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| Presented To: | Audit Committee |
| Presented: | Tuesday, Jun 18, 2013 |
| Report Date | Tuesday, Jun 11, 2013 |
| Type: | Presentations |

Request for Decision

2012 Annual Financial Statements

Recommendation

THAT the Consolidated Financial Statements for the City of Greater Sudbury and the City of Greater Sudbury Trust Funds, for the year ended December 31, 2012 as presented be accepted and recommended for Council approval.

Background

Find attached the City of Greater Sudbury Annual Financial Report for the year ended December 31, 2012. The Annual Financial Report includes the Consolidated Financial Statements of the City of Greater Sudbury and the City of Greater Sudbury Trust funds for the year ended December 31, 2012. These financial statements have been audited and the Audit Report expresses an unqualified audit opinion.

At a later date, you will receive a comprehensive package that includes the following financial reports for the year ended December 31, 2012:

- Annual Financial Report including the Consolidated Financial Statements of the City of Greater Sudbury
- Consolidated Financial Information Return for the City of Greater Sudbury
- Financial Statements of the City of Greater Sudbury Trust Funds
- Financial Statements of the Sudbury Airport Community Development Corporation
- Consolidated Financial Statements of Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc.
- Financial Statements of Downtown Sudbury
- Financial Statements of the Sudbury and District Health Unit
- Financial Statements of the Greater Sudbury Housing Corporation
- Financial Statements of the City of Greater Sudbury Community Development Corporation

Signed By

Report Prepared By

Lorraine Laplante
Co-ordinator of Accounting
Digitally Signed Jun 11, 13

Division Review

Paddy Buchanan
Manager of Accounting
Digitally Signed Jun 11, 13

Recommended by the Department

Lorella Hayes
Chief Financial Officer/Treasurer
Digitally Signed Jun 11, 13

Recommended by the C.A.O.

Doug Nadorozny
Chief Administrative Officer
Digitally Signed Jun 11, 13

Prepared by the Finance Department,
City of Greater Sudbury



2012

City of Greater Sudbury Annual Financial Report

For the year ended December 31, 2012

PO Box 5000, STN 'A',
200 Brady Street
Sudbury, ON, P3A 5P3

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Greater Sudbury at a Glance



MUNICIPAL STATISTICS

Population

161,900

Households

74,069

EMPLOYEES

Full time employees

2,008

SERVICE INFORMATION

Building Permit Values (in 1000's)

247,525

Average monthly social assistance case load

3,407

Kilometers of roads

3,613

Annual volume of treated waste water
(megalitres)

27,727

Annual volume of treated drinking water
(megalitres)

19,791

Annual disposal of solid waste (tonnes)

100,753

Annual diversion of solid waste (tonnes)

34,482

Regular service passenger Transit trips

4,444,719

TAXABLE ASSESSMENT (\$ millions)

Residential, multi-residential, and
miscellaneous assessment

\$11,173

Commercial assessment

\$1,539

Industrial and large industrial assessment

\$424

BENCHMARK INFORMATION

% of paved lane km where condition
is rated good to very good

51.0%

of conventional transit passenger
trips per person in service area per year

32.2

of waste water main backups per 100 km
of waste water main per year

6.0

% of waste water estimated to have
bypassed treatment

0.5%

of water main breaks per 100 km
of water distribution pipe per year

8.4

% of residential solid waste
diverted for recycling

40.7%

About Greater Sudbury



The City of Greater Sudbury was formed on January 1, 2001 and represents the amalgamation of the towns and cities which comprised the former Regional Municipality of Sudbury (Sudbury, Capreol, Nickel Centre, Onaping Falls, Rayside-Balfour, Valley East and Walden), as well as several unincorporated townships (Fraleck, Parkin, Aylmer, Mackelcan, Rathbun, Scadding, Dryden, Cleland and Dill).

The City of Greater Sudbury is centrally located in Northeastern Ontario at the convergence of three major highways. It is situated on the Canadian Shield in the Great Lakes Basin and is composed of a rich mix of urban, suburban, rural and wilderness environments. Greater Sudbury is 3,267 square kilometres in area, making it the geographically largest municipality in Ontario and second largest in Canada. Greater Sudbury is considered a city of lakes, containing 330 lakes and the largest lake contained within a city, Lake Wanapitei.

In 2011, Greater Sudbury was home to approximately 161,900 people. It is a multicultural and truly bilingual community. Over 27 per cent of people living in the City reported French as their mother tongue in 2006. Almost 39 per cent of people identify themselves as being bilingual. Italian, Finnish, German, Ukrainian and Polish are the top five non official languages spoken in the City. More than 6 per cent of people living in the City are First Nations.

Greater Sudbury is a world class mining centre. The city's mining companies employ approximately 6,000 people and support a 300-company mining supply and service sector cluster that employs a further 10,000 people. The city is also a regional centre in financial and business services, tourism, health care and research, education and government for Northeastern Ontario - an area that stretches from the Quebec border west to the eastern shore of Lake Superior and north to the James and Hudson's Bay coastlines - a market of 555,000.

Greater Sudbury is a regional hub for many Ontario residents who live in nearby communities. These visitors come to the city to visit with family and friends, for cultural and educational experiences, such as Science North and Dynamic Earth, for entertainment, for shopping and for conducting business.

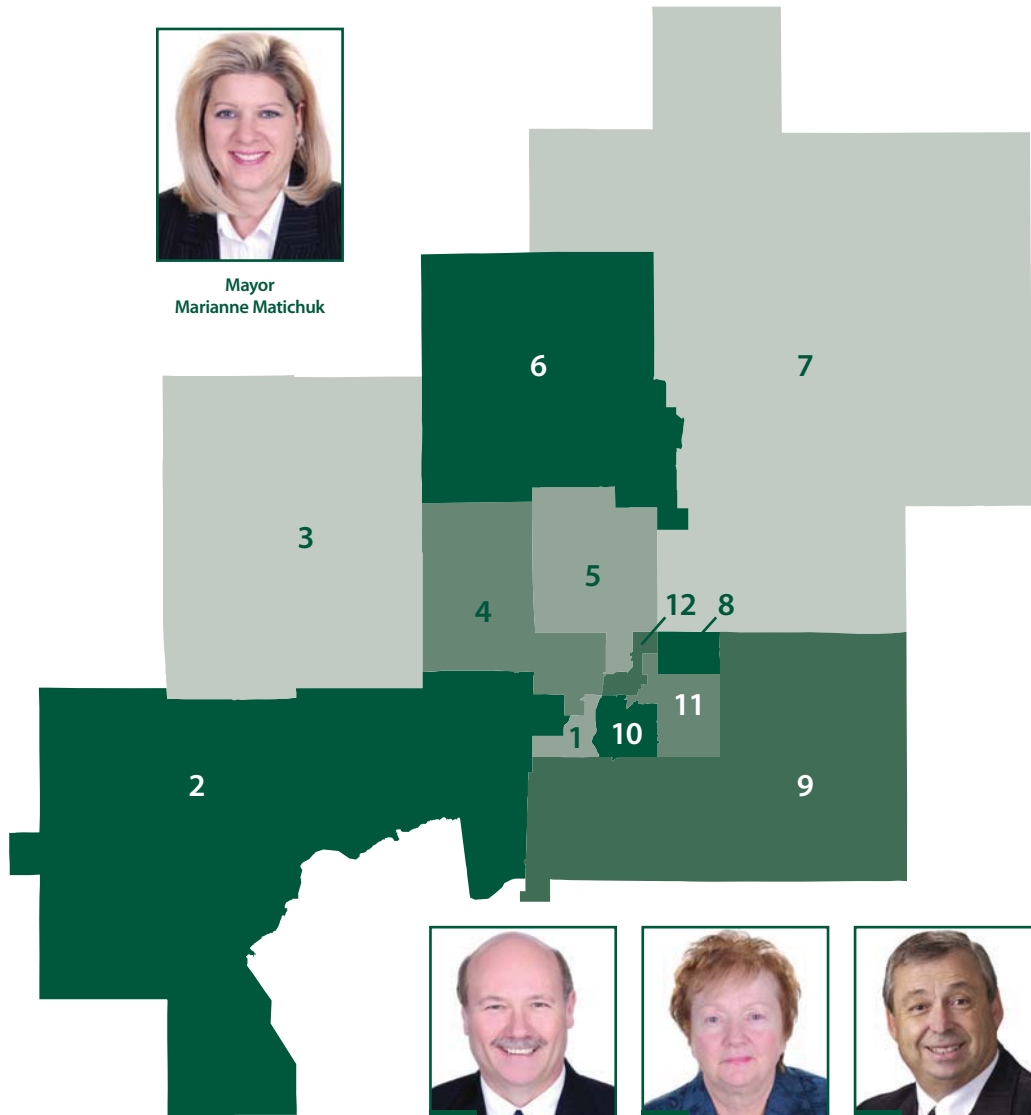
City Council

The Council of the City of Greater Sudbury is composed of a Mayor, who represents the City as a whole and twelve Councillors, each of who represents a specific ward, or geographic area, of the community.

Council is elected for a four year term, with the current term of office being to November 30, 2014. The decisions of Council impact on how municipal services are provided to you our citizens. Council is also the decision making body for the City of Greater Sudbury as an organization.



Mayor
Marianne Matichuk



Joe Cimino
Ward 1



Jacques Barbeau
Ward 2



Claude Berthiaume
Ward 3



Evelyn Dutrisac
Ward 4



Ron Dupuis
Ward 5



André Rivest
Ward 6



Dave Kilgour
Ward 7



Fabio Belli
Ward 8



Doug Craig
Ward 9



Frances Caldarelli
Ward 10



Terry Kett
Ward 11



Joscelyne
Landry-Altmann
Ward 12

Executive Team

Greater Sudbury's operations are overseen by the Office of the CAO and managed through the following departments: Community Development, Infrastructure Services, Growth and Development, Emergency Services, Human Resources and Organizational Development, Administrative Services

and Financial Services. These departments work together to ensure all of our customers' needs are met in a professional, timely manner – to achieve the goals of Council and provide excellent service and delivery of programs and services to our community.



Chief Administrative Officer
Doug Nadorozny

- Corporate Communications and French Language Services
- Strategic Initiatives



Administrative Services
Executive Director/City Clerk
Caroline Hallsworth

- Court Services (POA)
- Legal Services
- Clerk's Services
- Information Technology
- Corporate Security



Human Resources and Organizational Development
Director
Kevin Fowke

- Organizational Development, Safety and Wellness
- Compensation
- Payroll, Benefits & Rehabilitation



Financial Services
Chief Financial Officer / Treasurer
Lorella Hayes

- Accounting
- Financial Planning and Budgeting
- Purchasing
- Taxation
- Financial Support



Community Development
General Manager
Catherine Matheson

- Housing Services
- Pioneer Manor
- Citizen Services
- Social Services
- Leisure Services



Growth and Development
General Manager
Bill Lautenbach

- Assets
- Environmental Services
- Economic Development
- Building Services
- Planning Services



Emergency Services
Chief
Tim Beadman

- Emergency Medical Services
- Emergency Management
- Fire Services



Infrastructure Services
General Manager
Tony Cecutti

- Roads, Transportation and Drainage
- Water and Wastewater
- Transit & Fleet
- Engineering & Construction Services



Vision, Mission, Values

Vision

The City of Greater Sudbury is a growing, world-class community bringing talent, technology and a great northern lifestyle together.

Mission

We provide excellent access to quality municipal services and leadership in the social, environmental and economic development of the City of Greater Sudbury.

Values

In fulfilling our roles we commit ourselves to:

- providing high quality service with a citizen focus
- managing the resources in our trust efficiently, responsibly and effectively
- encouraging innovation and accepting risks
- maintaining honest and open communication
- creating a climate of trust and a collegial working environment
- acting today in the interests of tomorrow.



Strategic Goals and Strategies

The strategic plan 2012-2014 reflects the vision, mission and values of the City of Greater Sudbury. Taking advantage of emerging opportunities will ensure great things happen in Greater Sudbury. The focus and intention of Council and the City toward key priorities will contribute to great outcomes for citizens and the community as a whole.

The 2012-2014 Priorities of City of Greater Sudbury Council are:

1. Infrastructure
2. Growth and Jobs
3. Image
4. Tourism
5. Healthy Community

These broad strategic goals help the City of Greater Sudbury in managing an annual operating budget of in excess of \$497 million.



Message from Chief Administrative Officer

I am very pleased to be given the opportunity to comment on the introduction of our City's first formal annual financial report. This report is a direct reflection of the City's Vision, Mission and Values, and Council's desire to ensure a sustainable future for our community. It captures the breadth and complexity of the many services that are provided by this organization. As the Chief Administrative Officer for an organization that is committed to strong, sustainable fiscal management, I want to sincerely thank the dedicated and committed Finance Team under the leadership of our Chief Financial Officer, Lorella Hayes, for the incredible work they do every day and every year on behalf of the citizens of Greater Sudbury.



Message from Chief Financial Officer/ City Treasurer

It is my pleasure to submit the 2012 Annual Financial Report for the City of Greater Sudbury. In addition to the consolidated financial results for the year ended December 31, 2012, this report highlights the Finance Department's Strategic Plan, key financial policies, the annual budget process and other information regarding financial performance related to the delivery of the City's programs and services.

Finance Strategic Plan

The Finance Department's Strategic Plan outlines the vision, mission and the following strategic goals:

1. Focus on fiscal sustainability and long term financial planning.
2. Provide support to operating departments and provide timely and accurate financial statements (internal and external) to assist in decision making.
3. Perform the controllership function for the City by providing and enforcing sound financial policies and internal controls.
4. Maximize the capabilities and opportunities provided by the financial information systems.
5. Maintain a positive work environment and strong employee engagement within the Finance Department.

These goals were established in early 2010. The Strategic Plan highlights the significant accomplishments from 2010 to 2012 and the planned actions for 2013 to 2014 to achieve the vision, mission and strategic goals. This document can be found on the City's website and contains examples of the significant accomplishments from 2010 to 2012 and planned actions for 2013 and 2014 (Finance Strategic Plan).

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENT

The City of Greater Sudbury's management is responsible for all information contained in the Annual Report. This report provides the annual consolidated financial results for the City of Greater for the year ending December 31, 2012 prepared in accordance with legislation and in accordance with generally accepted accounting principles for public sector entities as defined in the Public Sector Accounting Handbook. The consolidated financial statements enclosed include all boards and entities which are under the control of Council.

The Consolidated Financial Statements include all organizations that are owned or controlled by the City. Some entities are fully consolidated, which means that the financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. Government business enterprises are recorded using the modified equity method which means that the entity's accounting principles are not adjusted to conform to those of the City and inter-entity transactions and balances are not eliminated.

Fully consolidated entities include:

- Greater Sudbury Housing Corporation
- Greater Sudbury Police Services Board
- Downtown Sudbury
- Flour Mill Business Improvement Area
- Greater Sudbury Public Library Board.

Government Business Enterprises include:

- Greater Sudbury Airport Community Development Corporation
- Greater Sudbury Utilities Inc.

The budget presented in the 2012 audited financial statements has been restated to conform to the Public Sector Accounting Standards. The standards require that all interfund transfers, capital expenditures, and debt principal repayments be removed and amortization, employee future benefits and landfill closure and post closure costs be included. Note 13 to the financial statements reconciles the 2012 approved operating and capital budgets, as approved by Council, adding the approved consolidated board budgets, in year budget adjustments in accordance with the Operating Budget Policy and adjusted for the items noted above.

EXTERNAL AUDITORS

The City's external auditors are PricewaterhouseCoopers LLP, Chartered Accountants (PwC). The role of the external auditor is to express an opinion on the annual consolidated financial statements based on their audit. The auditors express their opinion in their Independent Auditor's Report that is attached to the consolidated financial statements. Their opinion confirms that the consolidated financial statements are free from material misstatement. The external auditors are also responsible to advise management and Council of any internal control issues identified during their audit.

For the year ended December 31, 2012, PwC issued an unqualified audit opinion, meaning that in all material respects, the financial position of the City of Greater Sudbury and the results of its operations for the year ended the financial statements are free from material misstatements.

AUDIT COMMITTEE

The mandate of the Audit Committee is to provide oversight to the Auditor General and to the External Auditors and consists of full Council. The Committee's responsibilities are to review internal and external reports including reviewing the Auditor General's reports, work plans and the approval of the External Auditors Annual Audit Plan, review the annual audited consolidated financial statements and external audit finding reports.



FINANCIAL ACCOUNTABILITY

The City participates in two comprehensive benchmarking initiatives. Both the Municipal Performance Measurement Program (MPMP) and Ontario Municipal CAOs Benchmarking Initiative (OMBI) are based upon well-developed methodologies.

The City of Greater Sudbury focuses its corporate performance measurement efforts on these two programs which are mostly focused on Ontario municipalities. In addition, the City belongs to several industry-specific organizations, which collaboratively compile and analyze benchmarking data to determine where service improvements can be made.

Additional information relating to Performance Measurement can be found on the City's website.

Financial Management

The City of Greater Sudbury maintains appropriate systems of internal controls to ensure effective financial management, reliable and relevant financial information, and that assets are safeguarded. Management systems, policies and by-laws are in place for financial management, accounting, budgeting and other policies as required to ensure that transactions are appropriately authorized and recorded, and the integrity and completeness of financial records are assured. Key policies and by-laws include but not limited to the City's Delegation By-Law, Purchasing By-Law, Operating Budget Policy, Capital Budget Policy, Purchasing Authority Policy, Reserve and Reserve Fund By-Law, and Investment Policy.

LONG TERM FINANCIAL PLAN

In 2002, Council adopted the Long Term Financial Plan (LTFP) and related policies and principles. These policies and principles are used in managing the financial affairs of the City. The nine principles are:

1. Ensure Long Term Financial Sustainability
2. Deliver services in a cost-effective and efficient manner
3. Ensure operating revenues are sustainable and consider community-wide and Individual benefits (Taxes versus user fees)
4. Meet social equity objectives through specific programs
5. Manage the City's capital assets to maximize long term community benefit
6. Recognize that funding from senior levels of government is a crucial element of fiscal sustainability
7. Use debt financing where appropriate
8. Maintain Reserve and Reserve Funds at appropriate levels
9. Identify and quantify long term liabilities.

The LTFP principles are designed to be flexible and adaptable. This key planning document guides the strategic thinking of the City and promotes a healthy and sustainable service delivery model for our community.

With the LTFP, the City recognized the need to adopt a new budgeting process with a new approach to financial management, one that shifts the emphasis



from bottom line financial concerns to service delivery within a longer term financial planning horizon.

The City of Greater Sudbury, like other municipalities, must continually realign budgets, refocus activities, and streamline operational priorities and procedures, to ensure value for property taxes are maximized.

The LTFP principles formed the foundation for the 'Toward Fiscal Sustainability Plan' which was developed in 2010.

TOWARD FISCAL SUSTAINABILITY PLAN

The Toward Fiscal Sustainability Plan was designed to ensure that the City is fiscally sustainable and has sufficient resources to provide the services that the community expects over the long term. The Plan laid out priorities and action items to manage fiscal challenges and opportunities facing our City. The goal is to build a self sustaining community, with sound infrastructure, and an excellent quality of life.

The LTFP financial principles and policies and the Toward Fiscal Sustainability Plan have been designed to ensure the City attains financial sustainability and has sufficient resources to provide the services that the community expects.

LONG TERM DEBT

One of the principles in the Long term financial plan, states that debt financing should be used, where appropriate. More specifically, debt financing should only be considered for new, non-recurring infrastructure requirements, programs and facilities which are self-supporting and projects where the cost of deferring expenses exceeds debt servicing costs.

Financial Management

RESERVE AND RESERVE FUNDS

The City maintains reserve and reserve funds in accordance with the Reserve and Reserve Fund By-law. They are a critical component of a municipality's long-term financing plan. The purpose of maintaining reserves is to:

- Provide stability of tax rates in the face of variable and uncontrollable factors (consumption, interest rates, unemployment rates, changes in subsidies)
- Provide financing for one-time or short term requirements without permanently impacting tax and utility rates
- Make provisions for replacements/acquisitions of assets/infrastructure that are currently being consumed and depreciated
- Avoid spikes in funding requirements of the capital budget by reducing their reliance on long-term debt borrowings
- Provide a source of internal financing
- Ensure adequate cash flows
- Provide flexibility to manage debt levels and protect the municipality's financial position
- Provide for future liabilities incurred in the current year but paid for in the future.

Reserves offer liquidity which enhances the municipality's flexibility, both in addressing unplanned operating requirements and in permitting the municipality to temporarily fund capital projects internally. The level of reserves and reserve funds is a key measure of the financial health of a municipality.



DEVELOPMENT CHARGES

Development charges are collected by municipalities to recover a portion of the growth-related costs associated with the capital infrastructure needed to service new development. Each year, Finance, in consultation with Project Managers review the Capital Budget to determine if there are any growth related projects that are eligible for recovery from development charges. Generally, the City finances the growth related portion of capital projects. At the end of each year, the capital projects are reviewed, and the growth related portion of the capital costs are identified. The actual development charges revenues collected during the year are then applied to fund any growth related portion of the project as identified in the current Development Charges Background Study.

2012 Budget

The annual budget process is guided by City Council, through the Finance and Administration Committee. Seven departments are responsible for overseeing numerous programs and services that keep the City running every day, and provide a great northern lifestyle to residents.

The City of Greater Sudbury's municipal budget rests on building blocks for fiscal sustainability: revenues to match expenses, capital renewal, preservation of municipal services, and moderate levels of property taxation.

BUDGET PROCESS

Council annually approves two budgets: an operating budget and a capital budget. The operating budget is prepared using the modified cash basis and provides for operational expenses such as salaries and benefits, materials, grants, contracted services. The capital budget is a five year plan for the acquisition and rehabilitation of tangible capital assets.

The first stage of the budget process commences in May of each year, and includes the preparation of a Preliminary Forecast of the upcoming budget and/or Three Year Forecast. This forecast is presented to Finance and Administration Committee for review and acceptance.

The second stage of the budget process is prepared in accordance with the Base Budget Preparation Policy. An analysis is prepared of inflationary pressures such as wage adjustments in accordance with collective bargaining agreements, contract and material price increases.

Operating departments and Finance staff review projected year end actuals against budgets to identify variances such as overruns, areas that need more resources to maintain service levels or items that can be cut or reduced while still maintaining service levels. Also, a review of historical trend analysis is performed to verify the accuracy of the budget. Any adjustments are in accordance with the Base Budget Preparation Policy. The budget also reflects any known funding approvals from senior levels of government or partnerships. Any requests for additional permanent staff must be approved by Council. The program support allocations and internal recoveries are in accordance with OMBI methodology.



A review is also conducted of mandatory pressures, such as, provincially mandated programs and service contracts, costs to service growth, as well as annualization pressures of prior year Council decisions and commitments.

Assessment growth is applied to total pressures to reduce the impact on tax levy requirements. The 2012 base budget increase maintained existing service levels and standards, with an inflation based goal.

The final stage of budget review addressed enhancement requests. All enhancement requests, if approved by the CAO, are presented to a Standing Committee for review and referred to the Finance and Administration Committee for approval. Council provides the final approval of the operating and capital budgets. Monitoring and or amendments to the Council Approved Budgets are only made in accordance with Operating Budget Policy or the Capital Budget Policy.

The Council approved budgets are monitored on a daily and monthly basis by departments in accordance with the Operating Budget Policy and the Capital Budget Policy. These policies provide fiscal control and accountability related to the approved budgets and provides for monitoring of the budgets. On a quarterly basis the Finance and Administration Committee review variance reports; this includes a year-end projection of revenues and expenditures. The variance report provides Council with an overview of potential year-end variances by division or section. Also on a quarterly basis, the Finance and Administration Committee review a Capital Variance Report for completed projects.

Municipal Services received for \$1,000 in 2012

The following chart illustrates the distribution of the municipal property tax revenues across service areas. Municipal Services per \$1000 in property taxes:



Roads Construction and maintenance: end-to-end, the 3,560 lane kilometres which make up the City of Greater Sudbury's road network. (\$238)

Police Services: providing quality service and policing in partnership with the community. (\$181)

Emergency Services: includes paramedics, career and volunteer firefighters and dedicated staff for Emergency Preparedness. (\$131)

Health and Social Services: includes support for Pioneer Manor, affordable housing services, social assistance, licensed child care spaces, employment support services, shelters and homelessness initiatives. (\$122)

Citizen and Leisure Services: Citizen Services include responsibility for public libraries, Citizen Service Centres, 3-1-1 service, museums and cemeteries. Leisure services include community arenas, indoor pools, supervised beaches, ski hills, outdoor rinks, fitness centres, playgrounds/tot lots, baseball fields, soccer fields, tennis courts, basketball courts, passive/linear parks and trails. (\$116)

Growth and Development: includes tourism, physician recruitment, arts and culture, business development, youth strategy, by-law and compliance, real estate matters and community/strategic/environmental planning services and initiatives. (\$54)

Executive and Administrative Services: oversees and manages a variety of administrative and legislative functions, provides support to Council and includes the Auditor General's Office. (\$53)

Greater Sudbury Transit and Fleet: provides transportation to approximately 5 million passengers, covering a total distance of more than 3.4 million kilometers, each year. (\$47)

Recycling and Garbage: includes responsibility for transfer/landfill sites, weekly garbage, recycling, organics, leaf/yard waste collection, household hazardous waste disposal and litter abatement initiatives. (\$35)

Outside boards: includes Nickel District Conservation Authority and Sudbury and District Health Unit. (\$23)

2012 Financial Results

Consolidated Statement of Financial Position

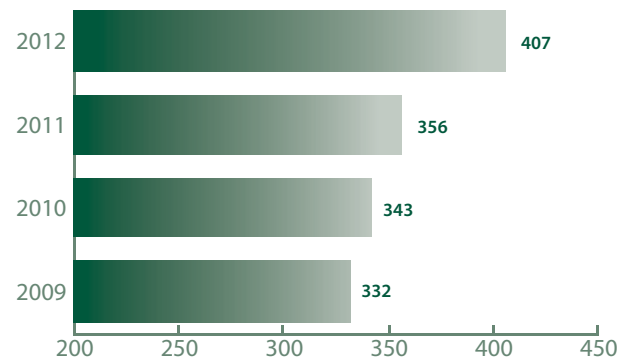
Financial assets summary

The City's financial assets are mostly comprised of cash and investments, investments in Government Business Enterprises (GBE) and accounts receivable. Financial assets have increased by 14% from \$356 million to \$407 million.

The City's short and long term investments have increased 19.2% to reach \$267 million from \$224 million in 2011.

Investments in GBEs are the City's investments in the Sudbury Airport Community Development Corporation and Greater Sudbury Utilities Inc. The investment is comprised of notes receivable and the accumulated surplus of the two corporations.

2012 Financial assets (in millions \$)



Financial liabilities summary

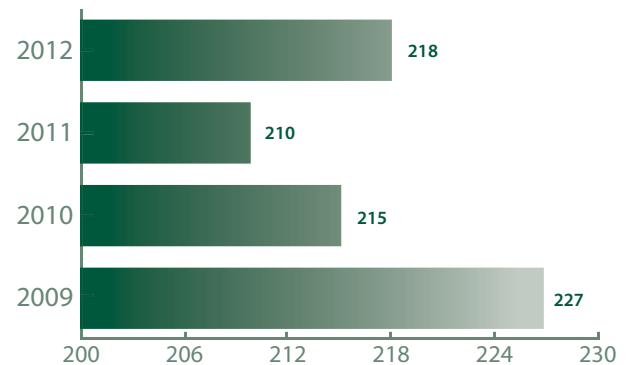
The City's financial liabilities are mostly comprised of accounts payable, employee benefit obligations and long term liabilities. Financial liabilities have increased by 4% from \$210 million to \$218 million.

Accounts payable and accrued liabilities increased by 10% or \$7 million and are amounts owing to suppliers, employees and other vendors.

Employee benefit obligations have increased by 5.5% from 2011. These obligations are for post-employment benefits, vacation pay accrued, sick leave and WSIB.

Long term liabilities for 2012 are \$44 million and which a decrease of 5.5% from 2011 is and are comprised of long term debt to acquire tangible capital assets and accrued obligations for Health Sciences North and Laurentian University School of Architecture among others.

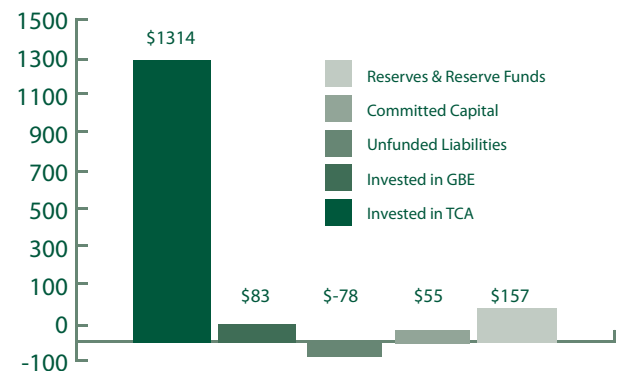
2012 Financial Liabilities (in millions \$)



Accumulated surplus breakdown

Accumulated Surplus is comprised of the City's investments in tangible capital assets, in GBEs, committed capital projects, unfunded liabilities and reserves and reserve funds.

2012 Accumulated surplus breakdown (in millions \$)



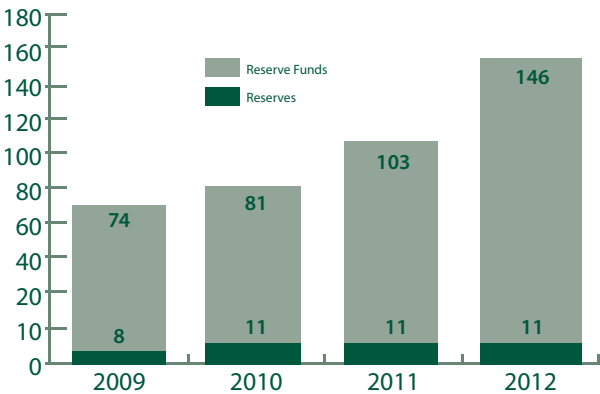
Reserves and Reserve Funds

The City maintains reserve and reserve funds in accordance with the Reserve and Reserve Fund Bylaw. The purpose of the reserve and reserve funds is to provide stability of tax rates, financing of one time requirements, capital replacement and acquisition, internal financing and provide for future liabilities.

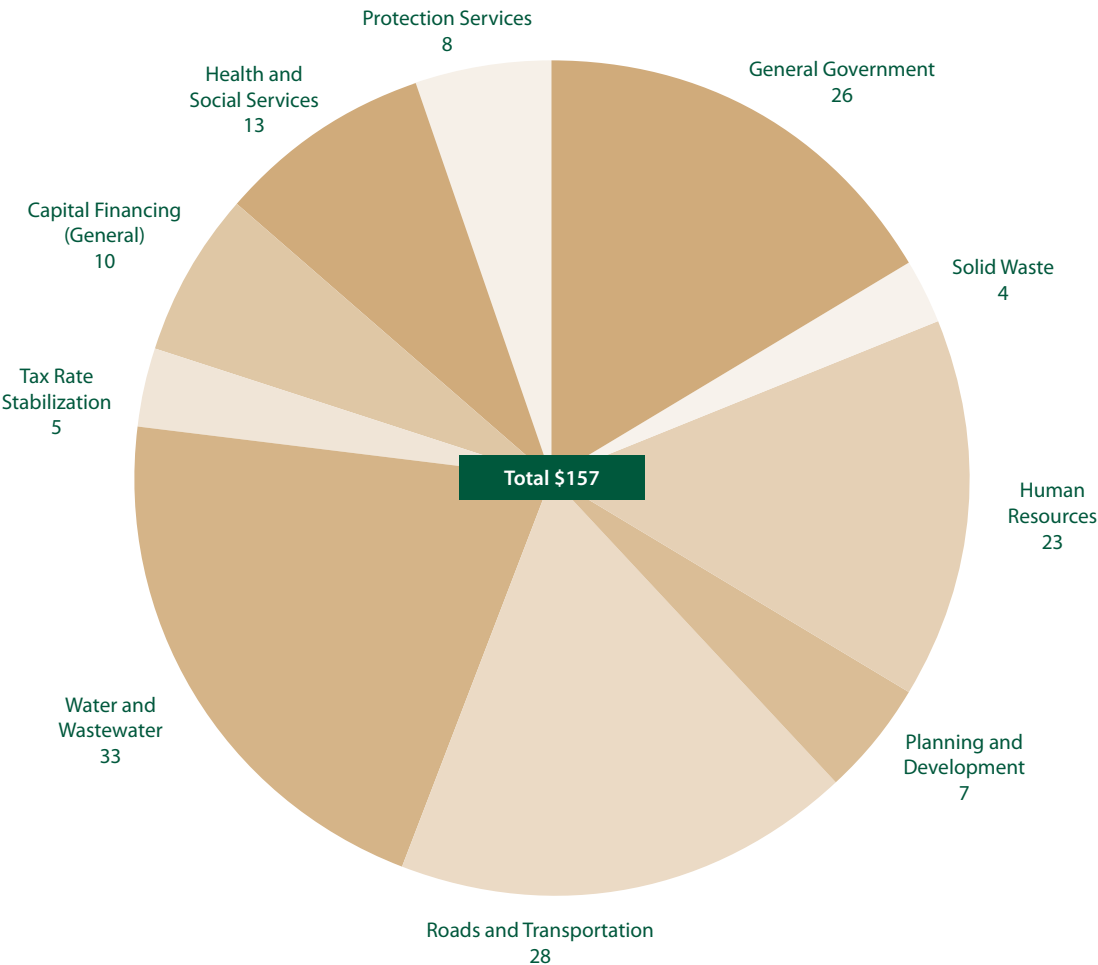
Reserves offer liquidity which enhances the municipality's flexibility, both in addressing unplanned operating requirements and in permitting the municipality to temporarily fund capital projects internally. The level of reserves and reserve funds is a key measure of the financial health of a municipality.

Reserves and Reserve funds total \$156.8 million which represents an increase of 37.2% from 2011. Of the total balance of \$156.8 million, approximately \$103M relates to reserve funds set aside for capital purchases either previously committed by City Council or available for future capital projects.

2012 Reserves and reserve funds (in millions \$)



2012 Reserves and Reserve Funds
(in millions \$)

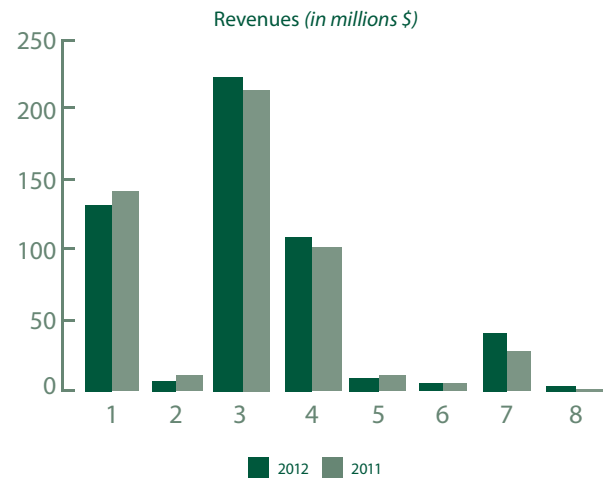


Consolidated Statement of Operations

Revenues

Revenues increased in 2012 by 3% from \$517 in 2011 to \$532 million. Revenues were utilized to finance operations and the acquisition of tangible capital assets. Revenues are comprised of government transfers, taxation, user charges, donated tangible capital assets and miscellaneous recoveries.

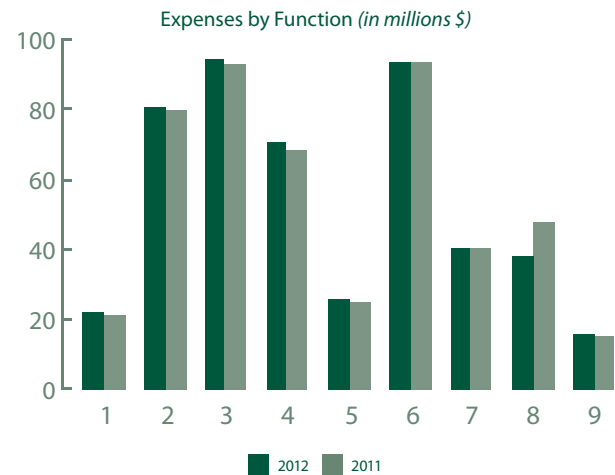
- | | |
|-------------------------------------|------------------------|
| 1. Government Transfers, Provincial | 5. Investment Income |
| 2. Government Transfers, Federal | 6. Fines and Penalties |
| 3. Taxation | 7. Other |
| 4. User Charges | 8. GBE Net Earnings |



Expenses

Expenses increased in 2012 by 0.5% from \$485.1 in 2011 to \$485.3 million. Transportation Services, Social and Family Services, Protection to Persons and Property form the largest portion of the expenses.

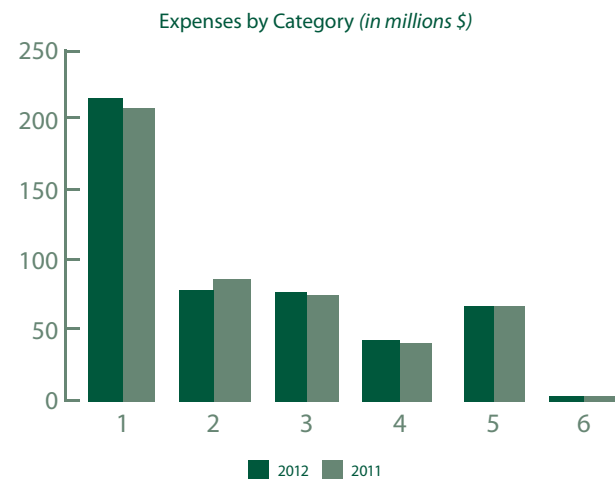
- | | |
|---------------------------------------|-------------------------------------|
| 1. General Government | 6. Social and Family Services |
| 2. Protection to Persons and Property | 7. Social Housing |
| 3. Transportation Services | 8. Recreation and Cultural Services |
| 4. Environmental Services | 9. Planning and Development |
| 5. Health Services | |



Expenses by Category

Expenses can also be broken down by major expense categories: salaries, wages and benefits, materials, contract services, grants and transfer payments, amortization and other.

- | | |
|---------------------------------------|---------------------------------|
| 1. Salaries wages & employee benefits | 4. Grants and Transfer Payments |
| 2. Materials | 5. Amortization |
| 3. Contract Services | 6. Other |



Consolidated Financial Statements of

CITY OF GREATER SUDBURY

Year ended December 31, 2012

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 PricewaterhouseCoopers 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.


Doug Nadrozny
Chief Administrative Officer


Lorella Hayes
Chief Financial Officer and Treasurer



June 25, 2013

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of City of Greater Sudbury

We have audited the accompanying consolidated financial statements of City of Greater Sudbury, which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statement 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.

*PricewaterhouseCoopers LLP
Mississauga Executive Centre, One Robert Speck Parkway, Suite 1100, Mississauga, Ontario, Canada L4Z 3M3
T: +1 905 949 7400, F: +1 416 814 3220, 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 City of Greater Sudbury as at December 31, 2012 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matters

The accompanying financial statements schedules as at and for the year ended December 31, 2012 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 City of Greater Sudbury.

Chartered Accountants, Licensed Public Accountants

CITY OF GREATER SUDBURY

Consolidated Statement of Financial Position

(in thousands of dollars)

December 31, 2012, with comparative figures for 2011

| | 2012 | 2011 |
|--|--------------|--------------|
| Financial assets | | |
| Cash | \$ 10,104 | \$ 8,700 |
| Taxes receivable | 7,334 | 6,611 |
| Accounts receivable | 38,072 | 35,897 |
| Inventory held for resale | 1,435 | 1,253 |
| Investment in Government Business Enterprises (note 2 (b)) | 82,702 | 79,965 |
| Investments (note 3) | 267,017 | 223,582 |
| | 406,664 | 356,008 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 78,074 | 70,846 |
| Employee benefit obligations (note 5) | 50,354 | 47,708 |
| Deferred revenue - obligatory reserve funds (note 6) | 29,538 | 27,106 |
| Deferred revenue - other | 5,461 | 6,968 |
| Solid waste management facility liability (note 7) | 11,375 | 11,153 |
| Long-term liabilities (note 8) | 43,542 | 46,093 |
| | 218,344 | 209,874 |
| Net financial assets | \$ 188,320 | \$ 146,134 |
| Non-financial assets | | |
| Tangible capital assets (note 10) | 1,336,882 | 1,332,785 |
| Inventory of supplies | 2,640 | 2,495 |
| Prepaid expenses | 3,642 | 3,599 |
| | 1,343,164 | 1,338,879 |
| Contractual obligations and commitments (note 11) | | |
| Accumulated Surplus (note 12) | \$ 1,531,484 | \$ 1,485,013 |

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)

Year ended December 31, 2012, with comparative figures for 2011

| | 2012 Budget (unaudited note 13) | 2012 Actual | 2011 Actual |
|---|--|----------------|----------------|
| Revenues | | | |
| Government transfers - Provincial | \$ 133,710 | \$ 132,334 | \$ 141,645 |
| - Federal | 11,006 | 8,329 | 12,398 |
| Taxation | 222,426 | 222,639 | 214,772 |
| User charges | 106,622 | 108,934 | 103,155 |
| Investment income | 10,303 | 10,381 | 12,243 |
| Fines and penalties | 5,347 | 5,190 | 5,133 |
| Other revenues (note 14) | 17,459 | 41,260 | 27,052 |
| Government Business Enterprises net earnings (note 2 (a)) | 1,066 | 2,737 | 154 |
| | 507,939 | 531,804 | 516,552 |
| Expenses | | | |
| General government | 22,162 | 22,023 | 20,651 |
| Protection to persons and property | 80,423 | 81,273 | 79,541 |
| Transportation services | 93,120 | 94,621 | 92,577 |
| Environmental services | 77,287 | 70,798 | 68,967 |
| Health services | 25,576 | 25,992 | 25,345 |
| Social and family services | 99,964 | 93,839 | 93,621 |
| Social housing | 35,688 | 41,340 | 41,118 |
| Recreation and cultural services | 39,282 | 39,490 | 47,938 |
| Planning and development | 16,479 | 15,957 | 15,310 |
| | 489,981 | 485,333 | 485,068 |
| Annual Surplus | 17,958 | 46,471 | 31,484 |
| Accumulated surplus, beginning of the year | 1,485,013 | 1,485,013 | 1,453,529 |
| Accumulated surplus, end of the year | \$ 1,502,971 | \$ 1,531,484 | \$ 1,485,013 |

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)

Year ended December 31, 2012, with comparative figures for 2011

| | 2012 Budget (unaudited note 13) | 2012 Actual | 2011 Actual |
|--|--|----------------|----------------|
| Annual Surplus | \$ 17,958 | \$ 46,471 | \$ 31,484 |
| Acquisition of tangible capital assets | (98,125) | (74,247) | (90,652) |
| Amortization of tangible capital assets | 68,374 | 66,707 | 66,911 |
| Loss (gain) on sale of tangible capital assets | - | (98) | 9,240 |
| Proceeds on sale of tangible capital assets | - | 3,541 | 455 |
| | (11,793) | 42,374 | 17,438 |
| Acquisition of inventory of supplies | - | (145) | (877) |
| Prepaid expenses | - | (43) | (182) |
| Change in net financial assets | \$ (11,793) | \$ 42,186 | \$ 16,379 |
| Net financial assets, beginning of the year | 146,134 | 146,134 | 129,755 |
| Net financial assets, end of the year | \$ 134,341 | \$ 188,320 | \$ 146,134 |

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)

Year ended December 31, 2012, with restated comparative figures for 2011

| | 2012 | 2011 |
|--|-----------|-----------|
| Cash flows from operating activities | | |
| Annual Surplus | \$ 46,471 | \$ 31,484 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 66,707 | 66,911 |
| Loss (gain) on sale of tangible capital assets | (98) | 9,240 |
| Developer contributions of tangible capital assets | (9,744) | (14,634) |
| Change in employee benefit obligations | 2,646 | 1,432 |
| Change in solid waste management facility liability | 222 | (663) |
| Equity income in Government Business Enterprises | (2,737) | (154) |
| Change in non-cash working capital: | | |
| Decrease in note receivable | - | 4,184 |
| Increase in inventory held for resale | (182) | (323) |
| Increase (decrease) in deferred revenue obligatory reserve funds | 2,432 | (3,253) |
| Decrease in deferred revenue other | (1,507) | (5,329) |
| Decrease (Increase) in accounts and taxes receivable | (2,898) | 18,817 |
| Increase in inventory of supplies | (145) | (877) |
| Increase in prepaid expenses | (43) | (182) |
| Increase (decrease) in accounts payable and accrued liabilities | 7,228 | (2,707) |
| | 108,352 | 103,946 |
| Cash flows from financing activities | | |
| Debt principal repayments | (2,368) | (1,311) |
| Financial obligations | (30) | 9,036 |
| Capital lease obligations | (153) | (215) |
| | (2,551) | 7,510 |
| Cash flow from capital activities | | |
| Proceeds on sale of tangible capital assets | 3,541 | 455 |
| Cash used to acquire tangible capital assets | (64,503) | (76,018) |
| | (60,962) | (75,563) |
| Cash flows from investing activities | | |
| Purchase of investments | (43,435) | (48,227) |
| Net increase (decrease) in cash | 1,404 | (12,334) |
| Cash, beginning of the year | 8,700 | 21,034 |
| Cash, end of the year | \$ 10,104 | \$ 8,700 |
| Supplementary Information | | |
| Interest received | \$ 5,010 | \$ 6,277 |
| Interest paid | \$ 1,306 | \$ 1,389 |

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, 2012

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 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, 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, 2012

1. Significant accounting policies (continued):

(a) Reporting entity (continued):

(ii) Related Entities (continued):

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

| | 2012 | 2011 |
|---|-----------------|--------------|
| Nickel District Conservation Authority | \$ 601 | 584 |
| Sudbury & District Health Unit | 5,596 | 5,490 |
| City of Greater Sudbury Community Development Corporation | 1,419 | 1,405 |
| | <u>\$ 7,616</u> | <u>7,479</u> |

(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 are recognized in the fiscal year in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates of the amounts can be made.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2012

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, 2012

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 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.

(c) Expenses:

Expenses are recognized in the year that the events giving rise to the expenses occur and there is a legal or constructive obligation to pay.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2012

1. Significant accounting policies (continued):

(d) Investments:

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.

(e) 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.

(f) 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 2012 was \$13,504 (2011 - \$12,150).

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 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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2012

1. Significant accounting policies (continued):

(g) 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.

(h) 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 related expenses are incurred, services are performed or when stipulations are met.

(i) 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:

| Asset | Useful Life - Years |
|-------------------------------------|---------------------|
| General Capital: | |
| Landfill and land improvements | 15 - 75 years |
| Buildings | 15 - 60 years |
| Machinery, furniture and equipment | 2- 50 years |
| Vehicles | 2- 20 years |
| Infrastructure: | |
| Land improvements | 50 - 100 years |
| Plants and facilities | 10 - 60 years |
| Roads infrastructure | 10 - 75 years |
| Water and wastewater infrastructure | 40 - 100 years |

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

Amortization is charged from the date of acquisition to the date of disposal. Assets under construction are not amortized until the asset is put into service.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2012

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(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.

(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.

(vi) 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.

(vii) 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.

(j) 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, 2012

1. Significant accounting policies (continued):

(k) 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. Investment in Government Business Enterprises:

The Sudbury Airport Community Development Corporation (SACDC) and Greater Sudbury Utilities Inc. (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 following table provides condensed supplementary financial information for the year ending December 31, 2012:

| | SACDC | GSU | 2012 Total | 2011 Total |
|---|----------|-----------|---------------|---------------|
| Financial Position | | | | |
| Current assets | \$ 1,208 | \$31,369 | \$ 32,577 | \$ 32,614 |
| Capital assets | 17,169 | 88,792 | 105,961 | 101,650 |
| Other assets | - | 18,910 | 18,910 | 14,895 |
| Total assets | 18,377 | 139,071 | 157,448 | 149,159 |
| Current liabilities | 610 | 21,278 | 21,888 | 18,668 |
| Note payable to the City of Greater Sudbury | 57 | 52,341 | 52,398 | 53,253 |
| Long-term liabilities | 9,117 | 43,684 | 52,801 | 49,614 |
| Total liabilities | 9,784 | 117,303 | 127,087 | 121,535 |
| Net assets | \$ 8,593 | \$ 21,768 | \$ 30,361 | \$ 27,624 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2012

2. Investment in Government Business Enterprises (continued):

(a) The following table provides condensed supplementary financial information for the year ending December 31, 2012 (continued):

| | SACDC | GSU | 2012 Total | 2011 Total |
|---|----------|------------|---------------|---------------|
| Results of operations: | | | | |
| Revenue | \$ 6,261 | \$ 122,790 | \$ 129,051 | \$ 122,035 |
| Expenses | (5,269) | (117,277) | (122,546) | (117,883) |
| Gain (loss) on sale of assets | - | 19 | 19 | (203) |
| Interest paid to the City of Greater Sudbury | - | (3,787) | (3,787) | (3,795) |
| Net income (loss) | \$ 992 | \$ 1,745 | \$ 2,737 | \$ 154 |
| Budgeted net income for 2012 | \$ 730 | \$ 336 | \$1,066 | |

(b) The investment at December 31, 2012 consists of the following:

| | SACDC | GSU | 2012 Total | 2011 Total |
|--|----------|--------|---------------|---------------|
| Balance, beginning of year | \$ 7,602 | 72,363 | 79,965 | 79,811 |
| City's share of operating income for the year | 992 | 1,745 | 2,737 | 154 |
| Balance, end of year | \$ 8,594 | 74,108 | 82,702 | 79,965 |

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

- (i) The investment includes a promissory note of \$52,341 (2011 - \$52,341) from the Greater Sudbury Utilities Inc. 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 of the City.

The investment includes a promissory note of \$2,881 (2011 - \$1,488) from The Sudbury Airport Community Development Corporation that accrues interest at the City's average monthly rate of return on investments plus 1% and has no specified terms of repayment.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2012

2. Investment in Government Business Enterprises (continued):

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

(ii) At December 31, 2012, the City has the following amounts included in the Consolidated Statement of Financial Position:

A receivable of \$2,165 (2011 - \$1,117) for water billings collected by Greater Sudbury Utilities Inc.

A payable of \$136 (2011 - \$46) for electricity and water bill payments collected by the City of Greater Sudbury on behalf of Greater Sudbury Utilities.

(iii) Revenues included in the Consolidated Statement of Operations of the City are:

| | 2012 | 2011 |
|--|-----------------|-----------------|
| Property taxes | \$ 248 | \$ 174 |
| Interest on promissory note receivable | 3,779 | 3,795 |
| | <u>\$ 4,027</u> | <u>\$ 3,969</u> |

(iv) Expenses included in the Consolidated Statement of Operations of the City are:

| | 2012 | 2011 |
|---|-----------------|-----------------|
| Billing and collection services for water and waste water | \$ 842 | \$ 757 |
| Streetlighting maintenance services | 741 | 531 |
| Streetlighting infrastructure | 802 | 664 |
| Electricity | 5,144 | 5,788 |
| Telecommunications | 395 | 392 |
| Telecommunications infrastructure | - | 219 |
| | <u>\$ 7,924</u> | <u>\$ 8,351</u> |

(v) There is an amount of \$2,938 (2011 - \$2,386) held in the Trust funds administered by the City for The Sudbury Airport Community Development Corporation which are not included in these consolidated financial statements.

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, 2012

3. Investments:

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.

The cost and market values are as follows:

| | | 2012 | | 2011 |
|------------------------|------------|---------|------------|---------|
| | Market | Cost | Market | Cost |
| Short-term investments | \$ 183,928 | 183,185 | \$ 140,672 | 140,228 |
| Long-term investments | 89,576 | 83,832 | 88,725 | 83,354 |
| | \$ 273,504 | 267,017 | \$ 229,397 | 223,582 |

4. Bank indebtedness:

The City has an unsecured demand revolving credit facility in the amount of \$10,000 (2011 - \$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% (2011 - 2.5%) per annum.

5. Employee benefit obligations:

Details of the obligations at December 31 are as follows:

| | 2012 | 2011 |
|---------------------------------|-----------|-----------|
| Future payments required for: | | |
| WSIB obligations | \$ 1,633 | \$ 1,067 |
| Accumulated sick leave benefits | 6,344 | 6,134 |
| Other post-employment benefits | 28,379 | 27,115 |
| Vacation pay | 13,998 | 13,392 |
| | \$ 50,354 | \$ 47,708 |

The City has established reserve funds in the amount of \$10,210 (2011 - \$8,412) 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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2012

5. Employee benefit obligations (continued):

The following table sets out the results as determined by the actuarial valuations completed for the year ended December 31, 2012 for each of the plans.

| | WSIB | Sick Leave | Other Post-Employment Benefits | 2012 Total | 2011 Total |
|--|----------|------------|--------------------------------|------------|------------|
| Accrued benefit liability, beginning of year | \$ 3,119 | 5,708 | 30,857 | 39,684 | \$ 35,989 |
| Benefit cost | 871 | 328 | 1,251 | 2,450 | 2,000 |
| Interest cost | 181 | 285 | 1,522 | 1,988 | 1,775 |
| Benefit payments | (815) | (357) | (2,115) | (3,287) | (3,690) |
| Actuarial gain (loss) | (394) | 649 | (1,589) | (1,334) | 3,610 |
| Accrued benefit liability, end of year | 2,962 | 6,613 | 29,926 | 39,501 | 39,684 |
| Unamortized actuarial gain (loss) | (1,329) | (269) | (1,547) | (3,145) | (5,368) |
| | \$ 1,633 | 6,344 | 28,379 | 36,356 | \$ 34,316 |

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

| | WSIB | Sick Leave | Other Post-Employment Benefits | 2012 Total | 2011 Total |
|--|----------|------------|--------------------------------|------------|------------|
| Current period benefit cost | \$ 871 | 328 | 1,251 | 2,450 | \$ 2,000 |
| Prior period cost of plan amendment incurred during the year | - | - | 84 | 84 | 4 |
| Amortization of actuarial loss (gain) | 330 | (46) | 606 | 890 | 648 |
| Benefit interest expense | 181 | 285 | 1,522 | 1,988 | 1,775 |
| Total benefit expense | \$ 1,382 | 567 | 3,463 | 5,412 | \$ 4,427 |

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% | 2.3% | 2.3% |
| Expected level of salary increases | N/A | 2.1% | 2.1% |
| Discount rate | 4.5% | 4.5% | 4.5% |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2012

5. Employee benefit obligations (continued):

For other post employment benefits, as at December 31, 2012, the initial health care trend rate is 8.03% (2011 – 8.29%) and the ultimate trend rate is 4.5% (2011 – 4.5%) which is expected to be reached in 2029 (2011 – 2029).

6. Deferred revenue - obligatory reserve funds:

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

| | 2012 | 2011 |
|--------------------------------------|-----------|-----------|
| Sub-divider contributions | \$ 6,751 | \$ 7,529 |
| Development Charges Act | 539 | 497 |
| Recreational Land (The Planning Act) | 818 | 674 |
| Gasoline Tax - Province | 1,097 | 376 |
| Gasoline Tax - Federal | 12,514 | 10,169 |
| Building Permit Revenues (Bill 124) | 7,819 | 7,861 |
| | \$ 29,538 | \$ 27,106 |

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.

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 4.85% (2011 - 5%) minus an inflation rate of 1.80% (2011 - 1.87%) (10-year average of CPI from 2003 to 2012). The estimated total landfill closure and post-closure care expenses are calculated to be \$19,534 (2011 - \$19,384). The estimated liability for the active sites is recognized as the landfill site's capacity is used. At December 31, 2012 an amount of \$11,375 (2011 - \$11,153) with respect to landfill closure and post-closure liabilities has been accrued.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2012

7. Solid waste management facility liability (continued):

Active sites:

The estimated remaining capacity of the Sudbury landfill site is 52% (4,070,000 cubic meters) (2011 - 53%) of its total estimated capacity and its estimated remaining life is 36 years (2011 - 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 36% (715,000 cubic meters) (2011 - 37%) of its total estimated capacity and its estimated remaining life is 23 years (2011 - 24 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 56% (823,000 cubic meters) (2011 - 55%) of its total estimated capacity and its estimated remaining life is 33 years (2011 - 24 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:

| | 2012 | 2011 |
|------------------------------------|------------------|------------------|
| Debentures (i) | \$ 18,478 | \$ 19,680 |
| Capital lease obligations (ii) | 563 | 716 |
| Other loans (iii) | 3,465 | 3,631 |
| Accrued financial obligations (iv) | 21,036 | 22,066 |
| | \$ 43,542 | \$ 46,093 |

(i) 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.

(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 0% to 5.49%, repayable in aggregate blended annual payments of \$364, maturing in October 2013 to November, 2029.

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

(iv) Accrued financial obligations consist of the following:

| | Last Year of Obligation | 2012 | 2011 |
|--|----------------------------|------------------|------------------|
| Health Sciences North | 2023 | \$ 7,471 | \$ 8,171 |
| Northeastern Ontario Regional Cancer Centre | 2023 | 3,229 | 3,529 |
| Laurentian University (School of Architecture) | 2019 | 10,000 | 10,000 |
| Physician Service Agreements | 2015 | 336 | 366 |
| | | \$ 21,036 | \$ 22,066 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2012

8. Long-term liabilities (continued):

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

| | | |
|------------|----|--------|
| 2013 | \$ | 6,314 |
| 2014 | | 3,789 |
| 2015 | | 3,816 |
| 2016 | | 3,744 |
| 2017 | | 3,794 |
| Thereafter | | 22,085 |
| | \$ | 43,542 |

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

| | | |
|----------------------------|----|--------|
| General Municipal revenues | \$ | 40,087 |
| Water/wastewater user fees | | 3,455 |
| | \$ | 43,542 |

The City expensed \$1,296 in 2012 (2011 - \$ 1,379) in interest on these borrowings.

9. 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:

| | 2012 | 2011 |
|---------------------------|-----------|-----------|
| Taxation | \$ 49,690 | \$ 47,806 |
| Payments in lieu of taxes | 138 | 137 |
| | \$ 49,828 | \$ 47,943 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2012

10. Tangible capital assets:

| Cost | Balance December 31, 2011 | Additions | Disposals | Balance at December 31, 2012 |
|------------------------------------|---------------------------------|-----------|-------------|------------------------------------|
| General Capital: | | | | |
| Land | \$ 62,936 | \$ 1,688 | \$ (863) | \$ 63,761 |
| Landfill and land improvements | 29,599 | 854 | (391) | 30,062 |
| Buildings | 291,157 | 11,143 | (2,922) | 299,378 |
| Machinery, furniture and equipment | 91,206 | 5,292 | (2,219) | 94,279 |
| Vehicles | 70,039 | 2,193 | (1,695) | 70,537 |
| Infrastructure: | | | | |
| Land improvements | 20,096 | 2,309 | - | 22,405 |
| Plants and facilities | 317,270 | 8,985 | (545) | 325,710 |
| Roads infrastructure | 1,100,577 | 15,841 | (2,929) | 1,113,489 |
| Water and sewer infrastructure | 456,273 | 8,240 | (323) | 464,190 |
| Assets under construction | 26,955 | 17,702 | | 44,657 |
| Total | \$ 2,466,108 | \$ 74,247 | \$ (11,887) | \$ 2,528,468 |

| Accumulated amortization | Balance December 31, 2011 | Amortization expense | Disposals | Balance at December 31, 2012 |
|------------------------------------|---------------------------------|-------------------------|------------|------------------------------------|
| General Capital: | | | | |
| Land | \$ - | \$ - | \$ - | \$ - |
| Landfill and land improvements | 11,577 | 1,017 | (221) | 12,373 |
| Buildings | 123,188 | 8,357 | (1,022) | 130,523 |
| Machinery, furniture and equipment | 53,108 | 6,867 | (2,215) | 57,760 |
| Vehicles | 35,847 | 4,751 | (1,696) | 38,902 |
| Infrastructure: | | | | |
| Land improvements | 1,746 | 292 | | 2,038 |
| Plants and facilities | 157,590 | 9,055 | (216) | 166,429 |
| Roads infrastructure | 617,207 | 29,968 | (2,788) | 644,387 |
| Water and sewer infrastructure | 133,060 | 6,400 | (286) | 139,174 |
| Assets under construction | - | | | - |
| Total | \$ 1,133,323 | \$ 66,707 | \$ (8,444) | \$ 1,191,586 |

| | Net book value December 31, 2011 | Net book value December 31, 2012 |
|------------------------------------|--|--|
| General Capital: | | |
| Land | \$ 62,936 | \$ 63,761 |
| Landfill and land improvements | 18,022 | 17,689 |
| Buildings | 167,969 | 168,855 |
| Machinery, furniture and equipment | 38,098 | 36,519 |
| Vehicles | 34,192 | 31,635 |
| Infrastructure: | | |
| Land improvements | 18,350 | 20,367 |
| Plants and facilities | 159,680 | 159,281 |
| Roads infrastructure | 483,370 | 469,102 |
| Water and sewer infrastructure | 323,213 | 325,016 |
| Assets under construction | 26,955 | 44,657 |
| Total | \$ 1,332,785 | \$ 1,336,882 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2012

10. Tangible capital assets (continued):

| Cost | Balance December 31, 2010 | Additions | Disposals | Balance at December 31, 2011 |
|------------------------------------|---------------------------------|------------|-------------|------------------------------------|
| General Capital: | | | | |
| Land | \$ 59,639 | \$ 3,556 | \$ (259) | \$ 62,936 |
| Landfill and land improvements | 27,895 | 1,709 | (5) | 29,599 |
| Buildings | 268,592 | 26,715 | (4,150) | 291,157 |
| Machinery, furniture and equipment | 86,097 | 7,014 | (1,905) | 91,206 |
| Vehicles | 69,499 | 5,043 | (4,503) | 70,039 |
| Infrastructure: | | | | |
| Land improvements | 11,152 | 8,944 | - | 20,096 |
| Plants and facilities | 300,831 | 16,970 | (531) | 317,270 |
| Roads infrastructure | 1,084,063 | 34,189 | (17,675) | 1,100,577 |
| Water and sewer infrastructure | 444,315 | 12,659 | (701) | 456,273 |
| Assets under construction | 53,103 | 13,468 | (39,616) | 26,955 |
| Total | \$ 2,405,186 | \$ 130,267 | \$ (69,345) | \$ 2,466,108 |

| Accumulated amortization | Balance December 31, 2010 | Amortization expense | Disposals | Balance at December 31, 2011 |
|------------------------------------|---------------------------------|-------------------------|-------------|------------------------------------|
| General Capital: | | | | |
| Land | \$ - | \$ - | \$ - | \$ - |
| Landfill and land improvements | 10,886 | 694 | (2) | 11,578 |
| Buildings | 119,290 | 7,713 | (3,815) | 123,188 |
| Machinery, furniture and equipment | 48,131 | 6,862 | (1,885) | 53,108 |
| Vehicles | 35,472 | 4,724 | (4,350) | 35,846 |
| Infrastructure: | | | | |
| Land improvements | 1,475 | 271 | - | 1,746 |
| Plants and facilities | 149,281 | 8,749 | (440) | 157,590 |
| Roads infrastructure | 594,754 | 31,598 | (9,145) | 617,207 |
| Water and sewer infrastructure | 127,158 | 6,300 | (398) | 133,060 |
| Assets under construction | - | - | - | - |
| Total | \$ 1,086,447 | \$ 66,911 | \$ (20,035) | \$ 1,133,323 |

| | Net book value December 31, 2010 | Net book value December 31, 2011 |
|------------------------------------|--|--|
| General Capital: | | |
| Land | \$ 59,639 | \$ 62,936 |
| Landfill and land improvements | 17,009 | 18,021 |
| Buildings | 149,302 | 167,969 |
| Machinery, furniture and equipment | 37,966 | 38,098 |
| Vehicles | 34,027 | 34,193 |
| Infrastructure: | | |
| Land improvements | 9,677 | 18,350 |
| Plants and facilities | 151,550 | 159,680 |
| Roads infrastructure | 489,309 | 483,370 |
| Water and sewer infrastructure | 317,157 | 323,213 |
| Assets under construction | 53,103 | 26,955 |
| Total | \$ 1,318,739 | \$ 1,332,785 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2012

10. Tangible capital assets (continued):

a) Assets under construction:

Assets under construction having a value of \$44,657 (2011 - \$26,955) have not been amortized. Amortization of these assets will commence when the asset is put into service.

During the year, the City added \$27,766 (2011 - \$13,468) to assets under construction and transferred \$10,064 (2011 - \$39,616) 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 \$9,744 (2011 - \$14,635) comprised of the following:

| | 2012 | 2011 |
|------------------------------|----------|-----------|
| General Capital | | |
| Land | \$ 76 | \$ 763 |
| Land improvements | 905 | 316 |
| Machinery and equipment | 544 | 370 |
| Infrastructure | | |
| Land improvements | 96 | 110 |
| Roads network | 4,347 | 7,135 |
| Water and wastewater network | 3,776 | 5,941 |
| Total | \$ 9,744 | \$ 14,635 |

11. Contractual obligations and commitments:

(a) Contracts for capital projects:

The balance of capital works uncompleted under contracts in progress at December 31, 2012 amounts to approximately \$23,603 (2011 - \$13,728). The proposed financing of these obligations is \$23,603 (2011 - \$13,728) from surplus funds.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2012

11. Contractual obligations and commitments (continued):

(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:

| | |
|------|-----------|
| 2013 | \$ 14,218 |
| 2014 | 10,529 |
| 2015 | 10,755 |
| 2016 | 7,063 |
| 2017 | 908 |
| | <hr/> |
| | \$ 43,473 |

(c) Contingent liabilities:

As at December 31, 2012, 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.

12. Accumulated surplus:

Accumulated surplus consists of the following:

| | 2012 | 2011 |
|--|--------------|--------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 1,314,151 | \$ 1,308,523 |
| Invested in government business enterprise | 82,702 | 79,965 |
| Other | 1,629 | 1,449 |
| Committed capital: | | |
| Capital projects not completed | 75,462 | 76,015 |
| Unfinanced capital projects to be recovered through taxation or user charges | (20,330) | (17,161) |
| Unfunded: | | |
| Landfill closure costs | (11,375) | (11,153) |
| Employee benefits | (50,354) | (47,708) |
| Accrued financial obligations | (17,200) | (19,200) |
| | <hr/> | <hr/> |
| | 1,374,685 | 1,370,730 |
| Reserves | 10,966 | 11,171 |
| Reserve funds | 145,833 | 103,112 |
| | <hr/> | <hr/> |
| | \$ 1,531,484 | \$ 1,485,013 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2012

13. Budget data – unaudited:

Budget data presented in these consolidated financial statements are based on the 2012 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.

| | | 2012 (unaudited) |
|---|--|----------------------------|
| Revenues | | |
| Approved budget: | | |
| Operating | | \$ 475,474 |
| Capital | | 95,815 |
| Consolidated Boards | | 19,427 |
| | | <u>590,716</u> |
| Adjustments: | | |
| Transfer from reserves to operating | | (6,629) |
| Recognize revenues from obligatory reserve funds | | 10,060 |
| In year budget adjustments | | 805 |
| Operating transfer to capital and future years funding | | (84,271) |
| Reclassification of taxation bad debt expense | | (2,742) |
| Total revenues | | <u>507,939</u> |
| Expenses | | |
| Approved budget: | | |
| Operating | | \$ 475,474 |
| Capital | | 95,815 |
| Consolidated Boards (A) | | 18,361 |
| | | <u>589,650</u> |
| Adjustments: | | |
| Amortization of Tangible Capital Assets | | 66,064 |
| Transfer to reserves and capital | | (70,605) |
| Reduction due to Tangible Capital Assets (TCA) | | (95,815) |
| Post employment benefit expense | | 1,450 |
| Landfill closure and post closure expense | | 277 |
| In year budget adjustments | | 805 |
| Reclassification of taxation bad debt expense | | (2,742) |
| Debt principal repayments | | (3,306) |
| Operating expenses budgeted in capital expensed in current year | | 4,203 |
| Total expenses | | <u>489,981</u> |
| Annual surplus | | <u>\$ 17,958</u> |

The budget data above does not include amounts for the cost of contributed tangible capital assets (TCA) and the related revenue and gain or loss on the sale of TCA as management cannot estimate the value of these transactions from year to year.

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, 2012

14. Other revenues:

Other revenues consist of:

| | 2012 | 2011 |
|---|------------------|------------------|
| Gaming and Casino Revenues | \$ 2,507 | \$ 2,539 |
| Gain (loss) on sale of land and Tangible Capital Assets | 290 | (9,240) |
| Donated Tangible Capital Assets | 9,744 | 14,625 |
| Donations | 1,274 | 792 |
| Development Charges earned | 4,688 | 6,314 |
| Subdivider contributions | 1,985 | 2,477 |
| Miscellaneous recoveries | 20,059 | 8,218 |
| Miscellaneous revenues | 713 | 1,327 |
| | \$ 41,260 | \$ 27,052 |

15. Comparative figures:

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

16. Trust funds:

Trust funds amounting to \$15,626 (2011 - \$12,200) 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.

17. 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, 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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2012

17. Segmented disclosure (continued):

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.

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 433 residents. Housing services reflects the cost of administering and delivering social housing programs downloaded from the Province.

Recreation and Cultural Services

This section provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs and provides management of arenas and leisure facilities. This section also contributes to the information needs of the City's citizens through the provision of library and cultural services and by preserving local history and managing archived data.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
(in thousands of dollars)
Year ended December 31, 2012

17. 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 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, 2012

17. Segmented Disclosure (continued)

| | General Government | Protection Services | Transportation Services | Environmental Services | Health and Social Services | Recreation and Cultural Services | Planning and Development | Government Business Enterprises | Total |
|-------------------------------|-----------------------|------------------------|----------------------------|---------------------------|-------------------------------|--|--------------------------------|---------------------------------------|-----------|
| Revenues | | | | | | | | | |
| Transfer payments | \$ 2,398 | 12,241 | 15,439 | 1,515 | 99,809 | 4,557 | 4,704 | \$ | 140,663 |
| Taxation | 17,368 | 68,059 | 54,495 | - | 45,284 | 26,398 | 11,035 | | 222,639 |
| User charges | 4,187 | 4,841 | 10,188 | 63,042 | 17,358 | 8,339 | 979 | | 108,934 |
| Other | 1,565 | 9,807 | 25,487 | 7,256 | 5,791 | 5,522 | 1,403 | 2,737 | 59,568 |
| | 25,518 | 94,948 | 105,609 | 71,813 | 168,242 | 44,816 | 18,121 | 2,737 | 531,804 |
| Expenses | | | | | | | | | |
| Salaries, wages and benefits | 24,828 | 65,365 | 28,599 | 16,839 | 55,367 | 18,383 | 7,534 | | 216,915 |
| Materials | 5,569 | 6,704 | 18,809 | 11,661 | 22,888 | 10,426 | 2,574 | | 78,631 |
| Contract services | 4,381 | 1,643 | 11,539 | 23,690 | 31,909 | 2,566 | 2,464 | | 78,192 |
| Grants and transfer payments | 144 | 650 | 25 | 52 | 38,576 | 691 | 2,516 | | 42,654 |
| Amortization | 855 | 3,285 | 33,885 | 16,901 | 6,673 | 4,610 | 498 | | 66,707 |
| Other | 780 | 343 | 161 | 267 | 479 | 168 | 36 | | 2,234 |
| Allocation of shared expenses | (14,534) | 3,283 | 1,603 | 1,388 | 5,279 | 2,646 | 335 | | - |
| | 22,023 | 81,273 | 94,621 | 70,798 | 161,171 | 39,490 | 15,957 | - | 485,333 |
| Annual surplus | \$ 3,495 | 13,675 | 10,988 | 1,015 | 7,071 | 5,326 | 2,164 | 2,737 | \$ 46,471 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements
Year ended December 31, 2012

17. Segmented Disclosure (continued)

| December 31, 2011 | General Government | Protection Services | Transportation Services | Environmental Services | Health and Social Services | Recreation and Cultural Services | Planning and Development | Government Business Enterprises | Total |
|-------------------------------|-----------------------|------------------------|----------------------------|---------------------------|-------------------------------|--|--------------------------------|---------------------------------------|-----------|
| Revenues | | | | | | | | | |
| Transfer payments | \$ 2,676 | 12,321 | 24,197 | 2,104 | 100,680 | 7,926 | 4,139 | \$ | 154,043 |
| Taxation | 15,182 | 63,259 | 53,940 | - | 41,512 | 32,768 | 8,111 | | 214,772 |
| User charges | 3,813 | 4,609 | 10,084 | 59,364 | 16,882 | 7,695 | 708 | | 103,155 |
| Other | 1,211 | 8,647 | 12,288 | 9,472 | 4,974 | 4,367 | 3,469 | 154 | 44,582 |
| | 22,882 | 88,836 | 100,509 | 70,940 | 164,048 | 52,756 | 16,427 | 154 | 516,552 |
| Expenses | | | | | | | | | |
| Salaries, wages and benefits | 24,029 | 63,249 | 27,899 | 16,545 | 52,866 | 17,980 | 6,847 | | 209,415 |
| Materials | 4,351 | 6,836 | 17,662 | 10,285 | 23,965 | 20,296 | 3,176 | | 86,571 |
| Contact Services | 3,882 | 1,660 | 10,456 | 24,555 | 32,447 | 2,180 | 2,030 | | 77,210 |
| Grants and transfer payments | 150 | 620 | 7 | 61 | 38,417 | 652 | 2,222 | | 42,129 |
| Amortization | 812 | 3,340 | 35,475 | 16,181 | 6,596 | 4,020 | 487 | | 66,911 |
| Other | 818 | 684 | 115 | 383 | 497 | 322 | 13 | | 2,832 |
| Allocation of shared expenses | (13,391) | 3,152 | 963 | 957 | 5,296 | 2,488 | 535 | | - |
| | 20,651 | 79,541 | 92,577 | 68,967 | 160,084 | 47,938 | 15,310 | - | 485,068 |
| Annual surplus | \$ 2,231 | 9,295 | 7,932 | 1,973 | 3,964 | 4,818 | 1,117 | 154 | \$ 31,484 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2012

18. Supplementary financial information

i) Schedule of Revenues and Expenses - Library

| | | 2012 | 2011 |
|--|--------------|-------------------|-------------------|
| Revenues: | | | |
| Government transfers (note 1) | - Provincial | \$ 412 | \$ 419 |
| | - Federal | - | 20 |
| Fines and fees | | 145 | 156 |
| Other | | 17 | 10 |
| | | 574 | 605 |
| Expenses: | | | |
| Salaries, wages and benefits | | \$ 4,482 | \$ 4,284 |
| Materials and contract services | | 1,596 | 1,558 |
| | | 6,078 | 5,842 |
| Excess of revenue over expenses | | \$ (5,504) | \$ (5,237) |

1. The government transfers are comprised of the following:

Provincial

| | | |
|---|--------|--------|
| Ministry of Tourism and Culture - Operating | \$ 403 | \$ 403 |
| Ministry of Tourism and Culture - Other | 7 | 13 |
| Ontario Library Service - North | 2 | 3 |
| | \$ 412 | \$ 419 |

Federal

| | | |
|------------------------------------|------|-------|
| Fednor | \$ - | \$ 12 |
| Human Resources Development Canada | - | 8 |
| | \$ - | \$ 20 |

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2012

18. Supplementary financial information

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

| | REVENUES (1) | | | | EXPENSES | | |
|---|-----------------------|---------------------------------------|--------------|---------------|----------------|--------------------------|-------------------------|
| | Ministry of Education | Legislated Cost Share (Calculated) | | Total | Gross Expenses | Other Offsetting Revenue | Adjusted Gross Expenses |
| A380 – Administration | 309 | 50% | 309 | 619 | 966 | - | 966 |
| A425 – Administration, ELCC | 46 | 50% | 46 | 92 | 92 | - | 92 |
| A371 – Fee Subsidy, DA | 3,252 | 20% | 813 | 4,065 | 2,852 | (542) | 2,310 |
| A429 – Fee Subsidy, ELCC | 381 | 20% | 95 | 476 | 470 | (59) | 411 |
| A663 – Fee Subsidy, ELCD | 389 | 0% | - | 389 | 150 | - | 150 |
| A664 – Fee Subsidy, Extended Day | | 0% | - | - | 260 | (21) | 239 |
| A400 – Ontario Works, Formal | 504 | 20% | 126 | 630 | 1,309 | - | 1,309 |
| A401 – Ontario Works, Informal | 80 | 20% | 20 | 100 | 43 | - | 43 |
| A661 – Operating, ELCD | 8,734 | 0% | - | 8,734 | 9,382 | (855) | 8,527 |
| A411 – Operating, Minor Capital | | 0% | - | - | - | - | - |
| A412 – Capacity Funding to Support Transformation | 27 | 0% | - | 27 | - | - | - |
| A393 – Pay Equity Union Settlement | 240 | 0% | - | 240 | 225 | - | 225 |
| A375 – Repairs & Maintenance | 24 | 0% | - | 24 | 221 | - | 221 |
| A515 – Small Water Works | | 0% | - | - | - | - | - |
| A376 – Special Needs Resourcing | 690 | 20% | 173 | 863 | 863 | - | 863 |
| A430 – Special Needs Resourcing, ELCC | 56 | 20% | 14 | 70 | 70 | - | 70 |
| A713 – Transition, Capital | 96 | 0% | - | 96 | - | - | - |
| A665 – Transition, Operating | 299 | 0% | - | 299 | 299 | - | 299 |
| A384 – TWOMO | | 0% | - | - | - | - | - |
| A446 – Wage Improvement, Non-Profit | 518 | 0% | - | 518 | 528 | - | 528 |
| A644 – Wage Improvement, Commercial | 69 | 0% | - | 69 | 59 | - | 59 |
| A391 – Wage Subsidy, Commercial | 279 | 20% | 70 | 349 | 260 | - | 260 |
| A432 – Wage Subsidy, Commercial, ELCC | 20 | 20% | 5 | 25 | 25 | - | 25 |
| A390 – Wage Subsidy, Non-Profit | 1,479 | 20% | 370 | 1,849 | 1,937 | - | 1,937 |
| A431 – Wage Subsidy, Non-Profit, ELCC | 260 | 20% | 65 | 325 | 325 | - | 325 |
| TOTAL | 17,752 | | 2,106 | 19,858 | 20,336 | (1,477) | 18,859 |

(1) Most recent Amended Service agreement.

Financial Statements of

CITY OF GREATER SUDBURY TRUST FUNDS

Year ended December 31, 2012



June @@, 2013

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the City of Greater Sudbury

We have audited the accompanying financial statements of the City of Greater Sudbury Trust Funds, which comprise the statement of financial position as at December 31, 2012 and the statement of changes in fund balances 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 financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

*PricewaterhouseCoopers LLP, Chartered Accountants
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca*

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Greater Sudbury Trust Funds as at December 31, 2012 and the results of their operations for the year then ended in accordance with Canadian public sector accounting standards.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Accountants, Licensed Public Accountants

CITY OF GREATER SUDBURY

TRUST FUNDS

Statement of Financial Position

(in thousands of dollars)

As at December 31, 2012, with comparative figures for 2011

| | Home for The Aged Residents' Fund | Subdividers' Deposits | Miscellaneous | Fednor Project - Business Planning Initiative (note 4) | Cemetery Pre-Need | Cemetery Care and Maintenance | 2012 Total | 2011 Total |
|---|--|--------------------------|---------------|---|----------------------|-------------------------------------|---------------|---------------|
| Assets | | | | | | | | |
| Cash | | 1,214 | | | | | 1,444 | 1,466 |
| Due from City of Greater Sudbury (note 3) | \$ 230 | 6,304 | 19 | - | 1,015 | 6,844 | 14,182 | 10,734 |
| Loans receivable | | | | 117 | | | 117 | 117 |
| Allowance for doubtful loans | | | | (117) | | | (117) | (117) |
| | \$ 230 | 7,518 | 19 | - | 1,015 | 6,844 | 15,626 | 12,200 |

Liabilities and Fund Balances

| | | | | | | | | |
|------------------|--------|-------|----|---|-------|-------|--------|--------|
| Accounts Payable | 90 | | | | | | 90 | 89 |
| Fund balances | \$ 140 | 7,518 | 19 | - | 1,015 | 6,844 | 15,536 | 12,111 |
| | \$ 230 | 7,518 | 19 | - | 1,015 | 6,844 | 15,626 | 12,200 |

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

CITY OF GREATER SUDBURY TRUST FUNDS

Statement of Changes in Fund Balances

(in thousands of dollars)

Year ended December 31, 2012, with comparative figures for 2011

| | Home for The Aged Residents' Fund | Subdividers' Deposits | Miscellaneous | Fednor Project - Business Planning Initiative (note 4) | Cemetery Pre-Need | Cemetery Care and Maintenance | 2012 Total | 2011 Total |
|--|--|--------------------------|---------------|---|----------------------|-------------------------------------|---------------|---------------|
| Fund balance, beginning of year | \$ 144 | 4,456 | 19 | 6 | 951 | 6,535 | 12,111 | 11,704 |
| Revenue: | | | | | | | | |
| Plot sales | | | | | 103 | 309 | 412 | 395 |
| Receipts from or on behalf of others | 1,356 | | 3 | | | | 1,359 | 1,206 |
| Interest earned | 3 | 15 | | | 22 | 150 | 190 | 203 |
| Subdividers' deposits | | 3,611 | | | | | 3,611 | 634 |
| | 1,359 | 3,626 | 3 | - | 125 | 459 | 5,572 | 2,438 |
| Expenditure: | | | | | | | | |
| Disbursements to or on behalf of residents | 1,363 | | | | | | 1,363 | 1,295 |
| Refunds | | 564 | | | | | 564 | 489 |
| Write-off of loan receivable | | | | | | | - | 17 |
| Transfer to City of Greater Sudbury | | | 3 | 6 | 61 | 150 | 220 | 230 |
| | 1,363 | 564 | 3 | 6 | 61 | 150 | 2,147 | 2,031 |
| Change in fund balance in the year | (4) | 3,062 | - | (6) | 64 | 309 | 3,425 | 407 |
| Fund balance, end of year | \$ 140 | 7,518 | 19 | - | 1,015 | 6,844 | 15,536 | 12,111 |

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

CITY OF GREATER SUDBURY

TRUST FUNDS

Notes to Financial Statements

Year ended December 31, 2012
(in thousands of dollars)

1. Organization:

The City of Greater Sudbury Trust Funds (the "Funds") consists of various trust funds administered by the City of Greater Sudbury.

The Funds are not subject to income taxes under Section 149 (1) of the Income Tax Act (Canada).

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

These financial statements include trust funds administered by the City as well as those within organizations that are accountable for the administration of their financial affairs and resources to City Council and are owned or controlled by the City. The City of Greater Sudbury Trust Funds financial statements are the responsibility of management and have been prepared in accordance with the accounting policy set out below.

Revenue and Expenses:

The Funds financial statements are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenditures 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.

3. Due From City of Greater Sudbury:

At December 31, 2012, the Funds have amounts due from the City of \$14,182 [2011 - \$10,734] that arose as a result of investment and banking transactions due to the City maintaining bank accounts or holding investments on behalf of the Funds. These amounts are non interest bearing other than \$1015 and \$6,844 which bear interest at a rate of 2.23% (2011 – 2.49%) and are due on demand.

4. Fednor Project Business Planning Initiative:

Fednor has advanced \$110 to be used by the Regional Business Centre, a division of the City of Greater Sudbury, to aid small businesses. The advance is non-interest bearing. The funds were subsequently loaned to small businesses. The loans are non-interest bearing and have been fully provided for. The Regional Business Centre may be asked by Fednor to repay this advance or the advance may be forgiven. To date Fednor has not asked for repayment or forgiven the advance.

Statistical Information

Consolidated Statement of Financial Position

(in thousands of dollars)

| | 2012 | 2011 | 2010 (restated) | 2009 |
|---|-----------|-----------|--------------------|-----------|
| Financial Assets | | | | |
| Cash | 10,104 | 8,700 | 21,034 | 14,723 |
| Taxes receivable | 7,334 | 6,611 | 10,920 | 10,032 |
| Accounts receivable | 38,072 | 35,897 | 50,405 | 50,661 |
| Inventory held for resale | 1,435 | 1,253 | 930 | 976 |
| Investment in GBE | 82,702 | 79,965 | 79,811 | 78,360 |
| Investments | 267,017 | 223,582 | 179,539 | 177,317 |
| | 406,664 | 356,008 | 342,639 | 332,069 |
| Financial Liabilities | | | | |
| Accounts payable and accrued liabilities | 78,074 | 70,846 | 73,553 | 71,559 |
| Employee benefit obligations | 50,354 | 47,708 | 46,276 | 44,838 |
| Deferred revenue - obligatory reserve funds | 29,538 | 27,106 | 30,359 | 31,568 |
| Deferred revenue - other | 5,461 | 6,968 | 12,297 | 22,754 |
| Solid waste management facility liability | 11,375 | 11,153 | 14,106 | 13,829 |
| Long-term liabilities | 43,542 | 46,093 | 38,583 | 42,280 |
| 218,344 | 209,874 | 215,174 | 226,828 | |
| Net financial assets | 188,320 | 146,134 | 127,465 | 105,241 |
| Non-financial assets | | | | |
| Tangible capital assets | 1,336,882 | 1,332,785 | 1,318,739 | 1,283,392 |
| Other | 6,282 | 6,094 | 5,035 | 4,235 |
| | 1,343,164 | 1,338,879 | 1,323,774 | 1,287,627 |
| Accumulated Surplus | 1,531,484 | 1,485,013 | 1,451,239 | 1,392,868 |

Statistical Information

Consolidated Statement of Operations and Accumulated Surplus (in thousands of dollars)

| | 2012 | 2011 | 2010 (restated) | 2009 |
|---|------------------|------------------|--------------------|------------------|
| Analysis of Revenues | \$ | \$ | \$ | \$ |
| Government Transfers, Provincial | 132,334 | 141,645 | 231,195 | 210,037 |
| Government Transfers, Federal | 8,329 | 12,398 | 15,825 | 17,536 |
| Taxation | 222,639 | 214,772 | 206,257 | 196,576 |
| User Charges | 108,934 | 103,155 | 99,027 | 96,556 |
| Investment Income | 10,381 | 12,243 | 11,083 | 9,547 |
| Fines and Penalties | 5,190 | 5,133 | 5,243 | 4,863 |
| Other | 41,260 | 27,052 | 17,838 | 32,620 |
| GBE net earnings | 2,737 | 154 | 5,635 | 1,206 |
| TOTAL REVENUES | 531,804 | 516,552 | 592,103 | 568,941 |
| Analysis of Expenses by Object | | | | |
| Salaries wages & employee benefits | 216,915 | 209,415 | 199,162 | 191,110 |
| Materials | 78,631 | 86,570 | 70,944 | 77,984 |
| Contract Services | 78,192 | 77,211 | 78,989 | 88,190 |
| Grants and Transfer Payments | 42,654 | 42,129 | 113,328 | 100,770 |
| Amortization | 66,707 | 66,911 | 67,587 | 63,995 |
| Other | 2,234 | 2,832 | 3,327 | 3,862 |
| TOTAL EXPENSES | 485,333 | 485,068 | 533,337 | 525,911 |
| ANNUAL SURPLUS | 46,471 | 31,484 | 58,766 | 43,030 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 1,458,013 | 1,453,529 | 1,394,763 | 1,349,838 |
| ACCUMULATED SURPLUS, END OF YEAR | 1,504,484 | 1,485,013 | 1,453,529 | 1,392,868 |
| NET FINANCIAL ASSETS | 188,320 | 146,134 | 127,465 | 105,241 |
| Analysis of Expenses by Function | 2012 | 2011 | 2010 | 2009 |
| General Government | 22,023 | 20,651 | 21,657 | 23,801 |
| Protection to Persons and Property | 81,273 | 79,541 | 76,801 | 71,710 |
| Transportation Services | 94,621 | 92,577 | 86,116 | 90,655 |
| Environmental Services | 70,798 | 68,967 | 73,487 | 79,108 |
| Health Services | 25,992 | 25,345 | 24,732 | 23,935 |
| Social and Family Services | 93,839 | 93,621 | 153,980 | 146,644 |
| Social Housing | 41,340 | 41,118 | 44,858 | 40,655 |
| Recreation and Cultural Services | 39,490 | 47,938 | 38,896 | 36,777 |
| Planning and Development | 15,957 | 15,310 | 12,810 | 12,626 |
| TOTAL EXPENSES | 485,333 | 485,068 | 533,337 | 525,911 |

Statistical Information

Four Year Financial Review Reserves and Reserve Funds (In thousands of dollars)

| RESERVES AND RESERVE FUNDS | 2012 | 2011 | 2010 | 2009 |
|---|----------------|----------------|---------------|---------------|
| General government | 25,706 | 24,390 | 22,031 | 25,209 |
| Solid waste | 3,576 | 2,675 | 2,608 | 3,038 |
| Human resources | 23,001 | 19,618 | 18,674 | 17,111 |
| Planning and development | 7,370 | 6,609 | 7,312 | 5,003 |
| Roads and transportation | 28,291 | 15,788 | 10,228 | 5,622 |
| Water and wastewater | 32,953 | 15,811 | 7,768 | 5,707 |
| Tax rate stabilization | 4,619 | 5,083 | 4,339 | 2,687 |
| Capital financing - general | 10,466 | 7,730 | 4,417 | 1,803 |
| Health and social services | 12,916 | 11,215 | 11,026 | 13,222 |
| Protection services | 7,900 | 5,363 | 3,236 | 2,262 |
| TOTAL RESERVES AND RESERVE FUNDS | 156,798 | 114,282 | 91,639 | 81,664 |

Statistical Information

Four Year Financial Review Additional Information

| Municipal Statistics | 2012 | 2011 | 2010 | 2009 |
|--|-------------|-------------|-------------|-------------|
| Population | 161,900 | 160,300 | 158,900 | 160,700 |
| Households | 74,069 | 73,312 | 72,536 | 71,854 |
| Employees | | | | |
| Full time employees | 2,008 | 2,006 | 1,944 | 1,915 |
| Service Information | | | | |
| Building Permit Values (in 1000's) | 247,525 | 324,755 | 285,664 | 405,243 |
| Average monthly social assistance case load | 3,407 | 3,438 | 3,466 | 3,058 |
| Kilometers of roads | 3,613 | 3,609 | 3,592 | 3,589 |
| Annual volume of treated waste water (megalitres) | 27,727 | 29,071 | 25,602 | 32,140.0 |
| Annual volume of treated drinking water (megalitres) | 19,791 | 20,691 | 20,341 | 19,908.0 |
| Annual disposal of solid waste (tonnes) | 100,753 | 99,545 | 96,435 | 107,056.0 |
| Annual diversion of solid waste (tonnes) | 34,482 | 34,090 | 34,898 | 35,297.6 |
| Regular service passenger Transit trips | 4,444,719 | 4,468,760 | 4,265,928 | 4,250,142 |
| Tax collection rate | 2.7% | 2.6% | 4.3% | 4.1% |
| TAXABLE ASSESSMENT (\$ millions) | | | | |
| Residential, multi-residential, and miscellaneous assessment | 11,173 | 10,021 | 8,890 | 7,855 |
| Commercial assessment | 1,539 | 1,441 | 1,340 | 1,245 |
| Industrial and large industrial assessment | 424 | 409 | 362 | 350 |
| BENCHMARK INFORMATION | | | | |
| % of paved lane km where condition is rated good to very good | 51.0% | 51.3% | 51.3% | 51.4% |
| # of conventional transit passenger trips per person in service area per year | 32.2 | 32.4 | 31.2 | 31.1 |
| # of waste water main backups per 100 km of waste water main per year | 6.0 | 3.9 | 3.8 | 3.1 |
| % of waste water estimated to have bypassed treatment | 0.5% | 1.1% | 0.6% | 3.5% |
| # of water main breaks per 100 km of water distribution pipe per year | 8.4 | 13.9 | 9.8 | 13.8 |
| % of residential solid waste diverted for recycling | 40.7% | 44.5% | 45.0% | 45.0% |