

Consolidated Financial Statements  
of the City of Greater Sudbury

# CITY OF GREATER SUDBURY

## Consolidated Financial Statements Index

(in thousands of dollars)

Year ended December 31, 2010

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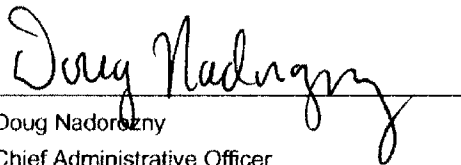
## **Management's Responsibility for the Consolidated Financial Statements**

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 The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, 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, Freelandt Caldwell Reilly LLP and Collins Barrow LLP independent external auditors appointed by the City. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the City's consolidated financial statements.



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Doug Nadorszny  
Chief Administrative Officer



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Lorella Hayes  
Chief Financial Officer and Treasurer

## 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, 2010, the consolidated statements of operations, changes in net financial assets 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 consolidated financial position of the City of Greater Sudbury as at December 31, 2010 and its consolidated results of operations and its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Collins Barrow, Sudbury - Nipissing LLP*

**COLLINS BARROW, SUDBURY - NIPISSING LLP**  
Chartered Accountants, Licensed Public Accountants

*Freelandt Caldwell Reilly LLP*

**FREELANDT CALDWELL REILLY LLP**  
Chartered Accountants, Licensed Public Accountants

*KPMG LLP*

**KPMG LLP**  
Chartered Accountants, Licensed Public Accountants

June 29, 2011  
Sudbury, Canada

# CITY OF GREATER SUDBURY

## Consolidated Statement of Financial Position

(in thousands of dollars)

December 31, 2010, with comparative figures for 2009

	2010	2009
<b>Financial assets:</b>		
Cash and short-term investments (note 2)	\$ 113,380	110,858
Taxes receivable	10,920	10,032
Accounts receivable	50,405	50,661
Inventory held for resale	930	976
Investment in Government Business Enterprises (note 3 (b))	79,811	78,360
Note receivable (note 3 (c))	4,184	-
Long-term investments (note 4)	83,009	81,182
	<u>342,639</u>	<u>332,069</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	73,553	71,559
Employee benefit obligations (note 5)	46,276	44,838
Deferred revenue - obligatory reserve funds (note 6)	30,359	31,568
Deferred revenue - other	12,297	22,754
Solid waste management facility liability (note 7)	14,106	13,829
Long-term liabilities (note 8)	38,583	42,280
	<u>215,174</u>	<u>226,828</u>
Net financial assets	127,465	105,241
<b>Non-financial assets:</b>		
Tangible capital assets (note 12)	1,318,739	1,283,392
Other	5,035	4,235
	<u>1,323,774</u>	<u>1,287,627</u>
Contractual obligations and commitments (note 14)		
<b>Accumulated Surplus</b> (note 15)	<u>\$ 1,451,239</u>	<u>1,392,868</u>

The accompanying notes are an integral part of this financial statement.

# CITY OF GREATER SUDBURY

## Consolidated Statement of Operations

(in thousands of dollars)

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
<b>Revenues:</b>		
Government transfers - Provincial	\$ 231,195	210,037
- Federal	15,825	17,536
Taxation	206,257	196,576
User charges	99,027	96,556
Investment income	11,083	9,547
Fines and penalties	5,243	4,863
Other	17,838	32,620
Government Business Enterprises net earnings (note 4)	5,635	1,206
	<u>592,103</u>	<u>568,941</u>
<b>Expenses:</b>		
General government	21,657	23,801
Protection to persons and property	76,801	71,710
Transportation services	86,116	90,655
Environmental services	73,882	79,108
Health services	24,732	23,935
Social and family services	153,980	146,644
Social housing	44,858	40,655
Recreation and cultural services	38,896	36,777
Planning and development	12,810	12,626
	<u>533,732</u>	<u>525,911</u>
<b>Excess of revenue over expenses</b>	<b>58,371</b>	<b>43,030</b>
Accumulated surplus, beginning of the year	1,392,868	1,349,838
<b>Accumulated surplus, end of the year</b>	<b>\$ 1,451,239</b>	<b>1,392,868</b>

The accompanying notes are an integral part of this financial statement.

# CITY OF GREATER SUDBURY

## Consolidated Statement of Change in Net Financial Assets

(in thousands of dollars)

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Excess of revenue over expenses	\$ 58,371	43,030
Acquisition of tangible capital assets	(108,329)	(127,117)
Amortization of tangible capital assets	67,588	63,995
Loss on disposal of tangible capital assets	5,147	5,208
Proceeds on disposal of tangible capital assets	247	411
	23,024	(14,473)
Acquisition of other assets	(800)	(1,434)
<b>Change in net financial assets</b>	22,224	(15,907)
Net financial assets, beginning of the year	105,241	121,148
<b>Net financial assets, end of the year</b>	\$ 127,465	105,241

The accompanying notes are an integral part of this financial statement.



# CITY OF GREATER SUDBURY

## Consolidated Statement of Cash Flows

(in thousands of dollars)

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
<b>Cash flows from operating activities:</b>		
Excess of revenue over expenses	\$ 58,371	43,030
Items not involving cash:		
Amortization of tangible capital assets	67,588	63,995
Loss on disposal of tangible capital assets	5,147	5,208
Developer contributions of tangible capital assets	(7,215)	(15,227)
Change in employee benefit obligations	1,438	1,531
Change in solid waste management facility liability	277	2,256
Equity income in Government Business Enterprises	(5,635)	(1,206)
Change in non-cash working capital:		
Increase in note receivable	(4,184)	-
Decrease in inventory held for resale	46	205
Increase (decrease) in deferred revenue		
obligatory reserve funds	(1,209)	3,624
Decrease in deferred revenue other	(10,457)	(5,553)
Increase in accounts and taxes receivable	(632)	(16,539)
Increase in other assets	(800)	(1,434)
Increase in accounts payable and accrued liabilities	1,994	245
	<u>104,729</u>	<u>80,135</u>
<b>Cash flows from financing activities:</b>		
Debt issued	-	4,175
Debt principal repayments	(1,452)	(1,272)
Financial obligations	(2,010)	(690)
Capital lease obligations	(235)	(456)
	<u>(3,697)</u>	<u>1,757</u>
<b>Cash flow from capital activities:</b>		
Proceeds on disposal of tangible capital assets	247	411
Cash used to acquire tangible capital assets	(101,114)	(111,890)
	<u>(100,867)</u>	<u>(111,479)</u>
<b>Cash flows from investing activities:</b>		
Long-term investments	(1,827)	(32,991)
Redemption of shares	4,184	-
	<u>2,357</u>	<u>(32,991)</u>
<b>Net increase (decrease) in cash and short-term investments</b>	<u>2,522</u>	<u>(62,578)</u>
Cash and short-term investments, beginning of year	110,858	173,436
<b>Cash and short-term investments, end of year</b>	<u>\$ 113,380</u>	<u>110,858</u>

The accompanying notes are an integral part of this financial statement.

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

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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 such as 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 for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

### (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 and entities include:

Greater Sudbury Housing Corporation  
Greater Sudbury Police Services Board  
Downtown Sudbury (formerly Metro Centre Management Board)  
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 and enterprises 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, 2010

## 1. Significant accounting policies (continued):

### (a) Reporting entity (continued):

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

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

	2010	2009
Nickel District Conservation Authority	\$ 554	545
Sudbury & District Health Unit	5,373	5,209
City of Greater Sudbury Community Development Corporation	887	870
	\$ 6,814	6,624

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

Government Business Enterprises comprised of the Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc. ("GSU"), Sudbury Community Development Corporation ("SCDC") 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) Basis of accounting:

Sources of financing and expenses are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

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## 1. Significant accounting policies (continued):

### (c) Investments:

Investments are recorded at cost. Temporary declines in the market value of the long-term investments are not adjusted.

### (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 accounts for its participation in the Ontario Municipal Employee Retirement Fund ("OMERS"), a multi-employer public sector pension fund, as a defined benefit plan.

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 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 by reference to market interest rates at the measurement date on high-quality debt instruments with 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.

### (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.

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

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## 1. Significant accounting policies (continued):

### (g) 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:

<b>Asset</b>	<b>Useful Life - Years</b>
General Capital:	
Land improvements	20 - 100 years
Buildings	15 - 60 years
Machinery and equipment	5 - 30 years
Vehicles	4 - 20 years
Infrastructure:	
Plants and facilities	10 - 60 years
Road networks	15 - 75 years
Water and wastewater networks	40 - 100 years

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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.

### (ii) Contributions of tangible capital assets:

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

### (iii) Capital interest:

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

# CITY OF GREATER SUDBURY

## Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

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### 1. Significant accounting policies (continued):

(iv) 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.

(v) Inventory:

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

(h) Taxation and related revenues:

Property tax billings are prepared by the City based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by City Council, incorporating amounts to be raised for local services and amounts the City is required to collect on behalf of the Province of Ontario in respect of education taxes.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the City determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued.

Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known or based on management's best estimates.

The City is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

(i) 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 landfill closure and post-closure liabilities and post-employment benefits. Actual results could differ from those estimates. 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 PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

# CITY OF GREATER SADBURY

## Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

### 2. Cash and short-term investments:

The short-term investments consisting of cash, term deposits, bonds, treasury bills and ONE Fund Money Market and Bond Market funds earn rates of return ranging from 0.50% to 4.80% per annum and amount to \$113,380 (2009 - \$110,858). They are recorded at cost adjusted for amortization of discount or premium and have a market value of \$112,280 (2009 - \$111,229) at the end of the year. Cash other than short-term investments earn a competitive rate of return while on deposit.

### 3. Investment in Government Business Enterprises:

The Sudbury Airport Community Development Corporation ("SACDC"), Greater Sudbury Utilities Inc. ("GSU") and Sudbury Community Development Corporation ("SCDC") 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 following table provides condensed supplementary financial information for the year ending December 31, 2010:

	SACDC	GSU	SCDC	2010 Total	2009 Total
<b>Financial Position</b>					
Current assets	\$ 1,440	35,145	11	36,596	39,001
Capital assets	14,214	82,273	–	96,487	93,294
Other assets	–	13,206	–	13,206	8,652
<b>Total assets</b>	<b>15,654</b>	<b>130,624</b>	<b>11</b>	<b>146,289</b>	<b>140,947</b>
Current liabilities	321	25,300	11	25,632	19,833
Note payable to the City of Greater Sudbury	–	52,341	–	52,341	52,341
Other long-term liabilities	8,137	32,709	–	40,846	46,939
<b>Total liabilities</b>	<b>8,458</b>	<b>110,350</b>	<b>11</b>	<b>118,819</b>	<b>119,113</b>
<b>Net assets</b>	<b>\$ 7,196</b>	<b>20,274</b>	<b>–</b>	<b>27,470</b>	<b>21,834</b>
<b>Results of operations:</b>					
Revenue	\$ 4,860	113,589	7	118,456	112,154
Expenses	(4,436)	(104,377)	(7)	(108,820)	(105,840)
Gain (loss) on sale of assets	23	(230)	–	(207)	(1,314)
Interest paid to the City of Greater Sudbury	–	(3,794)	–	(3,794)	(3,794)
<b>Net income (loss)</b>	<b>\$ 447</b>	<b>5,188</b>	<b>–</b>	<b>5,635</b>	<b>1,206</b>

# CITY OF GREATER SUDBURY

## Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

### 3. Investment in Government Business Enterprises (continued):

(b) The investment at December 31, 2010 consists of the following:

	SACDC	GSU	2010 Total	2009 Total
Balance, beginning of year	\$ 6,750	71,610	78,360	77,154
City's share of operating income for the year	447	5,188	5,635	1,206
Redemption of shares	-	(4,184)	(4,184)	-
Balance, end of year	\$ 7,197	72,614	79,811	78,360

(c) During the year, the city redeemed 41,841 Class A preference shares of GSU for proceeds of \$4,184. A note payable due on demand, unsecured, bearing no interest, was received in exchange for the shares. The note was paid in full February 1, 2011.

### 4. Long-term investments:

Details of the long-term investments are as follows:

	2010	2009
Term deposits, bonds and ONE Fund Equity	\$ 83,009	81,182

The term deposits and bonds earn rates of return ranging from 1.0% to 6.7% per annum and are recorded at cost adjusted for amortization of discount or premium. The long-term investments have a market value of \$87,862 (2009 - \$84,348).

### 5. Employee benefit obligations:

Details of the obligations are as follows:

	2010	2009
Future payments required to WSIB	\$ 917	909
Accumulated sick leave benefit	6,159	6,268
Other post-employment benefits	26,508	25,665
Vacation pay	12,692	11,996
	\$ 46,276	44,838



# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(In thousands of dollars)

Year ended December 31, 2010

## 5. Employee benefit obligations (continued):

The City has established reserve funds in the amount of \$7,113 (2009 - \$5,602) to mitigate the future impact of these obligations.

- (i) The City has elected to be a Schedule 2 employer under the provisions of the Workplace Safety and Insurance Board Act, and as such, remits payments to the WSIB only as required to fund disability payments.
- (ii) Accumulated sick leave benefits accrue to certain employees of the City and are paid out either on approved retirement or upon termination or death.
- (iii) Other post-employment benefits represent the City's share of the cost to provide certain employees with extended benefits upon early retirement.
- (iv) The following table sets out the results as determined by the actuarial valuation completed for the year ended December 31, 2009 and extrapolated to December 31, 2010 for each of the plans.

	WSIB	Sick Leave	Other Post-Employment Benefits	2010 Total	2009 Total
Accrued benefit liability, beginning of year	\$ 3,134	5,225	27,859	36,218	42,599
Benefit cost	573	301	1,081	1,955	2,358
Interest cost	162	255	1,365	1,782	2,324
Benefit payments	(991)	(555)	(2,254)	(3,800)	(4,127)
Actuarial gain (loss)	258	497	(921)	(166)	(6,936)
Accrued benefit liability, end of year	3,136	5,723	27,130	35,989	36,218
Unamortized gain (loss)	(2,219)	436	(622)	(2,405)	(3,376)
	\$ 917	6,159	26,508	33,584	32,842

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	3%	3%	3%
Expected level of salary increases	N/A	2.5%	2.5%
Interest discount rate	5%	5%	5%

# CITY OF GREATER SUDBURY

## Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

### 6. Deferred revenue - obligatory reserve funds:

The balances in deferred revenue - obligatory reserve funds consist of:

	2010	2009
Sub-divider contributions	\$ 8,659	8,108
Development Charges Act	393	97
Recreational Land (The Planning Act)	837	1,130
Gasoline Tax - Province	864	1,260
Gasoline Tax - Federal	10,955	8,063
Building Permit Revenues (Bill 124)	7,427	6,437
Regional Road 80	-	4,246
Canada Transit Funding (Bill C-48)	1,224	2,227
	\$ 30,359	31,568

### 7. 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.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted using an average borrowing rate of 5% (2009 - 5%) minus an inflation rate of 1.90% (2009 - 1.86%) (10-year average of CPI from 2001 to 2010). The estimated total landfill closure and post-closure care expenses are calculated to be \$23,069 (2009 - \$22,694). The estimated liability for these expenses is recognized as the landfill site's capacity is used. At December 31, 2010 an amount of \$14,106 (2009 - \$13,829) with respect to landfill closure and post-closure liabilities has been accrued.

The estimated remaining capacity of the Sudbury landfill site is 43% (3,317,000 cubic meters) of its total estimated capacity and its estimated remaining life is 23 years (2009 - 22 years), after which the period for post-closure care is estimated to be 25 years.

During the year, the estimated remaining capacity of the Walden landfill site was expended. It has no remaining useful life (2009 - 1 year). The period for post-closure care is estimated to be 25 years.

# CITY OF GREATER SUBURBY

## Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

### 7. Solid waste management facility liability (continued):

The estimated remaining capacity of the Valley East landfill site is 38% (759,000 cubic meters) of its total estimated capacity and its estimated remaining life is 25 years (2009 - 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 59% (872,000 cubic meters) of its total estimated capacity and its estimated remaining life is 21 years (2009 - 25 years), after which the period for post-closure care is estimated to be 25 years.

### 8. Long-term liabilities:

(a) Long-term liabilities reported on the consolidated statement of financial position consist of the following:

	2010	2009
Debentures (a)	\$ 20,817	21,892
Capital lease obligations (b)	931	1,167
Other loans (c)	3,805	4,181
Accrued financial obligations (d)	13,030	15,040
	\$ 38,583	42,280

(a) The debentures bear interest at rates of 5.386% to 5.734%, repayable in aggregate blended monthly payments of \$189, maturing in March, 2023 to December, 2024.

(b) The capital lease obligations bear interest at rates of 3.07% to 5.78%, repayable in aggregate blended monthly payments of \$25, maturing in December, 2011 to March, 2016.

(c) The other loans bear interest at rates of 0% to 5.49%, repayable in blended monthly payments of \$9 and aggregate blended annual payments of \$364, maturing in February 2011 to January, 2029.

(d) The accrued financial obligations consist of the following commitments:

	Last Year of Commitment	2010	2009
Sudbury Regional Hospital	2023	\$ 8,871	9,571
Northeastern Ontario Regional Cancer Centre	2023	3,829	4,129
St. Joseph's Health Centre of Sudbury (Villa St. Gabriel/Villa)	2010	-	1,000
Physician Service Agreements	2013	330	340
		\$ 13,030	15,040

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

## 8. Long-term liabilities (continued):

The principal payments are due as follows:

	2011 to 2015	2016 to 2020	2021 and thereafter	2010 Total	2009 Total
From general municipal revenues	\$ 12,638	13,485	8,702	34,825	38,256
From water/wastewater user fees	823	1,074	1,861	3,758	4,024
	\$ 13,461	14,559	10,563	38,583	42,280

## 9. Operations of school boards:

Further to note 1(a) (iv), the taxation, other revenues and expenses of the school boards are comprised of the following:

	2010	2009
Taxation	\$ 47,409	52,188
Payments in lieu of taxes	136	134
	\$ 47,545	52,322

## 10. Pension agreement:

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 in 2010 was \$10,029 (2009 - \$9,429).

## 11. Prior period immaterial adjustment:

During the year ended December 31, 2010, the Greater Sudbury Utilities Inc. retroactively adopted a new accounting standard requiring rate regulated enterprises to recognize future income taxes effective for fiscal years beginning on or after January 1, 2009. The impact of this correction to adopt this accounting standard has been recorded retrospectively and the cumulative effect up to December 31, 2009 has been recorded as a \$6,076 decrease of investment in Government Business Enterprises and accumulated surplus, and a \$260 decrease of Government Business Enterprises net earnings for the year then ended. The impact of the correction as at January 1, 2009 was a \$5,816 decrease of investment in Government Business Enterprises and accumulated surplus as of that date.

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

## 12. Tangible capital assets:

Cost	Balance December 31, 2009	Additions	Disposals	Balance at December 31, 2010
<b>General Capital:</b>				
Land	\$ 57,955	\$ 1,803	\$ (119)	\$ 59,639
Landfill and land improvements	31,375	5,757	(641)	36,491
Buildings	249,800	19,012	(220)	268,592
Machinery, furniture and equipment	80,259	7,989	(2,151)	86,097
Vehicles	64,043	7,686	(2,230)	69,499
<b>Infrastructure:</b>				
Land improvements	2,022	534	-	2,556
Plants and facilities	289,231	11,600	-	300,831
Roads infrastructure	1,049,754	57,244	(22,935)	1,084,063
Water and sewer infrastructure	436,098	8,374	(157)	444,315
Assets under construction	64,773	(11,670)	-	53,103
<b>Total</b>	<b>\$ 2,325,310</b>	<b>\$ 108,329</b>	<b>\$ (28,453)</b>	<b>\$ 2,405,186</b>

Accumulated amortization	Balance December 31, 2009	Amortization expense	Disposals	Balance at December 31, 2010
<b>General Capital:</b>				
Land	\$ -	\$ -	\$ -	\$ -
Landfill and land improvements	9,883	2,539	(641)	11,781
Buildings	111,804	7,659	(173)	119,290
Machinery, furniture and equipment	43,489	6,784	(2,143)	48,130
Vehicles	33,080	4,623	(2,230)	35,473
<b>Infrastructure:</b>				
Land improvements	538	42	-	580
Plants and facilities	141,012	8,269	-	149,281
Roads infrastructure	580,960	31,528	(17,734)	594,754
Water and sewer infrastructure	121,152	6,144	(138)	127,158
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ 1,041,918</b>	<b>\$ 67,588</b>	<b>\$ (23,059)</b>	<b>\$ 1,086,447</b>

	Net book value December 31, 2009	Net book value December 31, 2010
<b>General Capital:</b>		
Land	\$ 57,955	\$ 59,639
Landfill and land improvements	21,492	24,710
Buildings	137,996	149,302
Machinery, furniture and equipment	36,770	37,967
Vehicles	30,963	34,026
<b>Infrastructure:</b>		
Land improvements	1,484	1,976
Plants and facilities	148,219	151,550
Roads infrastructure	468,794	489,309
Water and sewer infrastructure	314,946	317,157
Assets under construction	64,773	53,103
<b>Total</b>	<b>\$ 1,283,392</b>	<b>\$ 1,318,739</b>

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

## 12. Tangible capital assets (continued):

Cost	Balance December 31, 2008	Additions	Disposals	Balance at December 31, 2009
<b>General Capital:</b>				
Land	\$ 56,688	\$ 1,405	\$ (138)	\$ 57,955
Landfill and land improvements	29,536	1,839	-	31,375
Buildings	243,485	8,178	(1,863)	249,800
Machinery, furniture and equipment	74,960	7,211	(1,912)	80,259
Vehicles	59,539	7,701	(3,197)	64,043
<b>Infrastructure:</b>				
Land improvements	1,642	380	-	2,022
Plants and facilities	286,716	8,792	(6,277)	289,231
Roads infrastructure	1,014,691	42,752	(7,689)	1,049,754
Water and sewer infrastructure	386,965	49,333	(200)	436,098
Assets under construction	65,247	(474)	-	64,773
<b>Total</b>	<b>\$ 2,219,469</b>	<b>\$ 127,117</b>	<b>\$ (21,276)</b>	<b>\$ 2,325,310</b>

Accumulated amortization	Balance December 31, 2008	Amortization expense	Disposals	Balance at December 31, 2009
<b>General Capital:</b>				
Land	\$ -	\$ -	\$ -	\$ -
Landfill and land improvements	9,124	759	-	9,883
Buildings	105,293	7,302	(791)	111,804
Machinery, furniture and equipment	38,986	6,413	(1,910)	43,489
Vehicles	31,830	4,317	(3,067)	33,080
<b>Infrastructure:</b>				
Land improvements	502	36	-	538
Plants and facilities	135,707	8,957	(3,652)	141,012
Roads infrastructure	556,693	30,389	(6,122)	580,960
Water and sewer infrastructure	115,445	5,822	(115)	121,152
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ 993,580</b>	<b>\$ 63,995</b>	<b>\$ (15,657)</b>	<b>\$ 1,041,918</b>

	Net book value December 31, 2008	Net book value December 31, 2009
<b>General Capital:</b>		
Land	\$ 56,688	\$ 57,955
Landfill and land improvements	20,412	21,492
Buildings	138,192	137,996
Machinery, furniture and equipment	35,974	36,770
Vehicles	27,709	30,963
<b>Infrastructure:</b>		
Land improvements	1,140	1,484
Plants and facilities	151,009	148,219
Roads infrastructure	457,998	468,794
Water and sewer infrastructure	271,520	314,946
Assets under construction	65,247	64,773
<b>Total</b>	<b>\$ 1,225,889</b>	<b>\$ 1,283,392</b>

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

## 12. Tangible capital assets (continued):

### a) Assets under construction:

Assets under construction having a value of \$53,103 (2009 - \$64,773) have not been amortized. Amortization of these assets will commence when the asset is put into service.

During the year, the City added \$40,194 (2009 - \$55,648) to assets under construction and transferred \$51,864 (2009 - \$56,122) from assets under construction to tangible capital assets.

### b) Developer contributions of tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$7,214 (2009 - \$15,227) comprised of the following:

	2010	2009
<b>General Capital</b>		
Land	\$ 143	197
Landfill and land improvements	-	48
Machinery and equipment	382	132
<b>Infrastructure</b>		
Land improvements	534	381
Roads network	4,122	7,171
Water and wastewater network	2,033	7,298
<b>Total</b>	<b>\$ 7,214</b>	<b>15,227</b>

### c) 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 and equipment are the categories where nominal values were assigned.

### d) 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.

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

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## 13. Budget figures:

The budgets are not directly comparable with current year actual amounts and therefore, budgets have not been reflected on the consolidated statement of operations.

## 14. Contractual obligations and commitments:

### (a) Contracts for capital projects:

The balance of capital works uncompleted under contracts in progress at December 31, 2010 amounts to approximately \$18,489 (2009 - \$23,682). The proposed financing of these obligations is \$17,379 from surplus funds and \$1,110 from provincial and federal grants.

### (b) Contracts for services:

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

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2011	\$	4,993
2012		3,980
2013		2,526
2014		1,468
2015		1,312
	\$	14,279

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### (c) Contingent liabilities:

As at December 31, 2010, 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) Commitment:

In 2009, the City committed \$10 million for the proposed Northern Ontario School of Architecture (the "Project"). The City has established a reserve fund and has funded \$1.5 million to the end of the current year and is proposing to fund an additional \$1 million annually for the years 2011 to 2018 and \$0.5 million in 2019 from the municipal tax levy. This commitment is conditional upon the Project securing funding and receiving approval from Laurentian University and the Province of Ontario.

Subsequent to year-end funding in the amount of \$26 million was announced for the Project.



# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

## 15. Accumulated surplus:

Accumulated surplus consists of the following:

	2010	2009
<b>Surplus:</b>		
Invested in tangible capital assets	\$ 1,292,940	\$ 1,256,110
Invested in government business enterprise	79,811	78,360
Other	1,096	1,099
Committed capital:		
Capital projects not fully complete	75,024	71,436
Unfinanced capital projects to be recovered through taxation or user charges	(16,190)	(22,094)
Unfunded:		
Landfill closure costs	(14,106)	(13,829)
Employee benefits	(46,276)	(44,838)
Accrued financial obligations	(12,700)	(15,040)
	1,359,599	1,311,204
<b>Reserves</b>	10,891	7,790
<b>Reserve funds</b>	80,749	73,874
	\$ 1,451,239	\$ 1,392,868

## 16. Provincial offences administration (POA):

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. Due to of the nature of business activities, revenue is recognized on the cash basis.

# CITY OF GREATER SUDBURY

## Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

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### 17. Trust funds:

Trust funds amounting to \$11,704 (2009 - \$10,962) and their related operations administered by the City are not consolidated, but are reported separately on the Trust Funds balance sheet and Trust Funds statement of continuity.

### 18. Segmented disclosure:

The City of Greater Sudbury 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:

#### 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 and Financial 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 Sudbury Airport Community Development Corporation.

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

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## 18. Segmented disclosure (continued):

### 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 ensure the safety of the lives and property of citizens; preserve peace and order; prevent 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 422 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.

# CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2010

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## **18. Segmented disclosure (continued):**

### 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 is 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

## Note 18 - Segmented Disclosure (continued)

Year ended December 31, 2010

	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	\$ 3,041	15,038	41,873	2,056	170,577	11,571	2,863	-	247,019
Taxation	18,443	65,486	38,239	11,951	41,787	21,757	8,594	-	206,257
User charges	3,528	4,283	9,079	57,233	16,570	7,518	817	-	99,028
Other	1,401	8,886	6,782	5,722	4,898	3,658	2,817	5,635	39,799
	26,413	93,693	95,973	76,962	233,832	44,504	15,091	5,635	592,103
<b>Expenses</b>									
Salaries, wages and benefits	22,072	61,152	24,516	18,411	49,324	17,012	6,675	-	199,162
Materials and contract services	8,979	8,633	24,726	36,317	52,719	13,992	4,962	-	150,328
Grants and transfer payments	71	652	5	65	109,667	1,643	1,225	-	113,328
Amortization	1,044	3,101	35,374	17,415	6,393	3,830	430	-	67,587
Other	1,277	389	83	729	494	178	177	-	3,327
Allocation of shared expenses	(11,787)	2,874	1,413	945	4,972	2,240	(657)	-	-
	21,656	76,801	86,117	73,882	223,569	38,895	12,812	-	533,732
<b>Excess of revenue over expenses</b>	\$ 4,757	16,892	9,856	3,080	10,263	5,609	2,279	5,635	58,371

# CITY OF GREATER SADBURY

## Note 18 - Segmented Disclosure (continued)

Year ended December 31, 2009

	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	\$ 3,524	13,188	36,582	2,064	163,218	6,446	2,550	-	227,572
Taxation	19,442	59,352	42,038	10,427	33,427	23,805	8,083	-	196,574
User charges	3,646	4,204	8,580	54,865	17,220	7,244	800	-	96,559
Other	1,345	7,676	12,443	13,982	4,239	4,371	2,974	1,206	48,236
	27,957	84,420	99,643	81,338	218,104	41,866	14,407	1,206	568,941
<b>Expenses</b>									
Salaries, wages and benefits	19,572	56,964	25,014	19,045	47,985	16,176	6,354	-	191,110
Materials and contract services	8,722	8,484	32,114	42,622	55,931	13,665	4,636	-	166,174
Grants and transfer payments	89	619	24	72	97,183	1,260	1,523	-	100,770
Amortization	1,828	2,900	33,669	16,162	5,505	3,523	408	-	63,995
Other	2,425	339	112	151	515	129	191	-	3,862
Allocation of shared expenses	(8,835)	2,404	(278)	1,056	4,115	2,024	(486)	-	-
	23,801	71,710	90,655	79,108	211,234	36,777	12,626	-	525,911
<b>Excess of revenue over expenses</b>	\$ 4,156	12,710	8,988	2,230	6,870	5,089	1,781	1,206	43,030