

Consolidated Financial Statements of

CITY OF GREATER SUDBURY

Year ended December 31, 2016

CITY OF GREATER SUDBURY

Consolidated Financial Statements Index

(in thousands of dollars)

Year ended December 31, 2016

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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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

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

Other Matters

The consolidated financial statements of the City of Greater Sudbury as at and for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 27, 2016.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 11, 2017

Sudbury, Canada

CITY OF GREATER SUDBURY

Consolidated Statement of Financial Position

(in thousands of dollars)

December 31, 2016, with comparative figures for 2015

	2016	2015
Financial assets		
Cash	\$ 7,044	\$ 6,136
Taxes receivable (note 3)	7,122	7,355
Accounts receivable (note 4)	48,252	51,646
Inventory held for resale	3,044	1,335
Investment in Government Business Enterprises (note 5 (a))	105,986	95,217
Investments (note 6)	323,144	290,917
	494,592	452,606
Financial liabilities		
Accounts payable and accrued liabilities (note 7)	93,650	80,631
Deferred revenue - obligatory reserve funds (note 9)	43,463	36,644
Deferred revenue - other (note 10)	3,366	2,802
Employee benefit obligations (note 11)	59,075	56,458
Solid waste management facility liability (note 12)	14,429	14,222
Long-term liabilities (note 13)	82,597	88,531
	296,580	279,288
Net financial assets	\$ 198,012	\$ 173,318
Non-financial assets		
Tangible capital assets (note 14)	1,439,235	1,447,939
Inventory of supplies	4,785	4,205
Prepaid expenses	4,723	4,528
	1,448,743	1,456,672
Contractual obligations and commitments (note 16)		
Accumulated Surplus (note 17)	\$ 1,646,755	\$ 1,629,990

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, 2016, with comparative figures for 2015

	2016 Budget	2016 Actual	2015 Actual
	(note 18)		
Revenues			
Government transfers - Provincial	\$ 130,194	132,062	\$ 129,582
- Federal	4,463	4,592	21,573
Taxation (note 19)	247,129	246,972	237,142
User charges	120,927	119,971	113,823
Investment income	10,155	10,063	12,454
Fines and penalties	6,047	6,012	6,099
Other revenues (note 20)	24,349	25,440	27,336
Government Business Enterprises net earnings (note 5 (b))	2,085	10,769	2,277
	545,349	555,881	550,286
Expenses			
General government	20,124	25,269	23,145
Protection services	91,001	94,588	89,388
Transportation services	102,263	110,610	99,526
Environmental services	95,857	87,338	88,107
Health services	28,838	28,713	29,242
Social and family services	102,406	103,845	99,894
Social housing	32,330	33,912	33,912
Recreation and cultural services	41,107	42,112	40,685
Planning and development	13,397	12,729	12,849
	527,323	539,116	516,748
Annual Surplus	18,026	16,765	33,538
Accumulated surplus, beginning of the year	1,629,990	1,629,990	1,596,452
Accumulated surplus, end of the year	\$ 1,648,016	\$ 1,646,755	\$ 1,629,990

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, 2016, with comparative figures for 2015

	2016 Budget (note 17)	2016 Actual	2015 Actual
Annual Surplus	\$ 18,026	16,765	\$ 33,538
Acquisition of tangible capital assets	(117,348)	(66,476)	(81,051)
Amortization of tangible capital assets	66,339	70,905	69,706
Loss on sale of tangible capital assets	-	2,344	1,959
Proceeds on sale of tangible capital assets	-	1,930	571
	(32,983)	25,468	24,723
Inventory of supplies	-	(579)	(1,465)
Prepaid expenses	-	(195)	(155)
Change in net financial assets	\$ (32,983)	\$ 24,694	\$ 23,103
Net financial assets, beginning of the year	173,318	173,318	150,215
Net financial assets, end of the year	\$ 140,335	\$ 198,012	\$ 173,318

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

CITY OF GREATER SUDBURY

Consolidated Statement of Cash Flows

(in thousands of dollars)

December 31, 2016, with comparative figures for 2015

	2016	2015
Cash flows from operating activities		
Annual Surplus	\$ 16,765	\$ 33,538
Items not involving cash:		
Amortization of tangible capital assets	70,905	69,706
Loss on sale of tangible capital assets	2,530	1,959
Developer contributions of tangible capital assets	(3,158)	(3,936)
Change in employee benefit obligations	2,617	700
Change in solid waste management facility liability	207	959
Equity income in Government Business Enterprises	(10,769)	(2,277)
Change in non-cash working capital:		
Increase (decrease) in accounts and taxes receivable	3,627	(7,937)
Decrease (increase) in inventory held for resale	(1,709)	1,847
Increase in inventory of supplies	(580)	(1,465)
Increase in prepaid expenses	(195)	(155)
(Decrease) increase in accounts payable and accrued liabilities	13,019	(52,987)
Increase (decrease) in deferred revenue - obligatory reserve funds	6,819	(1,317)
(Decrease) increase in deferred revenue - other	564	(1,198)
	100,642	37,437
Cash flows from financing activities		
Debt issued	-	61,081
Debt principal repayments	(5,907)	(4,827)
Financial obligations	(20)	(60)
Capital lease issued	50	-
Capital lease payments	(57)	(182)
	(5,934)	56,012
Cash flows from capital activities		
Proceeds on sale of tangible capital assets	1,931	571
Cash used to acquire tangible capital assets	(63,504)	(77,115)
	(61,573)	(76,544)
Cash flows from investing activities		
Purchase (Sale) of investments	(32,227)	(27,986)
Net (decrease) increase in cash	908	(11,081)
Cash, beginning of the year	6,136	17,217
Cash, end of the year	\$ 7,044	\$ 6,136
Supplementary Information		
Interest received	\$ 5,571	\$ 7,625
Interest paid	\$ 3,203	\$ 2,543

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, 2016

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 related 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
Sudbury & District Health Unit
City of Greater Sudbury Community Development Corporation

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2016

1. Significant accounting policies (continued)

(a) Reporting entity (continued)

(ii) Related entities (continued)

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

	2016	2015
Nickel District Conservation Authority	\$ 701	\$ 655
Sudbury & District Health Unit	5,917	5,773
City of Greater Sudbury Community Development Corporation	1,528	1,597
	\$ 8,146	\$ 8,025

(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), 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 SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2016

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 May.

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 up to four 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, 2016

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, 2016

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 2016 was \$15,954 (2015 - \$16,227). As of December 31, 2016 the OMERS plan, with approximately 470,000 members, has a funding deficit of \$2,341,000 (2015 - \$5,259,000).

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, 2016

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	50 - 100 years
Plants and facilities	10 - 60 years
Roads infrastructure	10 - 75 years
Water and wastewater infrastructure	40 - 100 years

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

Amortization is charged from the date of acquisition to the date 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, 2016

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, 2016

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 2200, Related Party Disclosures is effective for fiscal years beginning on or after April 1, 2017, early adoption is permitted. This section provides guidance on the definition and identification of related parties including key management personnel and establishes disclosure requirements for related party transactions. The City has not yet adopted this standard or determined the effect on the consolidated financial statements.

Section PS 3210, Assets, Section PS 3320, Contingent Assets and Section PS 3380, Contractual Rights are effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The objective of these standards is to provide guidance on applying the definition of assets, contingent assets and contractual rights and establish their respective general disclosures standards. The City has not yet adopted this standard or determined the effect on the consolidated financial statements.

Also, PS 3420, Inter-Entity Transactions is effective for fiscal years beginning on or after April 1, 2017, early adoption is permitted. This standard establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This section provides guidance on the recognition, measurement, presentation and disclosure of inter-entity transactions. The City has not yet adopted this standard or determined the effect on the consolidated financial statements.

Section PS 3430, Restructuring Transactions is effective for fiscal year 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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2016

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

Section PS 3041, Portfolio Investments, PS 3450, Financial Instruments, PS 2601, Foreign Currency Translation and PS 1201, Financial Statement Presentation are effective for fiscal years beginning on or after April 1, 2019. While early adoption is permitted, all four of the standards must be adopted in the same year. PS 3041, Portfolio Investments provides guidance on how to account for and report portfolio investments. PS 3450, Financial Instruments provides guidance on the recognition, measurement, presentation and disclosure of financial instruments including derivative instruments. PS 2601 Foreign Currency Translation includes guidance on deferral and amortization of unrealized gains and losses, hedge accounting and separation of realized and unrealized foreign exchange gains and losses. PS 1201 Financial Statement Presentation includes the addition of a new statement outlining re-measurement gains and losses. The City has not yet adopted these standards or determined the effect on the consolidated financial statements.

3. Taxes receivable

	2016	2015
Current taxes and grants in lieu of taxes	\$ 7,587	\$ 7,126
Taxes in arrears	6,925	6,564
	14,512	13,690
Less: allowance for doubtful accounts	(7,390)	(6,335)
Net taxes receivable	\$ 7,122	\$ 7,355

4. Accounts receivable

Accounts receivable consists of the following:

	2016	2015
Government of Canada	\$ 7,704	\$ 5,154
Province of Ontario	5,072	3,922
Other municipalities	68	162
School boards	23	198
Other receivables	36,399	43,829
	\$ 49,266	\$ 53,265
Less: allowance for doubtful accounts	(1,014)	(1,619)
Net accounts receivable	\$ 48,252	\$ 51,646

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2016

5. Investment in Government Business Enterprises

The SACDC and GSU are owned and controlled by the City of Greater Sudbury. 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	2016 Total	2015 Total
Balance, beginning of year	\$ 12,505	\$ 82,712	\$ 95,217	\$ 92,940
City's share of operating income for the year	646	10,123	10,769	2,277
Balance, end of year	\$ 13,151	\$ 92,835	\$ 105,986	\$ 95,217

The investment of \$92,835 in GSU includes a promissory note receivable of \$52,340 (2015 - \$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) The following tables provide condensed supplementary financial information for the year ended December 31, 2016:

Financial Position

	SACDC	GSU	2016 Total	2015 Total
Current assets	\$ 667	\$ 31,946	\$ 32,613	\$ 35,673
Capital assets	25,873	105,838	131,711	129,055
Other assets	-	10,926	10,926	12,915
Total assets	26,540	148,710	175,250	177,643
Current liabilities	727	19,695	20,422	22,648
Note payable to the City of Greater Sudbury	1,499	52,340	53,839	55,324
Long term liabilities	11,163	36,180	47,343	56,794
Total liabilities	13,389	108,215	121,604	134,766
Net assets	\$ 13,151	\$ 40,495	\$ 53,646	\$ 42,877

The \$1,499 (2015 -\$2,984) 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, 2016

5. Investment in Government Business Enterprises (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, 2016, the City is in compliance with the requirements of By-Law 2017-16.

Results of Operations

			2016	2015
	SACDC	GSU	Total	Total
Revenue	\$ 7,545	\$ 154,198	\$ 161,743	\$ 152,480
Expenses	(6,899)	(148,405)	(155,304)	(145,817)
Interest paid to the City of Greater Sudbury	-	(3,795)	(3,795)	(3,795)
Other	-	3,032	3,032	(1,057)
Other comprehensive income	-	5,093	5,093	466
Net income	\$ 646	\$ 10,123	\$ 10,769	\$ 2,277
Budgeted net income	\$ 1,483	\$ 602	\$ 2,085	3,456

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

- (i) At December 31, 2016, the City has the following amounts included in the consolidated statement of financial position:

A receivable of \$2,153 (2015 - \$943) for water billings collected by GSU on behalf of the City.

A payable of \$60 (2015 - \$64) 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:

	2016	2015
Property taxes	\$ 195	\$ 188
Interest on promissory note receivable	3,795	3,795
	\$ 3,990	\$ 3,983

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
 (in thousands of dollars)
 Year ended December 31, 2016

5. Investment in Government Business Enterprises (continued)

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

	2016	2015
Billing and collection services for water and wastewater	\$ 1,354	\$ 1,329
Streetlighting maintenance services	510	522
Streetlighting infrastructure	329	491
Electricity	7,651	6,355
Telecommunications	546	535
	<u>\$ 10,390</u>	<u>\$ 9,232</u>

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

		2016		2015
	2016 Interest Rates	Market	Cost	Market
				Cost
Short term investments	(1.10% to 4.22%)	\$ 219,591	218,001	\$ 174,025
Long term investments	(1.50% to 6.73%)	106,629	105,143	121,483
		<u>\$ 326,220</u>	<u>323,144</u>	<u>\$ 295,508</u>
				<u>290,917</u>

The investments consisting of term deposits, treasury bills, high interest savings accounts and bonds earn rates of return ranging from 1.10% to 6.73% per annum and are recorded at cost adjusted for amortization of discounts and premiums. Maturity dates on long term investments range from 2017 to 2035 (2015 – 2016 to 2033).

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, 2016, 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, 2016

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2016	2015
Government of Canada	\$ 2,524	\$ 3,845
Province of Ontario	7,843	2,977
Other municipalities	69	113
School boards	270	13
Other payables	82,944	73,683
Total accounts payable and accrued liabilities	\$ 93,650	\$ 80,631

8. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of \$10,000 (2015 - \$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 2.2 % (2015 – 2.2%) per annum. No amounts were drawn against the facility as at December 31, 2016 and 2015.

9. Deferred revenue - obligatory reserve funds

Deferred revenue - obligatory reserve funds consist of the following:

	December 31, 2015	Externally restricted inflows	Revenue earned	December 31, 2016
Gasoline Tax - Federal	\$ 10,797	\$ 9,976	\$ (2,766)	\$ 18,007
Gasoline Tax - Provincial	1,373	2,570	(3,869)	74
Ontario Community Infrastructure Fund (OCIF)	-	2,264	(2,264)	-
Social Housing Apartment Retrofit Program (SHARP)	-	2,008	(371)	1,637
Children's Services - Transition mitigation funding	6,296	58	(58)	6,296
Development Charges Act	1,321	3,936	(3,700)	1,557
Recreational land (Planning Act)	1,035	200	(375)	860
Sub-divider contributions	8,728	841	(734)	8,835
Building permit revenues (Bill 124)	7,094	123	(1,020)	6,197
	\$ 36,644	\$ 21,976	\$ (15,157)	\$ 43,463

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
 (in thousands of dollars)
 Year ended December 31, 2016

10. Deferred revenue – other

Deferred revenue - other consist of the following:

	December 31, 2015	Externally restricted inflows	Revenue earned	December 31, 2016
Federal government	\$ 15	\$ 100	\$ (80)	\$ 35
Provincial government	1,942	3,223	(2,569)	2,596
Municipal government	31	22	(40)	13
School boards	41	-	(41)	-
Other	568	860	(887)	541
Consolidated entities	205	181	(205)	181
	\$ 2,802	\$ 4,386	\$ (3,822)	\$ 3,366

11. Employee benefit obligations

Employee benefit obligations consist of the following:

	2016	2015
Future payments required for:		
WSIB obligations	\$ 3,762	\$ 2,504
Accumulated sick leave benefits	6,696	6,763
Other post-employment benefits	32,009	30,957
Liability for Stop Loss Insurance	1,435	1,435
Vacation pay	15,173	14,799
	\$ 59,075	\$ 56,458

The City has established reserve funds in the amount of \$15,715 (2015 - \$15,818) 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, 2016

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, 2016 for each of the plans.

	WSIB	Sick leave	Other Post-Employment Benefits	2016 Total	2015 Total
Accrued benefit liability, beginning of year	\$ 9,674	6,474	33,758	49,906	39,963
Benefit cost	1,045	321	1,210	2,576	2,699
Interest cost	342	238	1,275	1,855	1,589
Benefit payments	(1,400)	(577)	(2,259)	(4,236)	(4,282)
Actuarial gain (loss)	468	77	1,227	1,772	9,937
Accrued benefit liability, end of year	10,130	6,533	35,211	51,873	49,906
Unamortized actuarial gain (loss)	(6,368)	163	(3,202)	(9,407)	(9,682)
	\$ 3,762	6,696	32,009	42,466	40,224

The total employee benefits expense include the following components:

	WSIB	Sick Leave	Other Post-Employment Benefits	2016 Total	2015 Total
Current period benefit cost	\$ 2,390	321	1,210	3,921	\$ 4,134
Amortization of actuarial loss	1,372	(49)	826	2,149	841
Interest expense	342	238	1,275	1,855	1,589
Total employee benefit expense	\$ 4,104	510	3,311	7,925	\$ 6,564

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

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

For other post employment benefits, as at December 31, 2016, the initial health care trend rate is 7.6% (2015 – 7.6 %) and the ultimate trend rate is 4.5% (2015 – 4.5%) which is expected to be reached in 2029 (2015 – 2029).

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2016

12. Solid waste management facility liability

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

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

The City has three active and three inactive landfill sites. Estimated total expenses for these six sites represent the sum of the discounted future cash flows for closure and post-closure care activities discounted using an average borrowing rate of 3.85% (2015 - 4.0%) minus an inflation rate of 2.07% (2015 - 2.22%) (10-year average of CPI from 2006 to 2016). The estimated total landfill closure and post-closure care expenses are calculated to be \$24,333 (2015 - \$23,580). The estimated liability for the active sites is recognized as the landfill site's capacity is used. At December 31, 2016 an amount of \$14,429 (2015 - \$14,222) with respect to landfill closure and post-closure liabilities has been accrued.

Active sites

The estimated remaining capacity of the Sudbury landfill site is 48% (3,724,087 cubic meters) (2015 - 49%) of its total estimated capacity and its estimated remaining life is 33 years (2015 - 33 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 38% (628,409 cubic meters) (2015 - 33%) of its total estimated capacity and its estimated remaining life is 24 years (2015 - 25 years), after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Rayside-Balfour landfill site is 49% (718,212 cubic meters) (2015 - 50%) of its total estimated capacity and its estimated remaining life is 32 years (2015 - 37 years), after which the period for post-closure care is estimated to be 25 years.

13. Long-term liabilities

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

	2016	2015
Debentures (i)	\$ 55,300	\$ 58,484
Other loans (ii)	17,827	18,450
Capital lease obligations (iii)	40	47
Accrued financial obligations (iv)	9,430	11,550
	<u>\$ 82,597</u>	<u>\$ 88,531</u>

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
 (in thousands of dollars)
 Year ended December 31, 2016

13. Long-term liabilities (continued)

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

- (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 \$1, maturing in April 2026.
- (iv) Accrued financial obligations consist of the following:

	Last Year of Obligation	2016	2015
Health Sciences North	2023	\$ 4,684	\$ 5,383
Northeastern Ontario Regional Cancer Centre	2023	2,016	2,317
Laurentian University (School of Architecture)	2019	2,500	3,500
Advanced Medical Research Institute of Canada	2018	200	300
Physician Service Agreements	2017	30	50
		\$ 9,430	\$ 11,550

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

2017	\$ 6,125
2018	6,281
2019	5,877
2020	5,582
2021	5,788
Thereafter	52,944
	\$ 82,597

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

General municipal revenues	\$ 35,587
Water/wastewater user fees	47,010
	\$ 82,597

(d) The City expensed \$3,203 in 2016 (2015 - \$ 2,543) in interest on these borrowings.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2016

14. Tangible capital assets

Cost	Balance December 31, 2015	Additions	Disposals / Transfers	Balance at December 31, 2016
General Capital:				
Land	\$ 70,610	\$ 4,032	(528)	\$ 74,114
Landfill and land improvements	37,291	1,945	-	39,236
Buildings	335,057	6,339	(4,724)	336,672
Machinery, furniture and equipment	108,852	8,257	(3,015)	114,094
Vehicles	74,417	8,211	(6,683)	75,945
Infrastructure:				
Land improvements	22,713	98	-	22,811
Plants and facilities	413,043	12,937	(2,072)	423,908
Roads infrastructure	1,184,245	17,413	(5,852)	1,195,806
Water and sewer infrastructure	499,340	8,290	(339)	507,291
Assets under construction	36,844	20,502	(21,363)	35,983
Total	\$ 2,782,412	\$ 88,024	\$ (44,576)	\$ 2,825,860

Accumulated amortization	Balance December 31, 2015	Amortization expense	Disposals / Transfers	Balance at December 31, 2016
General Capital:				
Land	\$ -	\$ -	-	-
Landfill and land improvements	15,855	1,419	-	17,274
Buildings	154,283	9,855	(3,038)	161,100
Machinery, furniture and equipment	60,102	8,262	(2,923)	65,441
Vehicles	43,517	4,693	(5,877)	42,333
Infrastructure:				
Land improvements	2,978	316	-	3,294
Plants and facilities	193,974	9,809	(1,575)	202,208
Roads infrastructure	705,524	29,631	(5,013)	730,142
Water and sewer infrastructure	158,240	6,921	(327)	164,834
Assets under construction	-	-	-	-
Total	\$ 1,334,473	\$ 70,905	\$ (18,753)	\$ 1,386,625

	Net book value December 31, 2015	Net book value December 31, 2016
General Capital:		
Land	\$ 70,610	\$ 74,114
Landfill and land improvements	21,436	21,962
Buildings	180,774	175,572
Machinery, furniture and equipment	48,750	48,654
Vehicles	30,900	33,613
Infrastructure:		
Land improvements	19,735	19,517
Plants and facilities	219,069	221,700
Roads infrastructure	478,721	465,664
Water and sewer infrastructure	341,100	342,455
Assets under construction	36,844	35,983
Total	\$ 1,447,939	\$ 1,439,235

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2016

14. Tangible capital assets (continued):

Cost	Balance December 31, 2014	Additions	Disposals / Transfers	Balance at December 31, 2015
General Capital:				
Land	\$ 69,783	\$ 930	(103)	\$ 70,610
Landfill and land improvements	35,418	1,873	-	37,291
Buildings	331,113	5,160	(1,216)	335,057
Machinery, furniture and equipment	101,297	19,354	(11,799)	108,852
Vehicles	73,078	5,428	(4,089)	74,417
Infrastructure:				
Land improvements	22,713	-	-	22,713
Plants and facilities	329,792	84,110	(859)	413,043
Roads infrastructure	1,164,313	30,766	(10,833)	1,184,245
Water and sewer infrastructure	490,516	9,245	(421)	499,340
Assets under construction	112,658	22,029	(97,843)	36,844
Total	\$ 2,730,681	\$ 178,895	\$ (127,163)	\$ 2,782,412

Accumulated amortization	Balance December 31, 2014	Amortization expense	Disposals / Transfers	Balance at December 31, 2015
General Capital:				
Land	\$ -	\$ -	-	\$ -
Landfill and land improvements	14,521	1,334	-	15,855
Buildings	145,258	9,772	(747)	154,283
Machinery, furniture and equipment	64,496	7,237	(11,631)	60,102
Vehicles	42,948	4,640	(4,071)	43,517
Infrastructure:				
Land improvements	2,662	316	-	2,978
Plants and facilities	184,242	10,216	(484)	193,974
Roads infrastructure	685,750	29,352	(9,578)	705,524
Water and sewer infrastructure	151,680	6,839	(279)	158,240
Assets under construction	-	-	-	-
Total	\$ 1,291,557	\$ 69,706	\$ (26,790)	\$ 1,334,473

	Net book value December 31, 2014	Net book value December 31, 2015
General Capital:		
Land	\$ 69,783	\$ 70,610
Landfill and land improvements	20,897	21,436
Buildings	185,856	180,774
Machinery, furniture and equipment	36,801	48,750
Vehicles	30,130	30,900
Infrastructure:		
Land improvements	20,051	19,735
Plants and facilities	145,550	219,069
Roads infrastructure	478,562	478,721
Water and sewer infrastructure	338,836	341,100
Assets under construction	112,658	36,844
Total	\$ 1,439,124	\$ 1,447,939

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2016

14. Tangible capital assets (continued)

a) Assets under construction

Assets under construction having a value of \$35,983 (2015 - \$36,844) have not been amortized. Amortization of these assets will commence when the asset is put into service.

During the year, the City added \$20,502 (2015 - \$22,029) to assets under construction and transferred \$21,363 (2015 - \$97,843) 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 \$3,158 (2015 - \$3,936) comprised of the following:

	2016	2015
General Capital		
Land	\$ 88	\$ 44
Machinery and equipment	495	345
Land improvements	255	-
Infrastructure		
Land improvements	25	-
Roads network	1,000	1,406
Water and wastewater network	1,295	2,141
Total	\$ 3,158	\$ 3,936

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:

	2016	2015
Taxation	\$ 56,231	\$ 54,093
Payments in lieu of taxes	140	139
	\$ 56,371	\$ 54,232

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2016

16. Contractual obligations and commitments

(a) Contracts for capital projects

The balance of capital works uncompleted under contracts in progress at December 31, 2016 amounts to approximately \$33,279 (2015 - \$12,211). The proposed financing of these obligations is \$11,633 (2015 - \$8,611) from surplus funds and \$21,645 (2015 - \$3,600) 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:

2017	29,207
2018	21,991
2019	16,081
2020	14,054
2021 and onwards	53,780
	<hr/>
	\$ 135,113

(c) Contingent liabilities

As at December 31, 2016, certain legal actions are pending against the City. An estimate of the contingency cannot be made since the outcome of these matters is indeterminable. Should any loss result from the resolution of these matters, such loss would be charged to operations in the year of disposition.

(d) Liability for contaminated sites

A contaminated site is an unproductive site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. A liability for remediation of contaminated sites is recognized when the City is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate for the amount can be made. As at December 31, 2016 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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2016

17. Accumulated surplus

Accumulated surplus consists of the following:

	2016	2015
Surplus:		
Invested in tangible capital assets	\$ 1,365,836	\$ 1,370,710
Invested in government business enterprise	105,986	95,217
Other	3,365	1,656
Committed capital:		
Capital projects not completed	112,473	99,538
Unfinanced capital projects to be recovered through taxation or user charges	(20,072)	(22,392)
Unfunded:		
Landfill closure costs	(14,429)	(14,222)
Employee benefits	(57,640)	(55,022)
Accrued financial obligations	(9,400)	(11,500)
	1,486,119	1,463,985
Reserves	8,507	9,258
Reserve funds	152,129	156,747
	\$ 1,646,755	\$ 1,629,990

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2016

18. Budget data

Budget data presented in these consolidated financial statements are based on the 2016 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.

	2016
Revenues	
Approved budget:	
Operating	\$ 509,286
Capital	110,079
Consolidated Boards	19,955
	<u>639,320</u>
Adjustments:	
Transfer from reserves to operating	(8,144)
Recognize revenues from obligatory reserve funds	(17,223)
In year budget adjustments	9,236
Operating transfer to capital and future years funding	(77,964)
Contributed tangible capital assets	3,158
Reclass between revenues and expenses	(894)
Reclassification of taxation bad debt expense	(2,140)
Total revenues	<u>\$ 545,349</u>
Expenses	
Approved budget:	
Operating	509,286
Capital	110,079
Consolidated Boards (A)	17,869
	<u>637,234</u>
Adjustments:	
Amortization of tangible capital assets	66,339
Transfer to reserves and capital	(72,477)
Reduction due to tangible capital assets	(120,506)
Post employment benefit expense	1,163
Landfill closure and post closure expense	1,904
In year budget adjustments	9,236
Reclassification of taxation	(2,140)
Debt principal repayments	(5,907)
Reclass between revenues and expenses	(894)
Operating expenses budgeted in capital expensed in current year	13,371
Total expenses	<u>\$ 527,323</u>
Annual surplus	<u>\$ 18,026</u>

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, 2016

19. Taxation

Taxation consists of:

	2016 Budget	2016 Actual	2015 Actual
Municipal tax levy	\$ 239,156	239,156	\$ 231,360
Supplementary taxation	2,200	3,042	2,180
Payment in lieu of property taxes	7,854	7,797	7,715
Local improvements	59	229	230
	249,269	250,224	241,485
Rebates and tax concessions	(2,140)	(3,252)	(4,343)
Net municipal taxation	\$ 247,129	\$ 246,972	\$ 237,142

20. Other revenues

Other revenues consist of:

	2016 Budget	2016 Actual	2015 Actual
Gaming and casino revenues	\$ 2,250	\$ 2,158	\$ 2,130
Loss on sale of land and tangible capital assets	-	(631)	(1,887)
Donated tangible capital assets	3,158	3,158	3,936
Donations	1,078	1,084	1,293
Development Charges earned	3,700	3,700	4,759
Sub-divider contributions	1,811	1,811	1,923
Miscellaneous recoveries/revenues	12,352	14,160	15,182
	\$ 24,349	\$ 25,440	\$ 27,336

21. Trust funds

Trust funds amounting to \$15,349 (2015 - \$16,101) 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.

22. 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, 2016

23. 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, 2016

23. 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, 2016

23 Segmented Disclosure (continued)

December 31, 2016	Recreation and Planning and Government					Total			
	General Government	Protection Services	Transportation Services	Environmental Services	Health and Social Services		Cultural Services	Development and Enterprises	Business Enterprises
Revenues									
Transfer Payments	26,033	4,023	6,475	1,682	94,011	862	1,304	-	134,390
Taxation	(22,836)	80,187	79,835	18,549	54,202	26,693	10,343	-	246,972
User Charges	5,116	4,996	9,981	72,360	18,271	8,488	760	-	119,971
Other	14,300	3,950	12,411	5,854	2,659	2,909	1,694	10,769	54,548
	22,613	93,156	108,702	98,444	169,142	38,953	14,101	10,769	555,881
Expenses									
Salaries, Wages and Benefits	30,391	74,691	30,970	18,584	58,486	20,041	7,653	-	240,815
Materials	7,167	8,148	20,145	15,012	19,339	9,436	2,350	-	81,597
Contract Services	5,622	1,950	20,890	31,239	35,359	2,830	468	-	98,348
Grants and Transfer Payments	121	726	50	54	39,653	1,606	1,182	-	43,392
Amortization	1,049	4,560	34,636	18,347	7,040	4,926	347	-	70,905
Other	748	272	485	2,080	318	112	43	-	4,058
Allocation of shared expenses	(19,829)	4,240	3,435	2,021	6,275	3,162	696	-	-
	25,269	94,588	110,610	87,338	166,470	42,112	12,729	-	539,116
Annual Surplus (Deficit)	\$ (2,657)	\$ (1,432)	\$ (1,909)	\$ 11,106	\$ 2,672	\$ (3,159)	\$ 1,372	\$ 10,769	\$ 16,765

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2016

23 Segmented Disclosure (continued)

December 31, 2015	General Government		Protection Services		Transportation Services		Environmental Services		Health and Social Services		Recreation and Cultural Services		Planning and Development		Government Enterprises		Total
Revenues																	
Transfer Payments	28,509		3,774		11,443		12,445		89,781		1,447		1,498				148,897
Taxation	(32,072)		81,237		76,859		17,665		55,980		26,597		10,877				237,142
User Charges	5,042		4,877		9,891		67,189		18,059		7,952		814				113,823
Other	17,523		3,309		13,126		6,653		2,811		1,924		2,801		2,277		50,424
	19,002		93,197		111,318		103,951		166,631		37,920		15,990		2,277		550,286
Expenses																	
Salaries, Wages and Benefits	24,753		72,327		30,262		18,497		58,455		19,482		7,562				231,338
Materials	6,152		7,112		19,260		13,833		18,564		10,268		2,272				77,462
Contract Services	3,809		1,672		13,783		34,207		34,321		2,517		697				91,006
Grants and Transfer Payments	941		664		59		50		39,073		1,422		1,438				43,647
Amortization	1,016		3,657		34,250		18,780		6,870		4,774		361				69,706
Other	979		244		334		1,443		443		97		50				3,589
Allocation of shared expenses	(13,754)		3,712		1,578		1,297		4,574		2,128		466				-
	23,895		89,388		99,527		88,107		162,298		40,687		12,846				516,749
Annual Surplus (Deficit)	\$ (4,893)		\$ 3,809		\$ 11,790		\$ 15,844		\$ 4,333		\$ (2,767)		\$ 3,144		\$ 2,277		\$ 33,538

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2016

24. Supplementary financial information

i) Schedule of Revenues and Expense - Library

	2016		2015
Revenues:			
Government transfers (note 1)	\$ 427	\$	451
Fines and fees	132		141
Other	18		16
	<u>577</u>		<u>608</u>
Expenses:			
Salaries, wages and benefits	\$ 4,687	\$	4,624
Materials and contract services	1,731		1,710
	<u>6,418</u>		<u>6,334</u>
Excess of expenses over revenues	\$ (5,841)	\$	(5,726)

1. The government transfers are comprised of the following:

Provincial

Ministry of Tourism and Culture - Operating	\$ 403	\$	403
Ministry of Tourism and Culture - Other	24		32
	<u>\$ 427</u>	<u>\$</u>	<u>435</u>

Federal

Human Resources Development Canada	-		16
	<u>\$ -</u>	<u>\$</u>	<u>16</u>

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2016

24. Supplementary financial information (continued)

ii) Schedule of Revenues and Expenses - Children's Services

The City has a Child Care and Family Support Program service agreement with the Ministry of Education. A requirement of the service agreement is the production of supplementary information by detail code/funding type, which summarizes all revenues and expenditures relating to the service agreement.

A review of these revenues and expenditures, by detail code/funding type, are outlined below. The identified surplus/(deficit) position is reflected prior to the application of flexibility in accordance with the Child Care Business Practices, Funding and Service Guideline.

	REVENUES (1)			Total
	Ministry of Education	Legislated Cost Share (Calculated)		
Full Flexibility				
Core Services Delivery (100%)	2,389	0%	-	2,389
Core Services Delivery - (80/20)	6,159	20%	1,540	7,699
Core Service Delivery - (50/50)	355	50%	355	710
Language	2,068	0%	-	2,068
Aboriginal	148	0%	-	148
Cost of Living	288	0%	-	288
Rural/Remote	978	0%	-	978
FDK Transition	544	0%	-	544
Repairs and Maintenance	24	0%	-	24
Transformation	47	0%	-	47
Utilization Adjustment	0	0%	-	0
Capping Adjustment	2,677	0%	-	2,677
Total (full flexibility)	15,677		1,895	17,574
Limited Flexibility				
Capacity Building	62	0%	-	62
Capital Retrofits	18	0%	-	18
Total (limited flexibility)	80		0	80
No Flexibility				
Wage Enhancement/HCCE Grant	2,969	0%	0	2,969
Wage Enhancement/HCCE Administration	148	0%	0	148
TOTAL	18,874		1,895	20,771

(1) Most recent Amended Service agreement

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2016

24. Supplementary financial information (continued)

ii) Schedule of Revenues and Expenses - Children's Services (continued)

	EXPENSES		
	Gross Expenditures	Offsetting Revenues	Adjusted Gross Expenditures
Full Flexibility			
General Operating	5,599	-	5,599
Fee Subsidy - Regular	7,947	(1,317)	6,630
Ontario Works and LEAP - Formal	517	-	517
Pay Equity Memorandum of Settlement	216	-	216
Special Needs Resourcing	1,645	-	1,645
Administration	1,431	-	1,431
Repairs and Maintenance	1,089	-	1,089
Transformation	136	-	136
Total (full flexibility)	18,580	(1,317)	17,263
Limited Flexibility			
Capacity Building	86	-	86
Total (limited flexibility)	86	-	86
No Flexibility			
Wage Enhancement/HCCE Grant	2,051	-	2,051
Wage Enhancement/HCCE Admin	148	-	148
TOTAL	20,865	(1,317)	19,548

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
 (in thousands of dollars)
 Year ended December 31, 2016

24. Supplementary financial information (continued)

ii) Schedule of Revenues and Expenses - Children's Services (continued)

Family Support Program

	REVENUES			ADJUSTED GROSS EXPENDITURES	SURPLUS/DEFICIT
	Ministry of Education	Legislated Cost Share	Total	Total	Total
		Cost Share %	Calculated		
Full Flexibility					
A525 - ECD Planning	28	0%	0	28	0
Limited Flexibility					
A525 - ECD Aboriginal	17	0%	0	17	0
No Flexibility					
A386 - Delivery Agent - Resource Centres	786	80%	197	983	(0)
TOTAL	831		197	1,028	(0)