

Consolidated Financial Statements of

**CITY OF GREATER SUDBURY**

Year ended December 31, 2014

# **CITY OF GREATER SUDBURY**

Consolidated Financial Statements Index

(in thousands of dollars)

Year ended December 31, 2014

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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 PricewaterhouseCoopers 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.

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Bob Johnston  
Interim Chief Administrative Officer

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Lorella Hayes  
General Manager of Assets and  
Finance/Chief Financial Officer



June 23, 2015

## **Independent Auditor's 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, 2014 and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the related notes, which comprise 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.

#### **Auditor's 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 the auditor's 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, the auditor considers 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.

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*PricewaterhouseCoopers LLP  
PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5  
T: +1 905 815 6300, F: +1 905 815 6499, [www.pwc.com/ca](http://www.pwc.com/ca)*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Greater Sudbury as at December 31, 2014 and the results of their operations, changes in its net financial assets and its cash flows and for the year then ended in accordance with Canadian public sector accounting standards.

**Other matters**

The accompanying financial statement schedules as at and for the year ended December 31, 2014 are presented as supplementary information only and are not a required part of the basic consolidated financial statements. The information in these schedules has been subject to audit procedures only to the extent necessary to express an opinion on the consolidated financial statements of the City of Greater Sudbury.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# CITY OF GREATER SUDBURY

Consolidated Statement of Financial Position  
(in thousands of dollars)  
December 31, 2014, with comparative figures for 2013

	2014	2013
<b>Financial assets</b>		
Cash	\$ 17,217	\$ 10,797
Taxes receivable (note 3)	6,569	7,939
Accounts receivable (note 4)	44,495	39,961
Inventory held for resale	3,182	1,616
Investment in Government Business Enterprises (note 5 (a))	92,940	89,755
Investments (note 6)	262,931	267,842
	427,334	417,910
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	133,618	86,827
Deferred revenue - obligatory reserve funds (note 8)	37,961	38,796
Deferred revenue - other (note 9)	4,000	2,896
Employee benefit obligations (note 10)	55,758	54,595
Solid waste management facility liability (note 11)	13,263	11,359
Long-term liabilities (note 12)	32,519	37,345
	277,119	231,818
<b>Net financial assets</b>	\$ 150,215	\$ 186,092
<b>Non-financial assets</b>		
Tangible capital assets (note 14)	1,439,124	1,375,254
Inventory of supplies	2,740	2,316
Prepaid expenses	4,373	4,756
	1,446,237	1,382,326
Contractual obligations and commitments (note 15)		
<b>Accumulated Surplus</b> (note 16)	\$ 1,596,452	\$ 1,568,418

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, 2014, with comparative figures for 2013

	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b>(note 17)</b>		
<b>Revenues</b>			
Government transfers - Provincial	\$ 121,674	123,459	\$ 130,617
- Federal	10,819	14,752	9,750
Taxation (note 18)	238,804	238,467	231,004
User charges	116,508	116,141	112,073
Investment income	11,540	11,385	10,567
Fines and penalties	5,565	5,802	6,226
Other revenues (note 19)	29,618	25,016	31,631
Government Business Enterprises net earnings (note 5 (c))	3,193	3,185	7,053
	<b>537,721</b>	<b>538,207</b>	<b>538,921</b>
<b>Expenses</b>			
General government	24,397	23,543	22,052
Protection services	87,769	87,293	85,142
Transportation services	95,038	101,352	98,467
Environmental services	83,540	84,165	79,814
Health services	27,078	27,566	27,113
Social and family services	96,988	97,347	95,877
Social housing	33,337	34,793	38,680
Recreation and cultural services	40,838	41,103	40,226
Planning and development	13,730	13,011	14,616
	<b>502,715</b>	<b>510,173</b>	<b>501,987</b>
<b>Annual Surplus</b>	<b>35,006</b>	<b>28,034</b>	<b>36,934</b>
<b>Accumulated surplus, beginning of the year</b>	<b>1,568,418</b>	<b>1,568,418</b>	<b>1,531,484</b>
<b>Accumulated surplus, end of the year</b>	<b>\$ 1,603,424</b>	<b>\$ 1,596,452</b>	<b>\$ 1,568,418</b>

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, 2014, with comparative figures for 2013

	2014 Budget (note 17)	2014 Actual	2013 Actual
<b>Annual Surplus</b>	\$ 35,006	28,034	\$ 36,934
Acquisition of tangible capital assets	(97,331)	(133,805)	(106,649)
Amortization of tangible capital assets	73,048	66,228	65,178
Loss on sale of tangible capital assets	-	3,556	3,000
Proceeds on sale of tangible capital assets	-	151	99
	10,723	(35,836)	(1,438)
Inventory of supplies	-	(424)	324
Prepaid expenses	-	383	(1,114)
<b>Change in net financial assets</b>	\$ 10,723	\$ (35,877)	\$ (2,228)
<b>Net financial assets, beginning of the year</b>	186,092	186,092	188,320
<b>Net financial assets, end of the year</b>	\$ 196,815	\$ 150,215	\$ 186,092

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, 2014, with comparative figures for 2013

	2014	2013
<b>Cash flows from operating activities</b>		
Annual Surplus	\$ 28,034	\$ 36,934
<b>Items not involving cash:</b>		
Amortization of tangible capital assets	66,228	65,178
Loss on sale of tangible capital assets	3,556	3,000
Developer contributions of tangible capital assets	(5,718)	(7,993)
Change in employee benefit obligations	1,163	4,241
Change in solid waste management facility liability	1,904	(16)
Equity income in Government Business Enterprises	(3,185)	(7,053)
<b>Change in non-cash working capital:</b>		
Increase in accounts and taxes receivable	(3,164)	(2,494)
Increase in inventory held for resale	(1,566)	(181)
(Increase) decrease in inventory of supplies	(424)	324
Decrease (Increase) in prepaid expenses	383	(1,114)
Increase in accounts payable and accrued liabilities	46,791	8,753
(Decrease) increase in deferred revenue obligatory reserve funds	(835)	9,258
Increase (decrease) in deferred revenue other	1,104	(2,565)
	134,271	106,272
<b>Cash flows from financing activities</b>		
Debt principal repayments	(4,517)	(5,945)
Financial obligations	(137)	(90)
Capital lease obligations	(172)	(162)
	(4,826)	(6,197)
<b>Cash flows from capital activities</b>		
Proceeds on sale of tangible capital assets	151	99
Cash used to acquire tangible capital assets	(128,087)	(98,656)
	(127,936)	(98,557)
<b>Cash flows from investing activities</b>		
Purchase of investments	4,911	(825)
<b>Net increase in cash</b>		
	6,420	693
<b>Cash, beginning of the year</b>		
	10,797	10,104
<b>Cash, end of the year</b>		
	\$ 17,217	\$ 10,797
<b>Supplementary Information</b>		
Interest received	\$ 7,313	\$ 5,260
Interest paid	\$ 1,128	\$ 1,220

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, 2014

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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, 2014

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## 1. Significant accounting policies (continued)

### (a) Reporting entity (continued)

#### (ii) Related Entities (continued)

The following contributions were made by the City to these entities

	2014	2013
Nickel District Conservation Authority	\$ 655	\$ 618
Sudbury & District Health Unit	5,659	5,578
City of Greater Sudbury Community Development Corporation	1,530	1,437
	\$ 7,844	\$ 7,633

#### (iii) Investment in Government Business Enterprises

Government Business Enterprises comprised of 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, 2014

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## 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, 2014

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## 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 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, 2014

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## 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 City matches contributions made by the employees to OMERS, which is a multi-employer plan. This plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS and expensed in 2014 was \$15,596 (2013 - \$15,313). As of December 31, 2014 the OMERS plan, with approximately 451,000 members, has a funding deficit of \$5,300,000 (2013 - 8,300,000).

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, 2014

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## 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 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:

<u>Asset</u>	<u>Useful Life - Years</u>
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 SUDBURY

Notes to Consolidated Financial Statements  
(in thousands of dollars)  
Year ended December 31, 2014

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## 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, 2014

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## 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, solid waste management facility liability 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.

In addition, the City's implementation of the Public Sector Accounting Handbook PS 3150 in 2009 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

## 2. Accounting Standards issued but not yet adopted

Financial Instruments, PS 3450, Foreign Currency Translation, PS 2601, and Financial Statement Presentation, PS 1201 are effective for fiscal years beginning on or after April 1, 2016. While early adoption is permitted, all three of the standards must be adopted in the same year. PS 3450 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.

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.

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.

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
 (in thousands of dollars)  
 Year ended December 31, 2014

## 3. Taxes receivable

	2014	2013
Current taxes and grants in lieu of taxes	\$ 6,807	\$ 7,135
Taxes in arrears	6,179	8,479
	12,986	15,614
Less: allowance for doubtful accounts	(6,417)	(7,675)
Net taxes receivable	\$ 6,569	\$ 7,939

## 4. Accounts receivable

Accounts receivable consists of the following:

	2014	2013
Government of Canada	\$ 5,745	\$ 3,833
Province of Ontario	4,186	4,519
Other municipalities	127	133
School boards	79	122
Other receivables	36,120	32,914
	\$ 46,257	\$ 41,521
Less: allowance for doubtful accounts	(1,762)	(1,560)
Net accounts receivable	\$ 44,495	\$ 39,961

## 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:

			2014	2013
	SACDC	GSU	Total	Total
Balance, beginning of year	\$ 9,259	\$ 80,496	\$ 89,755	\$ 82,702
City's share of operating income for the year	2,150	1,035	3,185	7,053
Balance, end of year	\$ 11,409	\$ 81,531	\$ 92,940	\$ 89,755

The investment of \$81,531 in GSU includes a promissory note receivable of \$52,340 (2013 - \$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.

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
(in thousands of dollars)  
Year ended December 31, 2014

## 5. Investment in Government Business Enterprises (continued)

- (b) The following tables provide condensed supplementary financial information for the year ending December 31, 2014:

Financial Position				
			2014	2013
	SACDC	GSU	Total	Total
Current assets	\$ 2,337	\$ 32,379	\$ 34,716	\$ 32,746
Capital assets	23,153	98,734	121,887	113,503
Other assets	-	12,786	12,786	12,842
<b>Total assets</b>	<b>25,490</b>	<b>143,899</b>	<b>169,389</b>	<b>159,091</b>
Current liabilities	1,420	21,241	22,661	20,445
Note payable to the City of Greater Sudbury	910	52,340	53,250	52,340
Long term liabilities	11,751	41,127	52,878	48,892
<b>Total liabilities</b>	<b>14,081</b>	<b>114,708</b>	<b>128,789</b>	<b>121,677</b>
<b>Net assets</b>	<b>\$ 11,409</b>	<b>\$ 29,191</b>	<b>\$ 40,600</b>	<b>\$ 37,414</b>

The \$910 note payable to the City from SACDC is comprised of a payable of \$3,541 (2013 - \$3,784) from the City to SACDC net of a receivable amount of \$4,450 (2013 - \$3,271) from the SACDC to the Trust funds administered by the City. The note payable accrues interest at the City's average monthly rate of return on investments plus 1% and has no specified terms of repayment.

By-Law 2014-215 authorized an increased loan to the Sudbury Airport Community Development Corporation to \$3,000. The By-Law provides flexibility to temporarily exceed the \$3,000 limit for bridge financing in order to complete subsidized projects. At December 31, 2014, the City is in compliance with the requirements of By-Law 2014-215.

Results of Operations				
			2014	2013
	SACDC	GSU	Total	Total
Revenue	\$ 7,767	\$ 139,130	\$ 146,897	\$ 141,064
Expenses	(5,978)	(134,300)	(140,278)	(130,217)
Gain on sale of assets	361	-	361	1
Interest paid to the City of Greater Sudbury	-	(3,795)	(3,795)	(3,795)
<b>Net income</b>	<b>\$ 2,150</b>	<b>\$ 1,035</b>	<b>\$ 3,185</b>	<b>\$ 7,053</b>
Budgeted net income (loss)	\$ 1,149	\$ 2,044	\$ 3,193	861

# CITY OF GREATER SADBURY

Notes to Consolidated Financial Statements  
(in thousands of dollars)  
Year ended December 31, 2014

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## 5. Investment in Government Business Enterprises (continued)

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

(i) At December 31, 2014, the City has the following amounts included in the consolidated statement of financial position:

A receivable of \$1,610 (2013 - \$1,583) for water billings collected by GSU.

A payable of \$56 (2013 - \$186) 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:

	2014	2013
Property taxes	\$ 436	\$ 426
Interest on promissory note receivable	3,796	3,815
	<u>\$ 4,232</u>	<u>\$ 4,241</u>

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

	2014	2013
Billing and collection services for water and wastewater	\$ 1,316	\$ 1,145
Streetlighting maintenance services	562	504
Streetlighting infrastructure	1,259	1,552
Electricity	6,471	6,046
Telecommunications	502	428
	<u>\$ 10,110</u>	<u>\$ 9,675</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.

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
 (in thousands of dollars)  
 Year ended December 31, 2014

## 6. Investments

	2014 Interest Rates	Market	2014 Cost	Market	2013 Cost
Short term investments (1.25% to 3.65%)		\$ 166,593	166,466	\$ 158,322	157,817
Long term investments (0.5% to 6.73%)		104,081	96,465	111,824	110,025
		\$ 270,674	262,931	\$ 270,146	267,842

The investments consisting of term deposits, treasury bills, ONE Fund Money Market and Bond Market funds and bonds earn rates of return ranging from 0.5% 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 2015 to 2033 (2013 – 2014 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, 2014, the City is in compliance with the requirements of By-Law 2013-179.

## 7. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of \$10,000 (2013 - \$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 2.5 % (2013 – 2.5%) per annum. No amounts were drawn against the facility as at December 31, 2014 and 2013.

## 8. Deferred revenue - obligatory reserve funds

Deferred revenue - obligatory reserve funds consist of the following:

	December 31, 2013	Externally restricted inflows	Revenue earned	December 31, 2014
Sub-divider contribution	\$ 7,942	1,060	(196)	\$ 8,806
Development Charges Act	728	4,795	(4,369)	1,154
Recreational Land (Planning Act)	832	193	(80)	945
Gasoline Tax - Provincial	1,317	2,561	(1,393)	2,485
Gasoline Tax - Federal	14,033	9,857	(13,429)	10,461
Building Permit Revenues (Bill 124)	7,578	178	(112)	7,644
Children's Services	6,366	150	(50)	6,466
	\$ 38,796	18,794	(19,629)	\$ 37,961

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
 (in thousands of dollars)  
 Year ended December 31, 2014

## 9. Deferred revenue – other

Deferred revenue - other consist of the following:

	December 31, 2013	Externally restricted inflows	Revenue earned	December 31, 2014
Federal government	\$ 18	25	(20)	\$ 23
Provincial government	2,164	3,905	(3,560)	2,509
Municipal government	13	-	(2)	11
Other	500	835	(90)	1,245
Consolidated entities	201	11	-	212
	<u>\$ 2,896</u>	<u>4,776</u>	<u>(3,672)</u>	<u>\$ 4,000</u>

## 10. Employee benefit obligations

Employee benefit obligations consist of the following:

	2014	2013
Future payments required for:		
WSIB obligations	\$ 2,223	\$ 2,198
Accumulated sick leave benefits	6,837	6,714
Other post-employment benefits	30,316	29,363
Liability for Stop Loss Insurance	1,520	1,956
Vacation pay	14,862	14,364
	<u>\$ 55,758</u>	<u>\$ 54,595</u>

The City has established reserve funds in the amount of \$14,738 (2013 - \$12,382) 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, 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 represent 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, 2014

## 10. Employee benefit obligations (continued)

The following table sets out the results as determined by the actuarial valuations completed for the year ended December 31, 2014 for each of the plans.

	WSIB	Sick leave	Other Post- Employment Benefits	2014 Total	2013 Total
Accrued benefit liability, beginning of year	\$ 2,694	7,195	28,115	38,004	39,501
Benefit cost	846	363	1,163	2,372	2,391
Interest cost	139	319	1,251	1,709	1,776
Benefit payments	(1,201)	(575)	(1,830)	(3,606)	(3,077)
Actuarial gain (loss)	1,544	293	(353)	1,484	(2,587)
Accrued benefit liability, end of year	4,022	7,595	28,346	39,963	38,004
Unamortized actuarial gain (loss)	(1,799)	(758)	1,970	(587)	271
	\$ 2,223	6,837	30,316	39,376	38,275

The total expense related to these employee benefits include the following components:

	WSIB	Sick Leave	Other Post- Employment Benefits	2014 Total	2013 Total
Current period benefit cost	\$ 2,366	363	1,163	3,892	\$ 2,391
Amortization of actuarial loss	241	16	369	626	830
Interest expense	139	319	1,251	1,709	1,776
Total employee benefit expense	\$ 2,746	698	2,783	6,227	\$ 4,997

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		2.1%	2.1%
Expected level of salary increases		N/A	2.1%
Discount rate		4.0%	4.0%

For other post employment benefits, as at December 31, 2014, the initial health care trend rate is 7.56% (2013 – 7.79%) and the ultimate trend rate is 4.5% (2013 – 4.5%) which is expected to be reached in 2029 (2013 – 2029).

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
(in thousands of dollars)  
Year ended December 31, 2014

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## 11. 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 4.25% (2013 - 4.85%) minus an inflation rate of 1.73% (2013 - 1.71%) (10-year average of CPI from 2004 to 2014). The estimated total landfill closure and post-closure care expenses are calculated to be \$22,209 (2013 - \$19,104). The estimated liability for the active sites is recognized as the landfill site's capacity is used. At December 31, 2014 an amount of \$13,263 (2013 - \$11,359) with respect to landfill closure and post-closure liabilities has been accrued.

### Active sites

The estimated remaining capacity of the Sudbury landfill site is 51% (3,937,840 cubic meters) (2013 - 52%) of its total estimated capacity and its estimated remaining life is 36 years (2013 - 37 years), after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Valley East landfill site is 34% (678,570 cubic meters) (2013 - 35%) of its total estimated capacity and its estimated remaining life is 21 years (2013 - 22 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 51% (759,204 cubic meters) (2013 - 53%) of its total estimated capacity and its estimated remaining life is 34 years (2013 - 35 years), after which the period for post-closure care is estimated to be 25 years.



# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
 (in thousands of dollars)  
 Year ended December 31, 2014

## 12. Long-term liabilities

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

	2014	2013
Debentures (i)	\$ 15,862	\$ 17,207
Capital lease obligations (ii)	229	401
Other loans (iii)	3,118	3,290
Accrued financial obligations (iv)	13,310	16,447
	<b>\$ 32,519</b>	<b>\$ 37,345</b>

- (i) The debentures bear interest at rates of 5.386% to 5.734%, repayable in aggregate blended monthly payments of \$189, maturing from March, 2023 to December, 2024.
- (ii) The capital lease obligations bear interest at a rate of 5.75%, repayable in aggregate blended monthly payments of \$16, maturing in March, 2016.
- (iii) The other loans bear interest at rates of 5.47% to 5.49%, repayable in aggregate blended annual payments of \$354, maturing from April 2025 to November, 2029.
- (iv) Accrued financial obligations consist of the following:

	Last Year of Obligation	2014	2013
Health Sciences North	2023	\$ 6,082	\$ 7,481
Northeastern Ontario Regional Cancer Centre	2023	2,618	3,219
Laurentian University (School of Architecture)	2019	4,500	5,500
Physician Service Agreements	2016	110	247
		<b>\$ 13,310</b>	<b>\$ 16,447</b>

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

2015	\$ 3,886
2016	3,754
2017	3,794
2018	3,896
2019	3,505
Thereafter	13,684
	<b>\$ 32,519</b>

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
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Year ended December 31, 2014

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## 12. Long-term liabilities (continued)

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

General municipal revenues	\$ 29,401
Water/wastewater user fees	3,118
	\$ 32,519

(d) The City expensed \$1,128 in 2014 (2013 - \$ 1,205) in interest on these borrowings.

## 13. 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:

	2014	2013
Taxation	\$ 52,590	\$ 51,713
Payments in lieu of taxes	139	139
	\$ 52,729	\$ 51,852

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
(in thousands of dollars)  
Year ended December 31, 2014

## 14. Tangible capital assets

Cost	Balance December 31, 2013	Additions	Disposals	Balance at December 31, 2014
General Capital:				
Land	\$ 67,056	\$ 3,046	(319)	\$ 69,783
Landfill and land improvements	32,880	2,610	(172)	35,318
Buildings	303,519	28,570	(976)	331,113
Machinery, furniture and equipment	96,886	8,605	(4,194)	101,297
Vehicles	72,434	2,298	(1,654)	73,078
Infrastructure:				
Land improvements	22,678	135	-	22,813
Plants and facilities	328,041	2,646	(895)	329,792
Roads infrastructure	1,128,205	48,524	(12,416)	1,164,313
Water and sewer infrastructure	480,582	10,371	(437)	490,516
Assets under construction	85,658	27,000	-	112,658
<b>Total</b>	<b>\$ 2,617,939</b>	<b>\$ 133,805</b>	<b>\$ (21,063)</b>	<b>\$ 2,730,681</b>

Accumulated amortization	Balance December 31, 2013	Amortization expense	Disposals	Balance at December 31, 2014
General Capital:				
Land	\$ -	\$ -	-	\$ -
Landfill and land improvements	13,457	1,227	(170)	14,514
Buildings	136,864	9,045	(651)	145,258
Machinery, furniture and equipment	62,253	6,311	(4,068)	64,496
Vehicles	39,912	4,661	(1,625)	42,948
Infrastructure:				
Land improvements	2,352	317	-	2,669
Plants and facilities	175,464	9,331	(553)	184,242
Roads infrastructure	667,119	28,601	(9,969)	685,751
Water and sewer infrastructure	145,265	6,735	(320)	151,680
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ 1,242,686</b>	<b>\$ 66,228</b>	<b>\$ (17,356)</b>	<b>\$ 1,291,558</b>

	Net book value December 31, 2013	Net book value December 31, 2014
General Capital:		
Land	\$ 67,056	\$ 69,783
Landfill and land improvements	19,423	20,804
Buildings	166,655	185,855
Machinery, furniture and equipment	34,633	36,801
Vehicles	32,522	30,130
Infrastructure:		
Land improvements	20,326	20,144
Plants and facilities	152,577	145,550
Roads infrastructure	461,087	478,562
Water and sewer infrastructure	335,317	338,836
Assets under construction	85,658	112,658
<b>Total</b>	<b>\$ 1,375,254</b>	<b>\$ 1,439,123</b>

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
 (in thousands of dollars)  
 Year ended December 31, 2014

## 14. Tangible capital assets (continued):

Cost	Balance December 31, 2012	Additions	Disposals	Balance at December 31, 2013
General Capital:				
Land	\$ 63,761	\$ 3,444	\$ (149)	\$ 67,056
Landfill and land improvements	30,062	2,818	-	32,880
Buildings	299,378	6,776	(2,635)	303,519
Machinery, furniture and equipment	94,279	4,668	(2,061)	96,886
Vehicles	70,537	5,738	(3,841)	72,434
Infrastructure:				
Land improvements	22,405	273	-	22,678
Plants and facilities	325,710	2,956	(625)	328,041
Roads infrastructure	1,113,489	21,918	(7,202)	1,128,205
Water and sewer infrastructure	464,190	17,057	(665)	480,582
Assets under construction	44,657	41,001	-	85,658
<b>Total</b>	<b>\$ 2,528,468</b>	<b>\$ 106,649</b>	<b>\$ (17,178)</b>	<b>\$ 2,617,939</b>

Accumulated amortization	Balance December 31, 2012	Amortization expense	Disposals	Balance at December 31, 2013
General Capital:				
Land	\$ -	\$ -	\$ -	\$ -
Landfill and land improvements	12,373	1,084	-	13,457
Buildings	130,523	8,570	(2,229)	136,864
Machinery, furniture and equipment	57,760	6,515	(2,022)	62,253
Vehicles	38,902	4,727	(3,717)	39,912
Infrastructure:				
Land improvements	2,038	314	-	2,352
Plants and facilities	166,429	9,314	(279)	175,464
Roads infrastructure	644,387	28,095	(5,363)	667,119
Water and sewer infrastructure	139,174	6,559	(468)	145,265
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ 1,191,586</b>	<b>\$ 65,178</b>	<b>\$ (14,078)</b>	<b>\$ 1,242,686</b>

	Net book value December 31, 2012	Net book value December 31, 2013
General Capital:		
Land	\$ 63,761	\$ 67,056
Landfill and land improvements	17,689	19,423
Buildings	168,855	166,655
Machinery, furniture and equipment	36,519	34,633
Vehicles	31,635	32,522
Infrastructure:		
Land improvements	20,367	20,326
Plants and facilities	159,281	152,577
Roads infrastructure	469,102	461,087
Water and sewer infrastructure	325,016	335,317
Assets under construction	44,657	85,658
<b>Total</b>	<b>\$ 1,336,882</b>	<b>\$ 1,375,254</b>

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
(in thousands of dollars)  
Year ended December 31, 2014

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## 14. Tangible capital assets (continued)

### a) Assets under construction

Assets under construction having a value of \$112,658 (2013 - \$85,658) have not been amortized. Amortization of these assets will commence when the asset is put into service.

During the year, the City added \$67,092 (2013 - \$51,335) to assets under construction and transferred \$39,870 (2013 - \$10,334) 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 \$5,718 (2013 - \$7,993) comprised of the following:

	2014	2013
General Capital		
Land	\$ 781	\$ 461
Land improvements	-	-
Machinery and equipment	271	212
Infrastructure		
Land improvements	135	205
Roads network	2,507	3,265
Water and wastewater network	2,024	3,850
Total	\$ 5,718	\$ 7,993

## 15. Contractual obligations and commitments

### (a) Contracts for capital projects

The balance of capital works uncompleted under contracts in progress at December 31, 2014 amounts to approximately \$25,335 (2013 - \$77,413). The proposed financing of these obligations is \$25,290 (2013 - \$74,119) from surplus funds and \$45 (2013 - \$3,294) from external sources.

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
(in thousands of dollars)  
Year ended December 31, 2014

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## 15. Contractual obligations and commitments (continued)

### (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:

2015	\$	20,726
2016		11,366
2017		1,437
2018		1,167
2019 and onwards		1,479
	\$	<u>36,175</u>

### (c) Contingent liabilities

As at December 31, 2014, 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, 2014 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.

### (e) Biosolids Management Facility and Fleet/Transit Garage

Assets under construction include the costs incurred related to the construction of a Biosolids Management Facility under a public private partnership agreement that aggregated to \$54,270 as at December 31, 2014, with a corresponding payable balance included within accounts payable and accrued liabilities. The total cost of construction for the Biosolids Management Facility is \$63,123.

Subsequent to year end, the construction of the Biosolids Management Facility was completed and the City received a certificate of substantial completion for this project from the private contractor. Pursuant to the terms of the public private partnership agreement, the City paid \$47,342 to the contractor. The remaining amounts owing under the agreement totaling \$15,781 are to be paid to the contractor over a 20 year period and bears interest at a rate of 6.16% annually. In addition, the City received funding of \$11,000 in 2015 in accordance with a Financial Agreement with PPP Canada in relation to this facility which was used for the payment made to the contractor.

The City obtained funds through external debt financing in 2015 with Ontario Infrastructure and Lands Corporation (IOLC) of \$31,000 for the Biosolids facility as well as \$14,000 of debt financing related to a separate project to fund the construction of a new Fleet/Transit Garage both at an annual interest rate of 3.10% with a term of 20 years.

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
(in thousands of dollars)  
Year ended December 31, 2014

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## 16. Accumulated surplus

Accumulated surplus consists of the following:

	2014	2013
<b>Surplus:</b>		
Invested in tangible capital assets	\$ 1,419,715	\$ 1,354,145
Invested in government business enterprise	92,940	89,755
Other	3,395	1,823
Committed capital:		
Capital projects not completed	86,836	79,451
Unfinanced capital projects to be recovered through taxation or user charges	(83,028)	(34,099)
Unfunded:		
Landfill closure costs	(13,263)	(11,359)
Employee benefits	(54,239)	(52,639)
Accrued financial obligations	(13,200)	(15,200)
	1,439,156	1,411,877
<b>Reserves</b>	6,622	8,345
<b>Reserve funds</b>	150,674	148,196
	\$ 1,596,452	\$ 1,568,418

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
 (in thousands of dollars)  
 Year ended December 31, 2014

## 17. Budget data

Budget data presented in these consolidated financial statements are based on the 2014 operating and capital budgets approved by Council. The chart below reconciles the approved budget with the budget figures as presented in these consolidated financial statements.

	<b>2014</b>
<b>Revenues</b>	
Approved budget:	
Operating	\$ 490,853
Capital	94,981
Consolidated Boards	<u>22,529</u>
	608,363
Adjustments:	
Transfer from reserves to operating	(6,436)
Recognize revenues from obligatory reserve funds	9,269
In year budget adjustments	8,087
Operating transfer to capital and future years funding	(84,500)
Contributed tangible assets	5,718
Reclassification of taxation bad debt expense	<u>(2,780)</u>
<b>Total revenues</b>	<b><u>\$ 537,721</u></b>
<b>Expenses</b>	
Approved budget:	
Operating	490,853
Capital	94,981
Consolidated Boards (A)	<u>19,336</u>
	605,170
Adjustments:	
Amortization of Tangible Capital Assets	67,331
Transfer to reserves and capital	(77,257)
Reduction due to Tangible Capital Assets (TCA)	(97,331)
Post employment benefit expense	2,646
Landfill closure and post closure expense	222
In year budget adjustments	1,158
Reclassification of taxation	(2,780)
Debt principal repayments	(3,858)
Operating expenses budgeted in capital expensed in current year	<u>7,414</u>
<b>Total expenses</b>	<b><u>\$ 502,715</u></b>
<b>Annual surplus</b>	<b><u>\$ 35,006</u></b>

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

(A) The approved budget of the Consolidated Boards includes amortization. Their budget also provides 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, 2014

## 18. Taxation

	2014 Budget	2014 Actual	2013 Actual
Municipal tax levy	\$ 230,648	230,647	\$ 222,512
Supplementary taxation	2,400	2,168	2,644
Payment in lieu of property taxes	8,014	7,756	7,685
Local improvements	522	522	528
	241,584	241,093	233,369
Rebates and Tax Concessions	(2,780)	(2,626)	(2,365)
Net municipal taxation	\$ 238,804	\$ 238,467	\$ 231,004

## 19. Other revenues

Other revenues consist of:

	2014	2013
Gaming and Casino Revenues	\$ 2,274	\$ 2,360
Loss on sale of Land and Tangible Capital Assets	(3,196)	(2,889)
Donated Tangible Capital Assets	5,718	7,993
Donations	977	2,227
Development Charges Earned	4,369	5,389
Subdivider Contributions	357	1,731
Miscellaneous Recoveries/Revenues	14,517	14,820
	\$ 25,016	\$ 31,631

## 20. Trust funds

Trust funds amounting to \$16,336 (2013 - \$15,911) 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.

## 21. Segmented disclosure

The City is a diversified municipal government institution that provides a wide range of services to more than 160,000 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:

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
(in thousands of dollars)  
Year ended December 31, 2014

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## 21. Segmented disclosure (continued)

### 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.

### 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.

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2014

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## 21. Segmented disclosure (continued)

### 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, 2014

## 21 Segmented Disclosure (continued)

December 31, 2014	General Government	Protection Services	Transportation Services	Environmental Services	Health and Social Services	Recreation and Cultural Services	Planning and Development	Government Business Enterprises	Total
<b>Revenues</b>									
Transfer payments	\$ 2,388	12,708	21,694	2,033	92,136	5,113	2,138	-	\$ 138,211
Taxation	17,956	72,940	67,509	-	42,774	28,834	8,454	-	238,467
User Charges	5,252	5,828	10,127	67,893	17,758	8,324	959	-	116,141
Other	1,137	8,784	14,015	6,159	5,353	3,957	2,799	3,185	45,388
	26,733	100,260	113,345	76,085	158,021	46,227	14,350	3,185	538,207
<b>Expenses</b>									
Salaries, Wages and Benefits	27,023	70,420	30,654	17,815	57,083	19,091	7,510	-	229,598
Materials	10,045	9,414	35,807	46,990	52,595	13,138	3,238	-	171,227
Contract Services	194	672	50	54	37,242	1,381	1,169	-	40,760
Grants and Transfer Payments	934	2,728	32,955	17,656	6,776	4,735	444	-	66,228
Amortization	1,102	305	37	274	510	90	41	-	2,360
Other	(15,755)	3,754	1,849	1,376	5,501	2,668	609	-	-
	23,543	87,293	101,352	84,165	159,706	41,103	13,011	-	510,173
<b>Annual Surplus</b>	\$ 3,190	12,967	11,993	(8,080)	(1,685)	5,124	1,339	3,185	\$ 28,034

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
(in thousands of dollars)  
Year ended December 31, 2014

## 21 Segmented Disclosures (continued)

December 31, 2013	Recreation and Government Business Enterprises							Total
	General Government	Protection Services	Transportation Services	Environmental Services	Health and Social Services	Recreation and Cultural Services	Planning and Development	
<b>Revenues</b>								
Transfer payments	\$ 2,472	13,547	19,053	2,532	94,209	5,186	3,367	- \$ 140,367
Taxation	16,576	70,083	65,765	-	43,018	26,897	8,663	- 231,004
User Charges	5,020	5,173	9,774	65,262	17,494	8,404	946	- 112,074
Other	1,203	9,986	16,673	6,388	5,897	4,975	3,304	7,053 55,477
	25,271	98,788	111,266	74,182	160,618	45,462	16,281	7,053 538,921
<b>Expenses</b>								
Salaries, Wages and Benefits	25,169	68,537	30,582	17,766	56,969	19,016	7,847	- 225,886
Materials	4,397	7,398	19,544	11,375	21,521	9,939	2,107	- 76,280
Contract Services	4,891	2,112	14,420	31,471	31,465	2,864	2,383	- 89,605
Grants and Transfer Payment	178	664	50	50	39,495	1,269	1,266	- 42,972
Amortization	873	2,934	32,003	17,416	6,694	4,751	507	- 65,178
Other	733	371	109	256	466	104	27	- 2,066
Allocation of shared expenses	(14,188)	3,127	1,760	1,479	5,060	2,283	478	- -
	22,052	85,143	98,468	79,814	161,670	40,225	14,615	- 501,987
<b>Annual Surplus</b>	\$ 3,219	13,646	12,799	(5,632)	(1,052)	5,236	1,665	7,053 \$ 36,934

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
 (in thousands of dollars)  
 Year ended December 31, 2014

## 22. Supplementary financial information

### i) Schedule of Revenues and Expense - Library

	2014	2013
<b>Revenues:</b>		
Government transfers (note 1)	\$ 411	\$ 421
Fines and fees	139	146
Other	3	11
	<u>553</u>	<u>578</u>
<b>Expenses:</b>		
Salaries, wages and benefits	\$ 4,579	\$ 4,431
Materials and contract services	1,679	1,582
	<u>6,258</u>	<u>6,013</u>
<b>Excess of expenses over revenues</b>	<b>\$ (5,705)</b>	<b>\$ (5,435)</b>

#### 1. The government transfers are comprised of the following:

##### Provincial

Ministry of Tourism and Culture - Operating	\$ 403	\$ 403
Ministry of Tourism and Culture - Other	6	5
Ontario Library Service - North	2	2
Southern Ontario Library Service	-	11
	<u>\$ 411</u>	<u>\$ 421</u>

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
 (in thousands of dollars)  
 Year ended December 31, 2014

## 22. Supplementary financial information (continued)

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

	REVENUES (1)			
	Ministry of Education	Legislated Cost Share (Calculated)		Total
<b>Full Flexibility</b>				
Core Services Delivery (100%)	2,271	0%	-	2,271
Core Services Delivery - (80/20)	6,159	20%	1,540	7,699
Core Service Delivery - (50/50)	355	50%	355	710
Language	1,968	0%	-	1,968
Aboriginal	83	0%	-	83
Cost of Living	273	0%	-	273
Rural/Remote	320	0%	-	320
FDK Transition	473	0%	-	473
Repairs and Maintenance	26	0%	-	26
Capping Adjustment	3,627	0%	-	3,627
<b>Total (full flexibility)</b>	<b>15,555</b>		<b>1,895</b>	<b>17,449</b>
Transformation	<b>64</b>	<b>0</b>	<b>0</b>	<b>64</b>
<b>Limited Flexibility</b>				
Capacity Building	59	0%	-	59
Capital Retrofits	80	0%	-	80
<b>Total (limited flexibility)</b>	<b>139</b>		<b>0</b>	<b>139</b>
<b>TOTAL</b>	<b>15,758</b>		<b>1,895</b>	<b>17,653</b>

(1) Most recent Amended Service agreement

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements  
 (in thousands of dollars)  
 Year ended December 31, 2014

## 22. Supplementary financial information (continued)

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

	EXPENSES		
	Gross Expenditures	Offsetting Revenues	Adjusted Gross Expenditures
Year ended December 31, 2014			
<b>Full Flexibility</b>			
General Operating	5,148	-	5,148
Fee Subsidy - Regular	8,437	(1,249)	7,188
Fee Subsidy - Extended Day	263	(38)	225
Fee Subsidy - Recreation	123	(12)	111
Ontario Works and LEAP - Formal	1,138	(250)	888
Ontario Works and LEAP - Informal	20	-	20
Pay Equity Memorandum of Settlement	225	-	225
Special Needs Resourcing	1,468	-	1,468
Administration	1,556	-	1,556
Repairs and Maintenance	462	-	462
Play-based Material and Equipment	228	-	228
Miscellaneous	31	-	31
<b>Total (full flexibility)</b>	<b>19,099</b>	<b>(1,549)</b>	<b>17,550</b>
Transformation	<b>60</b>	-	<b>60</b>
<b>Limited Flexibility</b>			
Capacity Building	75	-	75
Capital Retrofits	125	-	125
<b>Total (limited flexibility)</b>	<b>200</b>	-	<b>200</b>
<b>TOTAL</b>	<b>19,359</b>	<b>(1,549)</b>	<b>17,810</b>

## 23. Comparative figures

Certain comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted in the current year.