 | 3,057 | 566 | - | - |
| | 35,536 | 113,837 | 117,345 | 102,539 | 197,996 | 41,981 | 13,624 | - | 622,857 |
| Annual Surplus (Deficit) | \$ 65,647 | (2,967) | (7,958) | 18,834 | (15,139) | 2,158 | 4,403 | 5,409 | \$ 70,388 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2020

24. Segmented Disclosure (continued)

| December 31, 2020 | General Government | Protection Services | Transportation Services | Environmental Services | Health and Social Services | Recreation and Cultural Services | Planning and Development | Government Business Enterprises | Total |
|---------------------------------|--------------------|---------------------|-------------------------|------------------------|----------------------------|----------------------------------|--------------------------|---------------------------------|------------------|
| Revenues | | | | | | | | | |
| Transfer Payments | \$ 31,031 | \$ 4,241 | \$ 32,230 | \$ 9 | \$ 114,897 | \$ 489 | \$ 784 | \$ - | \$ 183,681 |
| Taxation | 28,399 | 92,301 | 62,721 | 19,416 | 53,150 | 30,668 | 11,726 | - | 298,381 |
| User Charges | 5,325 | 5,527 | 6,125 | 88,770 | 20,337 | 5,141 | 566 | - | 131,791 |
| Other | 19,060 | 2,918 | 3,927 | 6,987 | 2,069 | 1,013 | 2,028 | 18,303 | 56,305 |
| | 83,815 | 104,987 | 105,003 | 115,182 | 190,453 | 37,311 | 15,104 | 18,303 | 670,158 |
| Expenses | | | | | | | | | |
| Salaries, Wages and Benefits | 31,427 | 87,545 | 36,280 | 21,570 | 70,647 | 17,144 | 7,195 | - | 271,808 |
| Materials | 8,647 | 9,062 | 27,134 | 23,731 | 24,720 | 10,929 | 1,926 | - | 106,149 |
| Contract Services | 5,700 | 1,433 | 13,355 | 33,325 | 35,096 | 1,259 | 503 | - | 90,671 |
| Grants and Transfer Payments | 719 | 1,024 | 3 | 65 | 45,408 | 1,721 | 1,350 | - | 50,290 |
| Amortization | 1,287 | 4,186 | 39,890 | 19,775 | 7,627 | 5,311 | 408 | - | 78,484 |
| Other | 4,548 | 619 | 483 | 1,839 | 249 | 234 | 54 | - | 8,026 |
| Allocation of shared expenses | (18,579) | 4,477 | 1,441 | 2,617 | 6,485 | 3,138 | 421 | - | - |
| | 33,749 | 108,346 | 118,586 | 102,922 | 190,232 | 39,736 | 11,857 | - | 605,428 |
| Annual Surplus (Deficit) | \$ 50,066 | (3,359) | (13,583) | 12,260 | 221 | (2,425) | 3,247 | 18,303 | \$ 64,730 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2021

25. Supplementary financial information

Schedule of Revenues and Expenses - Library

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Revenues | | |
| Government transfers (note 1) | \$ 403 | \$ 403 |
| Fines and fees | 40 | 40 |
| Other | 22 | 7 |
| | 465 | 450 |
| Expenses | | |
| Salaries, wages and benefits | \$ 5,018 | \$ 4,383 |
| Materials and contract services | 3,795 | 4,123 |
| | 8,813 | 8,506 |
| Excess of expenses over revenues | \$ (8,348) | \$ (8,056) |

1. The government transfers are comprised of the following:

Provincial

| | | |
|---|--------|--------|
| Ministry of Tourism and Culture - Operating | \$ 403 | \$ 403 |
| | \$ 403 | \$ 403 |

26. Effects of COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social impacts. During the year ended December 31, 2021, the City experienced COVID-19 related declines in revenues (primarily user charges) and increased costs in select service areas. The Federal and Provincial governments provided funding, which included the Safe Restart Agreement, the Social Services Relief Fund, and funding from various provincial ministries including Health, Long Term Care, and Municipal Affairs and Housing.

Senior levels of government have shown some continued commitment to provide funding to offset the financial impacts that COVID-19 has had on municipalities. There continues to remain uncertainty in the upcoming year with respect to user charges revenue and additional pandemic-related costs. The ultimate duration and magnitude of the COVID-19 pandemic, including the occurrence of additional future waves, is unknown. Management continues to monitor the impact on financial results, operations, supply chain and workforce and there are no additional adjustments at this time.

27. Subsequent event:

Subsequent to year-end, City Council authorized the issuance of 25-year sinking fund debentures in the principal amount of \$103 million, the proceeds of which will be used to fund certain capital projects. The debentures bear interest at a rate of 3.457%, payable semi-annually. The principal amount of the debentures will be payable upon the maturity in March 2047. On an annual basis, the City will contribute \$2.6 million to a sinking fund, with the City's sinking fund contributions and associated investment income used to repay the debentures at maturity.