

Consolidated Financial Statements of

CITY OF GREATER SADBURY

Year ended December 31, 2018

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, 2018
- 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, 2018, 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.



- 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

June 11, 2019

CITY OF GREATER SUDBURY

Consolidated Statement of Financial Position

(in thousands of dollars)

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash	\$ 8,174	\$ 6,188
Taxes receivable (note 3)	8,532	9,360
Accounts receivable (note 4)	73,993	69,426
Inventory held for resale	1,802	2,474
Investment in Government Business Enterprises (note 5 (a))	114,145	108,150
Investments (note 6)	304,800	298,357
	511,446	493,955
Financial liabilities		
Accounts payable and accrued liabilities (note 7)	97,656	99,200
Deferred revenue - obligatory reserve funds (note 9)	50,418	40,489
Deferred revenue - other (note 10)	4,641	3,590
Employee benefit obligations (note 11)	65,209	62,523
Solid waste management facility liability (note 12)	14,316	14,944
Long-term liabilities (note 13)	76,530	77,472
	308,770	298,218
Net financial assets	202,676	195,737
Non-financial assets		
Tangible capital assets (note 14)	1,521,076	1,488,881
Inventory of supplies	4,523	3,976
Prepaid expenses	5,065	4,720
	1,530,664	1,497,577
Contractual rights and contingent assets (note 16)		
Contractual obligations and commitments (note 17)		
Accumulated Surplus (note 18)	\$ 1,733,340	\$ 1,693,313

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, 2018, with comparative information for 2017

	2018 Budget	2018 Actual	2017 Actual
	(note 19)		
Revenues			
Government transfers - Provincial	\$ 147,529	156,171	\$ 148,686
- Federal	21,217	21,170	31,557
Taxation (note 20)	268,808	267,956	257,561
User charges	131,972	131,252	124,053
Investment income	10,652	11,444	10,150
Fines and penalties	6,521	6,321	7,501
Other revenues (note 21)	20,333	22,307	23,762
Government Business Enterprises net earnings (note 5 (b))	2,565	5,995	2,164
	609,597	622,616	605,434
Expenses			
General government	25,821	25,343	23,700
Protection services	101,962	104,245	98,041
Transportation services	105,763	108,320	113,519
Environmental services	97,207	92,411	92,760
Health services	30,898	31,941	30,493
Social and family services	112,560	116,550	105,405
Social housing	37,140	40,747	39,599
Recreation and cultural services	44,916	50,705	42,911
Planning and development	12,780	12,327	12,448
	569,047	582,589	558,876
Annual Surplus	40,550	40,027	46,558
Accumulated surplus, beginning of the year	1,693,313	1,693,313	1,646,755
Accumulated surplus, end of the year	\$ 1,733,863	1,733,340	\$ 1,693,313

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, 2018, with comparative information for 2017

	2018 Budget	2018 Actual	2017 Actual
	(note 19)		
Annual Surplus	\$ 40,550	40,027	\$ 46,558
Acquisition of tangible capital assets	(266,087)	(106,977)	(124,678)
Amortization of tangible capital assets	70,992	73,200	72,028
Loss on sale of tangible capital assets	-	1,566	2,652
Proceeds on sale of tangible capital assets	-	17	353
	(154,545)	7,833	(3,087)
Inventory of supplies	-	(549)	809
Prepaid expenses	-	(345)	3
Change in net financial assets	(154,545)	6,939	(2,275)
Net financial assets, beginning of the year	195,737	195,737	198,012
Net financial assets, end of the year	\$ 41,192	202,676	\$ 195,737

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, 2018, with comparative information for 2017

	2018	2017
Cash flows from operating activities		
Annual Surplus	\$ 40,027	\$ 46,558
Items not involving cash:		
Amortization of tangible capital assets	73,200	72,028
Loss on sale of tangible capital assets	1,566	2,652
Developer contributions of tangible capital assets	(2,124)	(5,329)
Change in employee benefit obligations	2,686	3,448
Change in solid waste management facility liability	(628)	515
Equity income in Government Business Enterprises	(5,995)	(2,164)
Change in non-cash working capital:		
(Increase) in accounts and taxes receivable	(3,739)	(23,404)
Decrease in inventory held for resale	671	570
(Increase) decrease in inventory of supplies	(549)	809
(Increase) decrease in prepaid expenses	(345)	3
(Decrease) increase in accounts payable and accrued liabilities	(1,544)	5,542
Increase (decrease) in deferred revenue - obligatory reserve funds	9,929	(2,973)
Increase in deferred revenue - other	1,052	223
	114,207	98,478
Cash flows from financing activities		
Long-term debt issued	5,760	1,000
Debt principal repayments	(4,171)	(3,985)
Financial obligations payments	(3,050)	(2,130)
Capital lease issued	625	-
Capital lease payments	(107)	(10)
	(943)	(5,125)
Cash flows from capital activities		
Proceeds on sale of tangible capital assets	17	353
Cash used to acquire tangible capital assets	(104,853)	(119,349)
	(104,836)	(118,996)
Cash flows from investing activities		
(Purchase) sale of investments	(6,442)	24,787
Net increase (decrease) in cash	1,986	(856)
Cash, beginning of the year	6,188	7,044
Cash, end of the year	\$ 8,174	\$ 6,188
Supplementary Information		
Interest received	\$ 6,822	\$ 6,214
Interest paid	\$ 2,835	\$ 3,022

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, 2018

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 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, 2018

1. Significant accounting policies (continued)

(a) Reporting entity (continued)

(ii) Related entities (continued)

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

	2018	2017
Nickel District Conservation Authority	\$ 867	\$ 683
Board of Health for the Sudbury & District Health Unit	6,136	6,029
The City of Greater Sudbury Community Development Corporation	1,564	1,542
	<u>\$ 8,567</u>	<u>\$ 8,254</u>

(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, 2018

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, 2018

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 SUBBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2018

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 consisting of surplus land and cemetery plots, 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 2018 was \$16,830 (2017 - \$16,686). As of December 31, 2018 the OMERS plan, with approximately 496,000 members, has a funding deficit of \$2,790,000 (2017 – surplus \$605,000).

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 SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2018

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 SADBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2018

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.

(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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2018

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

The Public Sector Accounting Board (PSAB) issued new accounting standards effective for fiscal years beginning on or after April 1, 2017. As a result, the City adopted the following new accounting standards: Related Party Disclosures (PS 2200), Assets (PS 3210), Contingent Assets (PS 3320), Contractual Rights (PS 3380), and Inter-Entity Transactions (PS 3420). 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. These new accounting standards only impact note disclosures.

2. Accounting standards issued but not yet adopted

Section PS 3430, Restructuring Transactions is effective for fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted. 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 City has not yet adopted this standard or determined the effect on the consolidated financial statements.

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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2018

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

	2018	2017
Current taxes and grants in lieu of taxes	\$ 7,642	\$ 7,351
Taxes in arrears	7,575	8,109
	15,217	15,460
Less: allowance for doubtful accounts	(6,685)	(6,100)
Net taxes receivable	\$ 8,532	\$ 9,360

4. Accounts receivable

Accounts receivable consists of the following:

	2018	2017
Government of Canada	\$ 19,130	\$ 21,813
Province of Ontario	13,166	12,778
Other municipalities	167	69
School boards	41	134
Other receivables	42,286	35,245
	74,790	70,039
Less: allowance for doubtful accounts	(797)	(613)
Net accounts receivable	\$ 73,993	\$ 69,426

CITY OF GREATER SADBURY

Notes to Consolidated Financial Statements
 (in thousands of dollars)
 Year ended December 31, 2018

5. Investment in Government Business Enterprises

The SACDC and GSU are 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	2018 Total	2017 Total
Balance, beginning of year	\$ 13,666	94,484	108,150	\$ 105,986
City's share of operating income for the year	1,095	4,900	5,995	2,164
Balance, end of year	\$ 14,761	99,384	114,145	\$ 108,150

The investment of \$99,384 in GSU includes a promissory note receivable of \$52,340 (2017 - \$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, 2018:

Financial Position

	SACDC	GSU	2018 Total	2017 Total
Current assets	\$ 2,488	23,180	25,668	\$ 27,732
Capital assets	28,956	115,608	144,564	134,983
Other assets	-	14,794	14,794	13,774
Total assets	31,444	153,582	185,026	176,489
Current liabilities	414	12,288	12,702	16,308
Note payable to the City of Greater Sudbury	4,992	52,340	57,332	53,187
Long term liabilities	11,276	41,911	53,187	51,185
Total liabilities	16,682	106,539	123,221	120,680
Net assets	\$ 14,762	47,043	61,805	\$ 55,809

The \$4,992 (2017 -\$847) 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, 2018

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, 2018, the City is in compliance with the requirements of By-Law 2017-16.

	SACDC	GSU	2018 Total	2017 Total
Revenue	\$ 9,556	141,048	150,604	\$ 151,923
Expenses	(8,401)	(132,620)	(141,021)	(144,280)
Interest paid to the City of Greater Sudbury	(58)	(3,795)	(3,853)	(3,835)
Other	-	(926)	(926)	(553)
Other comprehensive income	(2)	1,193	1,191	(1,091)
Net income	\$ 1,095	4,900	5,995	\$ 2,164
Budgeted net income	\$ 1,306	1,259	2,565	1,605

(c) Related Party Transactions

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

- (i) At December 31, 2018, the City has the following amounts included in the consolidated statement of financial position:

A receivable of \$683 (2017 - \$749) for water billings collected by GSU on behalf of the City.

A payable of \$29 (2017 - \$33) 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:

	2018	2017
Property taxes	\$ 466	\$ 425
Interest on promissory note receivable	3,853	3,835
	\$ 4,319	\$ 4,260

CITY OF GREATER SADBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2018

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:

	2018	2017
Billing and collection services for water and wastewater	\$ 1,467	\$ 1,565
Streetlighting maintenance services	448	524
Streetlighting infrastructure	213	298
Electricity	6,782	7,789
Telecommunications	601	487
	\$ 9,511	\$ 10,663

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

	2018 Interest Rates	Market	2018 Cost	Market	2017 Cost
Short term investments	(1.50% to 4.59%)	\$ 172,054	171,564	\$ 170,310	168,825
Long term investments	(0.00% to 3.97%)	134,410	133,236	130,420	129,532
		\$ 306,464	304,800	\$ 300,730	298,357

The investments consisting of term deposits, treasury bills, high interest savings accounts and bonds earn rates of return ranging from 0.00% to 4.60% per annum and are recorded at cost adjusted for amortization of discounts and premiums. Maturity dates on long term investments range from 2020 to 2035 (2017 – 2019 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, 2018, 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, 2018

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2018	2017
Government of Canada	\$ 2,779	\$ 2,619
Province of Ontario	2,827	5,832
Other municipalities	-	44
School boards	18	11
Other payables	92,032	90,694
Total accounts payable and accrued liabilities	\$ 97,656	\$ 99,200

8. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of \$10,000 (2017 - \$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 3.45% (2017 - 2.95%) per annum. No amounts were drawn against the facility as at December 31, 2018 and 2017.

9. Deferred revenue - obligatory reserve funds

Deferred revenue - obligatory reserve funds consist of the following:

	December 31, 2017	Externally restricted inflows	Revenue earned	December 31, 2018
Gasoline Tax - Federal	\$ 13,314	10,545	(6,938)	\$ 16,921
Gasoline Tax - Provincial	-	2,650	(2,650)	-
Ontario Community Infrastructure Fund	372	6,114	(75)	6,411
Social Housing Apartment Retrofit Program	990	366	(1,356)	-
Children's Services - Transition Mitigation Funding	6,296	-	-	6,296
Development Charges Act	1,780	4,571	(4,286)	2,065
Recreational Land (Planning Act)	899	77	(143)	833
Subwatershed Provincial Fund	638	117	(755)	-
Sub-Divider Contributions	8,822	700	(555)	8,967
Building Permit Revenues (Bill 124)	7,378	166	(586)	6,958
Ontario Municipal Commuter Cycling Provincial Grant	-	1,146	(96)	1,050
Social Housing Apartment Improvement Program (SHAIP)	-	461	(80)	381
Municipal Accommodation Tax (MAT)	-	363	-	363
Ontario's Main Street Revitalization Initiatives	-	173	-	173
	\$ 40,489	27,449	(17,520)	\$ 50,418

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
 (in thousands of dollars)
 Year ended December 31, 2018

10. Deferred revenue – other

Deferred revenue - other consist of the following:

	December 31, 2017	Externally restricted inflows	Revenue earned	December 31, 2018
Federal government	\$ 24	229	(49)	\$ 204
Provincial government	2,714	10,565	(9,687)	3,592
Other	664	955	(1,007)	612
Consolidated entities	188	233	(188)	233
	\$ 3,590	11,982	(10,931)	\$ 4,641

11. Employee benefit obligations

Employee benefit obligations consist of the following:

	2018	2017
Future payments required for:		
WSIB obligations	\$ 6,508	\$ 5,189
Accumulated sick leave benefits	6,818	6,760
Other post-employment benefits	34,445	33,545
Liability for Stop Loss Insurance	1,005	1,305
Vacation pay	16,433	15,724
	\$ 65,209	\$ 62,523

The City has established reserve funds in the amount of \$13,963 (2017 - \$15,149) 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, 2018

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, 2018 for each of the plans.

	WSIB	Sick leave	Other Post-Employment Benefits	2018 Total	2017 Total
Accrued benefit liability, beginning of year	\$ 10,114	6,639	35,866	52,619	\$ 51,874
Benefit cost	2,481	350	1,623	4,454	2,931
Interest cost	402	237	1,274	1,913	1,830
Benefit payments	(2,836)	(479)	(2,514)	(5,829)	(4,016)
Actuarial gain (loss)	3,125	(435)	221	2,911	-
Accrued benefit liability, end of year	13,286	6,312	36,470	56,068	52,619
Unamortized actuarial gain (loss)	(6,778)	506	(2,025)	(8,297)	(7,125)
	\$ 6,508	6,818	34,445	47,771	\$ 45,494

The total employee benefits expense include the following components:

	WSIB	Sick Leave	Other Post-Employment Benefits	2018 Total	2017 Total
Current period benefit cost	\$ 3,486	350	1,623	5,459	\$ 4,236
Amortization of actuarial gain (loss)	1,272	(50)	517	1,739	2,192
Interest expense	402	237	1,274	1,913	1,830
Total employee benefit expense	\$ 5,160	537	3,414	9,111	\$ 8,258

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	3.75%	3.75%	3.75%

For other post employment benefits, as at December 31, 2018, the initial health care trend rate is 7.6% (2017 – 7.6 %) and the ultimate trend rate is 4.5% (2017 – 4.5%) which is expected to be reached in 2029 (2017 – 2029).

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2018

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 4.0% (2017 – 3.85%) minus an inflation rate of 2.34% (2017 - 2.17%) (10-year average of CPI from 2008 to 2018). The estimated total landfill closure and post-closure care expenses are calculated to be \$23,265 (2017 - \$24,738). The estimated liability for the active sites is recognized as the landfill site's capacity is used. At December 31, 2018, an amount of \$14,316 (2017 - \$14,944) with respect to landfill closure and post-closure liabilities has been accrued.

Active sites

The estimated remaining capacity of the Sudbury landfill site is 45% (3,472,763 cubic meters) (2017 - 46%) of its total estimated capacity and its estimated remaining life is 34 years (2017 - 32 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) (2017 - 36%) of its total estimated capacity and its estimated remaining life is 25 years (2017 - 21 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) (2017 - 48%) of its total estimated capacity and its estimated remaining life is 32 years (2017 - 31 years), after which the period for post-closure care is estimated to be 25 years.

Inactive sites

The City has identified three (2017 – 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 4.0% (2017 – 3.85%). The estimated present value of future expenditures for post-closure care is \$2,157 (2017 - \$2,225).

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
 (in thousands of dollars)
 Year ended December 31, 2018

13. Long-term liabilities

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

	2018	2017
Debentures (i)	\$ 48,506	\$ 51,975
Other loans (ii)	16,466	17,167
Capital lease obligations (iii)	548	30
Accrued financial obligations (iv)	11,010	8,300
	\$ 76,530	\$ 77,472

- (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	2018	2017
Advanced Medical Research Institute of Canada	2018	\$ -	\$ 100
Physician Service Agreements	2019	10	-
Laurentian University (School of Architecture)	2019	500	1,500
Health Sciences North (PET Scanner)	2021	700	1,000
Maison McCulloch Hospice	2022	600	-
Place des Arts	2022	4,500	-
Northeastern Ontario Regional Cancer Centre	2023	1,414	1,715
Health Sciences North	2023	3,286	3,985
		\$ 11,010	\$ 8,300

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2018

13. Long-term liabilities (continued)

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

2019	\$	7,266
2020		7,462
2021		8,068
2022		6,795
2023		4,852
Thereafter		42,087
	\$	76,530

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

General municipal revenues	\$	33,306
Water/wastewater user fees		43,224
	\$	76,530

(d) The City expensed \$2,835 in 2018 (2017 - \$ 3,022) in interest on these borrowings.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2018

14. Tangible capital assets

Cost	Balance 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 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	73,200	(11,117)	\$ 1,501,045

	Net book value December 31, 2017	Net book value 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

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
 (in thousands of dollars)
 Year ended December 31, 2018

14. Tangible capital assets (continued)

Cost	Balance December 31, 2016	Additions	Disposals / Transfers	Balance at December 31, 2017
General Capital:				
Land	\$ 74,114	2,273	(64)	\$ 76,323
Landfill and land improvements	39,236	1,102	-	40,338
Buildings	336,672	9,615	(2,007)	344,280
Machinery, furniture and equipment	114,094	5,672	(2,249)	117,517
Vehicles	75,945	5,681	(5,484)	76,142
Infrastructure:				
Land improvements	22,811	145	-	22,956
Plants and facilities	423,908	3,443	(1,150)	426,201
Roads infrastructure	1,195,806	50,765	(11,229)	1,235,342
Water and sewer infrastructure	507,291	17,277	(515)	524,053
Assets under construction	35,983	50,135	(21,428)	64,690
Total	\$ 2,825,860	146,108	(44,126)	\$ 2,927,842

Accumulated amortization	Balance December 31, 2016	Amortization expense	Disposals / Transfers	Balance at December 31, 2017
General Capital:				
Land	\$ -	-	-	\$ -
Landfill and land improvements	17,274	1,522	-	18,796
Buildings	161,100	9,969	(1,050)	170,019
Machinery, furniture and equipment	65,441	8,174	(2,128)	71,487
Vehicles	42,333	4,910	(5,233)	42,010
Infrastructure:				
Land improvements	3,294	319	-	3,613
Plants and facilities	202,208	10,141	(1,147)	211,202
Roads infrastructure	730,142	29,921	(9,650)	750,413
Water and sewer infrastructure	164,834	7,073	(486)	171,421
Assets under construction	-	-	-	-
Total	\$ 1,386,626	72,028	(19,694)	\$ 1,438,961

	Net book value December 31, 2016	Net book value December 31, 2017
General Capital:		
Land	\$ 74,114	\$ 76,323
Landfill and land improvements	21,962	21,542
Buildings	175,572	174,261
Machinery, furniture and equipment	48,654	46,030
Vehicles	33,613	34,132
Infrastructure:		
Land improvements	19,517	19,343
Plants and facilities	221,700	214,999
Roads infrastructure	465,664	484,929
Water and sewer infrastructure	342,455	352,632
Assets under construction	35,983	64,690
Total	\$ 1,439,234	\$ 1,488,881

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
 (in thousands of dollars)
 Year ended December 31, 2018

14. Tangible capital assets (continued)

a) Assets under construction

Assets under construction having a value of \$90,132 (2017- \$64,690) have not been amortized. Amortization of these assets will commence when the asset is put into service.

During the year, the City added \$50,841 (2017 - \$50,135) to assets under construction and transferred \$24,804 (2017 - \$21,428) 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 \$2,124 (2017 - \$5,329) comprised of the following:

	2018	2017
General Capital		
Land	\$ 107	\$ 426
Machinery and equipment	319	298
Land improvements	217	33
Infrastructure		
Land improvements	35	234
Roads network	983	1,484
Water and wastewater network	463	2,854
Total	\$ 2,124	\$ 5,329

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:

	2018	2017
Taxation	\$ 52,508	\$ 51,623
Payments in lieu of taxes	139	139
	\$ 52,647	\$ 51,762

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2018

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:

2019	\$ 3,950
2020	3,160
2021	3,158
2022	3,160
2023 and onwards	794
	<hr/>
	\$ 14,222

- (b) Contingent assets

As of December 31, 2018, 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, 2018 amounts to approximately \$47,184 (2017 - \$68,519). The proposed financing of these obligations is \$28,715 (2017 - \$37,175) from surplus funds and \$18,469 (2017 - \$31,344) 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:

2019	\$ 33,832
2020	26,973
2021	12,376
2022	9,372
2023 and onwards	47,687
	<hr/>
	\$ 130,240

- (c) Contingent liabilities

As at December 31, 2018, 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 SADBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2018

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, 2018 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:

	2018	2017
Surplus		
Invested in tangible capital assets	\$ 1,455,357	\$ 1,419,491
Invested in government business enterprises	114,145	108,150
Other	2,225	2,828
Committed capital:		
Capital projects not completed	120,446	122,619
Unfinanced capital projects to be recovered through taxation or user charges	(19,355)	(21,304)
Unfunded:		
Landfill closure costs	(14,316)	(14,944)
Employee benefits	(64,113)	(61,127)
Accrued financial obligations	(10,800)	(8,100)
	1,583,589	1,547,613
Reserves	6,519	9,417
Reserve funds	143,232	136,283
	\$ 1,733,340	\$ 1,693,313

CITY OF GREATER SADBURY

Notes to Consolidated Financial Statements
 (in thousands of dollars)
 Year ended December 31, 2018

19. Budget data

Budget data presented in these consolidated financial statements are based on the 2018 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.

	2018
Revenues	
Approved budget:	
Operating	\$ 551,539
Capital	263,357
Consolidated Boards	21,056
	835,952
Adjustments:	
Transfer from reserves to operating	(8,890)
Recognize revenues from obligatory reserve funds	(8,549)
In year budget adjustments - operating	3,833
Operating transfer to capital and future years funding	(209,840)
Reclass between revenues and expenses	(969)
Reclassification of taxation bad debt expense	(1,940)
Total revenues	\$ 609,597
Expenses	
Approved budget:	
Operating	\$ 551,539
Capital	263,357
Consolidated Boards (A)	18,491
	833,387
Adjustments:	
Amortization of tangible capital assets	70,992
Transfer to reserves and capital	(81,713)
Reduction due to tangible capital assets	(266,088)
Post employment benefit expense	6,065
Landfill closure and post closure expense	722
In year budget adjustments - operating	3,833
In year budget adjustments - capital	160
Reclassification of taxation bad debt expense	(1,940)
Debt principal repayments	(7,811)
Reclass between revenues and expenses	(969)
Operating expenses budgeted in capital expensed in current year	12,409
Total expenses	\$ 569,047
Annual surplus	\$ 40,550

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, 2018

20. Taxation

Taxation consists of:

	2018 Budget	2018 Actual	2017 Actual
Municipal tax levy	\$ 260,673	260,764	\$ 249,701
Supplementary taxation	2,200	2,463	3,039
Payment in lieu of property taxes	7,833	7,744	7,656
Local improvements	42	42	59
	270,748	271,013	260,455
Rebates and tax concessions	(1,940)	(3,057)	(2,894)
Net municipal taxation	\$ 268,808	267,956	\$ 257,561

21. Other revenues

Other revenues consist of:

	2018 Budget	2018 Actual	2017 Actual
Gaming and casino revenues	\$ 2,175	2,153	\$ 2,255
Loss on sale of land and tangible capital assets	-	(1,566)	(2,588)
Donated tangible capital assets	-	2,124	5,329
Donations	169	101	86
Development Charges earned	-	4,286	3,689
Sub-divider contributions	1,142	1,142	2,049
Miscellaneous recoveries/revenues	16,847	14,067	12,942
	\$ 20,333	22,307	\$ 23,762

22. Trust funds

Trust funds amounting to \$17,553 (2017 - \$15,912) 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 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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2018

24. Segmented disclosure

The City is a diversified municipal government institution that provides a wide range of services to more than 161,000 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, 2018

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, 2018

24. Segmented Disclosure (continued)

December 31, 2018	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	\$ 21,708	4,322	33,480	1,193	114,974	641	1,023		\$ 177,341
Taxation	(15,403)	86,279	81,501	20,845	54,620	29,009	11,105		267,956
User Charges	5,624	5,807	10,607	80,246	19,440	8,771	757		131,252
Other	16,562	4,035	6,189	6,430	1,956	1,772	3,128	5,995	46,067
	28,491	100,443	131,777	108,714	190,990	40,193	16,013	5,995	622,616
Expenses									
Salaries, Wages and Benefits	27,802	82,467	33,067	19,905	63,170	21,770	7,330	-	255,511
Materials	8,063	9,888	24,423	19,003	23,013	12,793	2,215	-	99,398
Contract Services	5,000	1,795	12,471	30,207	43,459	1,395	503	-	94,830
Grants and Transfer Payments	130	879	52	52	46,379	6,589	1,426	-	55,507
Amortization	1,102	4,742	35,396	19,219	7,233	5,114	394	-	73,200
Other	720	339	480	1,966	297	287	54	-	4,143
Allocation of shared expenses	(17,474)	4,135	2,431	2,059	5,687	2,757	405	-	-
	25,343	104,245	108,320	92,411	189,238	50,705	12,327	-	582,589
Annual Surplus (Deficit)	\$ 3,148	(3,802)	23,457	16,303	1,752	(10,512)	3,686	5,995	\$ 40,027

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2018

24. Segmented Disclosure (continued)

December 31, 2017	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	\$ 23,799	3,808	39,097	6,174	105,269	713	1,383	-	\$ 180,243
Taxation	(20,119)	83,344	81,530	20,024	54,252	27,481	11,050	-	257,561
User Charges	5,401	5,718	10,017	74,713	18,733	8,639	831	-	124,053
Other	15,576	5,565	7,047	7,954	2,270	1,477	1,523	2,164	43,577
	24,656	98,435	137,692	108,865	180,524	38,310	14,788	2,164	605,434
Expenses									
Salaries, Wages and Benefits	25,323	78,486	32,173	19,546	59,960	20,908	7,283	-	243,678
Materials	7,569	8,460	29,605	21,497	20,382	11,697	2,234	-	101,444
Contract Services	4,040	1,470	14,019	29,020	36,482	1,388	538	-	86,957
Grants and Transfer Payments	520	694	48	54	46,227	1,411	1,635	-	50,589
Amortization	1,060	4,755	34,917	18,793	7,165	5,005	334	-	72,028
Other	770	327	441	2,096	303	189	54	-	4,179
Allocation of shared expenses	(15,581)	3,849	2,317	1,754	4,978	2,313	370	-	-
	23,700	98,041	113,519	92,760	175,497	42,911	12,448	-	558,876
Annual Surplus (Deficit)	\$ 956	394	24,173	16,105	5,027	(4,602)	2,340	2,164	\$ 46,558

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2018

25. Supplementary financial information

Schedule of Revenues and Expenses - Library

	2018	2017
Revenues		
Government transfers (note 1)	\$ 443	\$ 403
Fines and fees	143	147
Other	41	20
	<u>627</u>	<u>570</u>
Expenses		
Salaries, wages and benefits	\$ 4,768	\$ 4,670
Materials and contract services	1,710	1,698
	<u>6,478</u>	<u>6,368</u>
Excess of expenses over revenues	\$ (5,851)	\$ (5,798)

1. The government transfers are comprised of the following:

Provincial

Ministry of Tourism and Culture - Operating	\$ 438	\$ 403
Ministry of Community & Social Services	5	-
	<u>\$ 443</u>	<u>\$ 403</u>