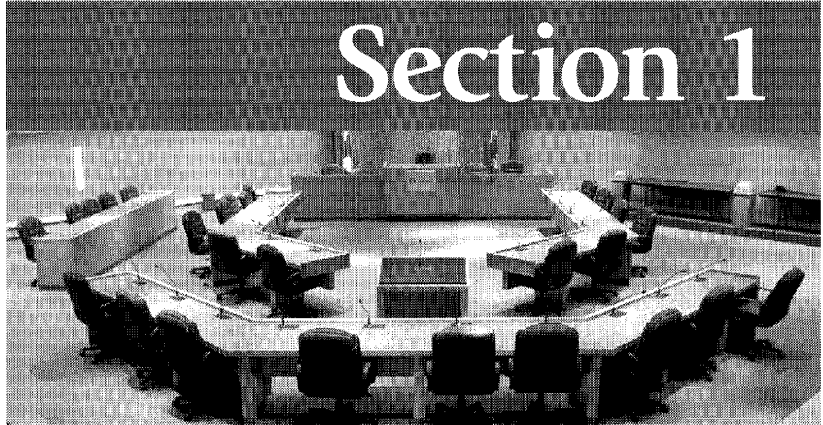


Section 1



Consolidated Financial Statements of the City of Greater Sudbury

CITY OF GREATER SUDBURY

Consolidated Financial Statements Index

(in thousands of dollars)

Year ended December 31, 2009

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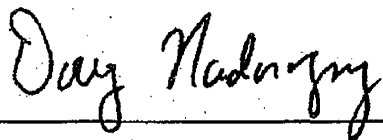
Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the City of Greater Sudbury (the "City") are the responsibility of the City's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

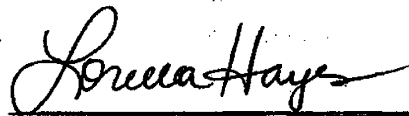
The City's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by Management.

Council meets with Management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, Freelandt Caldwell Reilly LLP and Collins Barrow LLP independent external auditors appointed by the City. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the City's consolidated financial statements.



Doug Nadorozny
Chief Administrative Officer



Lorella Hayes
Chief Financial Officer and Treasurer

AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the **City of Greater Sudbury** as at December 31, 2009 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the City's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

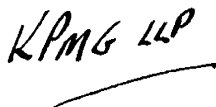
In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



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



FREELANDT CALDWELL REILLY LLP
Chartered Accountants, Licensed Public Accountants



KPMG LLP
Chartered Accountants, Licensed Public Accountants

Sudbury, Canada
May 7, 2010

CITY OF GREATER SUDBURY

Consolidated Statement of Financial Position

(in thousands of dollars)

December 31, 2009, with comparative figures for 2008

	2009	2008
		(Restated note 2)
Financial assets:		
Cash and short-term investments (note 3)	\$ 110,858	173,436
Taxes receivable	10,032	7,967
Investment in Government Business Enterprises (note 4)	84,696	83,230
Accounts receivable	50,661	36,187
Inventory held for resale	976	1,181
Long-term investments (note 5)	81,182	48,191
	<u>338,405</u>	<u>350,192</u>
Financial liabilities:		
Accounts payable and accrued liabilities	71,559	71,314
Employee benefit obligations (note 6)	44,838	43,307
Deferred revenue - obligatory reserve funds (note 7)	31,568	27,944
Deferred revenue - other	22,754	28,307
Solid waste management facility liability (note 8)	13,829	11,573
Long-term liabilities (note 9)	42,280	40,523
	<u>226,828</u>	<u>222,968</u>
Net financial assets	111,577	127,224
Non-financial assets:		
Tangible capital assets (note 13)	1,283,392	1,225,889
Inventory	1,511	1,015
Other	2,724	1,786
	<u>1,287,627</u>	<u>1,228,690</u>
Contractual obligations and commitments (note 14)		
Accumulated Surplus (note 15)	\$ 1,399,204	1,355,914

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

CITY OF GREATER SUDBURY

Consolidated Statement of Operations

(in thousands of dollars)

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
	(Restated note 2)	
Revenues:		
Government transfers - Provincial	\$ 210,037	194,333
- Federal	17,536	5,472
Taxation	196,576	187,570
User charges	96,556	96,850
Investment income	9,547	12,540
Fines and penalties	4,863	4,902
Other	32,620	30,845
Government Business Enterprises net earnings (note 4)	1,466	2,443
	569,201	534,955
Expenses:		
General government	23,801	23,787
Protection to persons and property	71,710	70,517
Transportation services	90,655	87,349
Environmental services	79,108	74,516
Health services	23,935	23,711
Social and family services	146,644	143,443
Social housing	40,655	34,368
Recreation and cultural services	36,777	36,420
Planning and development	12,626	12,157
	525,911	506,268
Excess of revenue over expenses	43,290	28,687
Accumulated surplus, beginning of the year	1,355,914	1,327,227
Accumulated surplus, end of the year	\$ 1,399,204	1,355,914

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

CITY OF GREATER SUDBURY

Consolidated Statement of Change in Net Financial Assets

(in thousands of dollars)

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
		(Restated note 2)
Excess of revenue over expenses	\$ 43,290	28,687
Acquisition of tangible capital assets	(127,117)	(99,728)
Amortization of tangible capital assets	63,995	60,525
Loss on sale of tangible capital assets	5,208	1,618
Proceeds on sale of tangible capital assets	411	774
	(14,213)	(8,124)
Acquisition of inventory	(496)	(246)
Acquisition of other assets	(938)	(69)
Change in net financial assets	(15,647)	(8,439)
Net financial assets, beginning of the year	127,224	135,663
Net financial assets, end of the year	\$ 111,577	127,224

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

CITY OF GREATER SUDBURY

Consolidated Statement of Cash Flows

(in thousands of dollars)

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
		(Restated note 2)
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 43,290	28,687
Items not involving cash:		
Amortization of tangible capital assets	63,995	60,525
Loss on sale of tangible capital assets	5,208	1,618
Developer contributions of tangible capital assets	(15,227)	(18,931)
Change in employee benefit obligations	1,531	1,299
Change in solid waste management facility liability	2,256	3,277
Equity income in Government Business Enterprises	(1,466)	(2,443)
Change in non-cash working capital:		
Decrease in inventory held for resale	205	144
Increase in inventory	(496)	(246)
Increase in deferred revenue obligatory reserve funds	3,624	5,140
Increase (decrease) in deferred revenue other	(5,553)	23,954
Decrease (increase) in accounts and taxes receivable	(16,539)	8,009
Increase in other assets	(938)	(69)
Increase in accounts payable and accrued liabilities	245	12,966
	80,135	123,930
Cash flows from financing activities:		
Debt issued	4,175	-
Debt principal repayments	(1,272)	(1,060)
Financial obligations	(690)	(30)
Capital lease obligations	(456)	(362)
	1,757	(1,452)
Cash flow from capital activities:		
Proceeds on sale of tangible capital assets	411	774
Cash used to acquire tangible capital assets	(111,890)	(80,797)
	(111,479)	(80,023)
Cash flows from investing activities:		
Long-term investments	(32,991)	432
Net increase (decrease) in cash and short-term investments	(62,578)	42,887
Cash and short-term investments, beginning of year	173,436	130,549
Cash and short-term investments, end of year	\$ 110,858	173,436

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

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2009

The City of Greater Sudbury is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act 2001, Provincial Offences Act and other related legislation.

1. Significant accounting policies:

The consolidated financial statements of the City of Greater Sudbury (the "City") are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

(a) Reporting entity:

(i) Consolidated Entities:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. These boards and entities include:

Greater Sudbury Housing Corporation
Greater Sudbury Police Services Board
Metro Centre Management Board
Flour Mill Business Improvement Area
Greater Sudbury Public Library Board
Greater Sudbury Heritage Museum Advisory Board

All interdepartmental and inter-organizational assets and liabilities and revenue and expenses have been eliminated.

(ii) Related Entities:

These consolidated financial statements do not reflect the assets, liabilities, sources of financing, expenses and the activities of the following boards and enterprises which are not under the control of Council:

Nickel District Conservation Authority
Sudbury & District Health Unit
City of Greater Sudbury Community Development Corporation

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2009

1. Significant accounting policies (continued):

(a) Reporting entity (continued):

(ii) Related Entities (continued):

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

	2009	2008
Nickel District Conservation Authority	\$ 545	597
Sudbury & District Health Unit	5,209	5,035
City of Greater Sudbury Community Development Corporation	870	853
	\$ 6,624	6,485

(iii) Investment in Government Business Enterprises:

Government Business Enterprises comprised of the Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc. ("GSU"), Sudbury Community Development Corporation ("SCDC") and the Sudbury Airport Community Development Corporation ("SACDC"), are accounted for by the modified equity method.

Under the modified equity method, the business enterprise's accounting principles are not adjusted to conform with those of the City and inter-organization transactions and balances are not eliminated.

(iv) Accounting for School Board Transactions:

The taxation, other revenues, expenses, assets and liabilities of Le Conseil Scolaire de District Catholique du Nouvel-Ontario, Sudbury Catholic District School Board, Rainbow District School Board and Conseil Scolaire Du District Du Grand Nord De L'Ontario are not reflected in these consolidated financial statements.

(b) Basis of accounting:

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

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

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(c) Investments:

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

(d) Inventory held for resale:

Inventory held for resale consisting of surplus land and cemetery plots, is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

(e) Pensions and Employee Benefits:

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

Vacation entitlements are accrued for as entitlements are earned.

Sick leave benefits are accrued when they are vested and subject to pay out when an employee leaves the City's employ.

Other post-employment benefits are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Actuarial gains (losses) on the accrued benefit obligation arise from the difference between actual and expected experiences and from changes in actuarial assumptions used to determine the accrued benefit obligation. These gains (losses) are amortized over the average remaining service period of active employees.

(f) Deferred Revenue - Obligatory Reserve Funds:

The City receives certain sub-divider contributions and other revenues under the authority of federal and provincial legislation and City by-laws. These funds, by their nature, are restricted in their use and, until applied to specific expenses, are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(g) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible Capital Assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

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

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

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

(ii) Contributions of tangible capital assets:

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

(iii) Capital interest:

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

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2009

1. Significant accounting policies (continued):

(iv) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(v) Inventory:

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

(h) Taxation and related revenues:

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

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

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

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

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation allowances for taxes receivable, accounts receivable, solid waste landfill closure and post-closure liabilities and post-employment benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

In addition, the City's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2009

2. Change in accounting policies:

The City has implemented Public Sector Accounting Board ("PSAB") sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The City applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, the Consumer Price Index and the Non-residential Building Consumer Price Index and other generally accepted price indices were used to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

Accumulated surplus at January 1, 2008:

Operating fund balance	\$	87
Capital fund balance		48,148
Reserves		10,360
Reserve funds		89,765
Net equity in Government Business Enterprises		80,787
Amounts to be recovered		(91,077)
Accumulated surplus, as previously reported		138,070
Net book value of tangible capital assets recorded		1,189,079
Inventory held for resale not previously recorded		1,326
Capital lease not previously recorded		(1,248)
Accumulated surplus, as restated	\$	1,327,227

Excess of revenue over expenses for 2008:

Net revenues, as previously reported	\$	(8,099)
Developer contributions of tangible capital assets		18,931
Assets capitalized but previously expensed		80,797
Amortization expense not previously recorded		(60,525)
Loss on disposal of assets		(1,618)
Proceeds on disposal reported as revenue		(774)
Change in non-financial assets not previously reported as expense		(146)
Debt repayments previously expensed		121
Excess of revenue over expenses, as restated	\$	28,687

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2009

3. Cash and short-term investments:

The short-term investments consisting of cash, term deposits, bonds, treasury bills and ONE Fund Money Market and Bond Market funds earn rates of return ranging from 0.50% to 4.45% per annum and amount to \$110,858 (2008 - \$173,436). They are recorded at cost adjusted for amortization of discount or premium and have a market value of \$111,229 (2008 - \$173,876) at the end of the year. Cash other than short-term investments earn a competitive rate of return while on deposit.

4. Investment in Government Business Enterprises:

The Sudbury Airport Community Development Corporation ("SACDC"), Greater Sudbury Utilities Inc. ("GSU") and Sudbury Community Development Corporation ("SCDC") are owned and controlled by the City of Greater Sudbury. As 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, 2009:

	SACDC	GSU	SCDC	2009 Total	2008 Total
Financial Position					
Current assets	\$ 1,740	37,169	92	39,001	37,901
Capital assets	13,447	80,221	—	93,668	88,228
Other assets	—	6,429	—	6,429	6,520
Total assets	15,187	123,819	92	139,098	132,649
Current liabilities	711	19,113	9	19,833	16,521
Note payable to the City of Greater Sudbury	—	52,341	—	52,341	52,341
Other long-term liabilities	7,727	30,943	83	38,753	37,082
Total liabilities	8,438	102,397	92	110,927	105,944
Net assets	\$ 6,749	21,422	—	28,171	26,705
Results of operations:					
Revenue	\$ 4,346	107,524	284	112,154	108,289
Expenses	(3,863)	(101,433)	(284)	(105,580)	(102,050)
Gain (loss) on sale of assets	21	(1,335)	—	(1,314)	—
Interest paid to the City of Greater Sudbury	—	(3,794)	—	(3,794)	(3,795)
Net income (loss)	\$ 504	962	—	1,466	2,444

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2008

4. Investment in Government Business Enterprises (continued):

(b) The investment at December 31, 2009 consists of the following:

	SACDC	GSU	2009 Total	2008 Total
Balance, beginning of year	\$ 6,246	76,984	83,230	80,786
City's share of operating income for the year	504	962	1,466	2,444
Balance, end of year	\$ 6,750	77,946	84,696	83,230

5. Long-term investments:

Details of the long-term investments are as follows:

	2009	2008
Term deposits, bonds and ONE Fund Equity	\$ 81,182	48,191

The term deposits and bonds earn rates of return ranging from 1.0% to 6.7% per annum and are recorded at cost adjusted for amortization of discount or premium. The long-term investments have a market value of \$84,348 (2008 - \$47,520).

6. Employee benefit obligations:

Details of the obligations are as follows:

	2009	2008
Future payments required to WSIB	\$ 909	857
Accumulated sick leave benefit	6,268	8,071
Other post-employment benefits	25,665	22,945
Vacation pay	11,996	11,434
	\$ 44,838	43,307

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2009

6. Employee benefit obligations (continued):

The City has established reserve funds in the amount of \$5,602 to mitigate the future impact of these obligations.

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

	WSIB	Sick Leave	Other Post-Employment Benefits	2009 Total	2008 Total
Accrued benefit liability, beginning of year	\$ 3,120	7,018	32,461	42,599	40,764
Benefit cost	860	437	1,061	2,358	2,339
Interest cost	190	384	1,750	2,324	2,086
Benefit payments	(1,229)	(529)	(2,369)	(4,127)	(3,880)
Actuarial loss	193	(2,085)	(5,044)	(6,936)	1,290
Accrued benefit liability, end of year	3,134	5,225	27,859	36,218	42,599
Unamortized gain (loss)	(2,225)	1,043	(2,194)	(3,376)	(10,726)
	\$ 909	6,268	25,665	32,842	31,873

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

	WSIB	Sick Leave	Other Post-Employment Benefits
Expected inflation rate	3%	3%	3%
Expected level of salary increases	N/A	3%	3%
Interest discount rate	5%	5%	5%

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2009

7. Deferred revenue - obligatory reserve funds:

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

	2009	2008
Sub-divider contributions	\$ 8,108	7,014
Development Charges Act	97	—
Recreational Land (The Planning Act)	1,130	908
Gasoline Tax - Province	1,260	1,688
Gasoline Tax - Federal	8,063	6,774
Building Permit Revenues (Bill 124)	6,437	4,425
Regional Road 80	4,246	4,969
Canada Transit Funding (Bill C-48)	2,227	2,166
	\$ 31,568	27,944

8. 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 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 and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted using a an average borrowing rate of 5% (2008 - 5%) minus an inflation rate of 1.86% (2008 - 1.82%) (10-year average of CPI from 2000 to 2009). The estimated total landfill closure and post-closure care expenses are calculated to be \$22,694 (2008 - \$18,273). The estimated liability for these expenses is recognized as the landfill site's capacity is used. At December 31, 2009 an amount of \$13,829 (2008 - \$11,573) with respect to landfill closure and post-closure liabilities has been accrued.

The estimated remaining capacity of the Sudbury landfill site is 43% (3,351,000 cubic meters) of its total estimated capacity and its estimated remaining life is 22 years (2008 - 45 years), after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Walden landfill site is 3% (12,000 cubic meters) of its total estimated capacity and its estimated remaining life is 1 year (2008 - 2 years), after which the period for post-closure care is estimated to be 25 years.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2009

8. Solid waste management facility liability (continued):

The estimated remaining capacity of the Valley East landfill site is 36% (716,000 cubic meters) of its total estimated capacity and its estimated remaining life is 25 years (2008 - 26 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 57% (846,000 cubic meters) of its total estimated capacity and its estimated remaining life is 25 years (2008 - 26 years), after which the period for post-closure care is estimated to be 25 years.

During the year, the City revised its estimate of remaining lives of certain landfill sites as a result of new information. This change is accounted for prospectively.

9. Long-term liabilities:

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

	2009	2008
Debentures (a)	\$ 21,892	22,908
Capital lease obligations (b)	1,167	1,623
Other loans (c)	4,181	262
Accrued financial obligations (d)	15,040	15,730
	\$ 42,280	40,523

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

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

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

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

	Last Year of Commitment	2009	2008
Sudbury Regional Hospital	2023	\$ 9,571	10,271
Northeastern Ontario Regional Cancer Centre	2023	4,129	4,429
Northern Ontario School of Medicine	2009	—	30
St. Joseph's Villa	2010	1,000	1,000
Physician Service Agreements	2012	340	—
		\$ 15,040	15,730

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2009

9. Long-term liabilities (continued):

The principal payments are due as follows:

	2010 to 2014	2015 to 2019	2020 and thereafter	2009 Total	2008 Total
From general municipal revenues	\$ 13,464	13,207	11,585	38,256	40,523
From water/wastewater user fees	907	1,018	2,099	4,024	–
	\$ 14,371	14,225	13,684	42,280	40,523

10. Operations of school boards:

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

	2009	2008
Taxation	\$ 52,188	50,731
Payments in lieu of taxes	134	132
	\$ 52,322	50,863

11. Pension agreement:

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

The amount contributed to OMERS in 2009 was \$9,429 (2008 - \$8,908).

12. Budget figures:

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

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2009

13. Tangible capital assets:

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

Accumulated amortization	Balance December 31, 2008 (note 2)	Amortization expense	Disposals	Balance at December 31, 2009
General Capital:				
Land	\$ -	\$ -	\$ -	\$ -
Landfill and land improvements	9,124	759	-	9,883
Buildings	105,293	7,302	(791)	111,804
Machinery, furniture and equipment	38,986	6,413	(1,910)	43,489
Vehicles	31,830	4,317	(3,067)	33,080
Infrastructure:				
Land improvements	502	36	-	538
Plants and facilities	135,707	8,957	(3,652)	141,012
Roads infrastructure	556,693	30,389	(6,122)	580,960
Water and sewer infrastructure	115,445	5,822	(115)	121,152
Assets under construction	-	-	-	-
Total	\$ 993,580	\$ 63,995	\$ (15,657)	\$ 1,041,918

	Net book value December 31, 2008 (note 2)	Net book value December 31, 2009
General Capital:		
Land	\$ 56,688	\$ 57,955
Landfill and land improvements	20,412	21,492
Buildings	138,192	137,996
Machinery, furniture and equipment	35,974	36,770
Vehicles	27,709	30,963
Infrastructure:		
Land improvements	1,140	1,484
Plants and facilities	151,009	148,219
Roads infrastructure	457,998	468,794
Water and sewer infrastructure	271,520	314,946
Assets under construction	65,247	64,773
Total	\$ 1,225,889	\$ 1,283,392

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2009

13. Tangible capital assets (continued):

Cost	Balance December 31, 2007	Additions	Disposals	Balance at December 31, 2008
General Capital:				
Land	\$ 55,398	\$ 1,607	\$ (317)	\$ 56,688
Landfill and land improvements	27,890	1,646	-	29,536
Buildings	237,883	6,737	(1,135)	243,485
Machinery, furniture and equipment	69,931	6,836	(1,807)	74,960
Vehicles	56,388	5,163	(2,012)	59,539
Infrastructure:				
Land improvements	1,642	-	-	1,642
Plants and facilities	285,656	1,060	-	286,716
Roads infrastructure	985,815	36,182	(7,306)	1,014,691
Water and sewer infrastructure	370,365	16,926	(326)	386,965
Assets under construction	41,676	23,571	-	65,247
Total	\$ 2,132,644	\$ 99,728	\$ (12,903)	\$ 2,219,469

Accumulated amortization	Balance December 31, 2007	Amortization expense	Disposals	Balance at December 31, 2008
General Capital:				
Land	\$ -	\$ -	\$ -	\$ -
Landfill and land improvements	8,385	739	-	9,124
Buildings	99,237	7,035	(979)	105,293
Machinery, furniture and equipment	34,563	6,185	(1,762)	38,986
Vehicles	29,482	4,246	(1,898)	31,830
Infrastructure:				
Land improvements	469	33	-	502
Plants and facilities	127,740	7,967	-	135,707
Roads infrastructure	533,499	28,876	(5,682)	556,693
Water and sewer infrastructure	110,190	5,444	(189)	115,445
Assets under construction	-	-	-	-
Total	\$ 943,565	\$ 60,525	\$ (10,510)	\$ 993,580

	Net book value December 31, 2007	Net book value December 31, 2008 (note 2)
General Capital:		
Land	\$ 55,398	\$ 56,688
Landfill and land improvements	19,505	20,412
Buildings	138,646	138,192
Machinery, furniture and equipment	35,368	35,974
Vehicles	26,906	27,709
Infrastructure:		
Land improvements	1,173	1,140
Plants and facilities	157,916	151,009
Roads infrastructure	452,316	457,998
Water and sewer infrastructure	260,175	271,520
Assets under construction	41,676	65,247
Total	\$ 1,189,079	\$ 1,225,889

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2009

13. Tangible capital assets (continued):

a) Assets under construction:

Assets under construction having a value of \$64,773 (2008 - \$65,247) have not been amortized. Amortization of these assets will commence when the asset is put into service.

During the year, the City added \$55,648 (2008 - \$41,614) to assets under construction and transferred \$56,122 (2008 - \$18,043) 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 \$15,227 (2008 - \$18,931) comprised of the following:

	2009	2008
General Capital		
Land	\$ 197	194
Landfill and land improvements	48	20
Machinery and equipment	132	203
Infrastructure		
Land improvements	381	192
Roads network	7,171	9,368
Water and wastewater network	7,298	8,954
Total	\$ 15,227	18,931

c) Tangible Capital Assets Disclosed at Nominal Values:

Where an estimate of fair value could not be made or where there was no future benefit related to the asset, the tangible capital asset was recognized at a nominal value. Land, buildings and machinery and equipment are the categories where nominal values were assigned.

d) Works of Art and Historical Treasures:

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

e) Write-down of Tangible Capital Assets:

The write-down of tangible capital assets during the year was \$Nil (2008 \$Nil).

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2009

14. Contractual obligations and commitments:

(a) Contracts for capital projects:

The balance of capital works uncompleted under contracts in progress at December 31, 2009 amounts to approximately \$23,682 (2008 - \$27,852). The proposed financing of these obligations is \$10,132 from surplus funds and \$7,559 from provincial grants and \$5,991 from federal grants.

(b) Contracts for services:

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

2010	\$	6,556
2011		4,831
2012		3,283
2013		2,194
2014		1,453
	\$	18,317

(c) Contingent liabilities:

As at December 31, 2009, certain legal actions are pending against the City. An estimate of the contingency cannot be made since the outcome of these matters is indeterminable. Should any loss result from the resolution of these matters, such loss would be charged to operations in the year of disposition.

(d) Commitment:

During the year, the City committed \$10 million for the proposed Northern Ontario School of Architecture (the "Project"). The City established a reserve fund of \$0.5 million in the current year and is proposing to fund an additional \$1 million annually for the years 2010 to 2018 and \$0.5 million in 2019 from the municipal tax levy. This commitment is conditional upon the Project securing funding and receiving approval from Laurentian University and the Province of Ontario.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2009

15. Accumulated surplus:

Accumulated surplus consists of the following:

	2009	2008
Surplus:		
Invested in tangible capital assets	\$ 1,256,110	\$ 1,201,052
Invested in government business enterprise	84,695	83,230
Other	1,100	1,294
Committed capital:		
Capital projects not fully complete	71,436	60,566
Unfinanced capital projects to be recovered through taxation or user charges	(22,094)	(9,518)
Unfunded:		
Landfill closure costs	(13,829)	(11,573)
Employee benefits	(44,838)	(43,307)
Accrued financial obligations	(15,040)	(15,730)
	1,317,540	1,266,014
Reserves	7,790	12,022
Reserve funds	73,874	77,878
	\$ 1,399,204	\$ 1,355,914

16. Provincial offences administration (POA):

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor License Act, Municipal By-Laws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

Balances arising from operation of the POA office have been consolidated with these financial statements. Due to the nature of business activities, revenue is recognized on the cash basis.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2009

17. Trust funds:

Trust funds amounting to \$10,962 (2008 - \$10,188) and their related operations administered by the City are not consolidated, but are reported separately on the Trust Funds balance sheet and Trust Funds statement of continuity.

18. Segmented disclosure:

The City of Greater Sudbury is a diversified municipal government institution that provides a wide range of services to more than 160,000 citizens. Services include water, roads, fire, police, emergency medical services, waste management, public transit, recreation programs, economic development, land use planning and health and social services. For management reporting purposes the Government's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

City services are provided by departments and their activities are reported in these funds. Certain departments have been separately disclosed in the segmented information, along with the services they provide, and are as follows:

General Government

General Government consists of Office of the Mayor, Council expenses, Administrative Services (including Clerks, Elections, Communications, Legal and Information Technology Services), Human Resources and Financial Departments. Areas within the General Government respond to the needs of external and internal clients by providing high quality, supportive and responsive services. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues, relating to governance, strategic planning and service delivery.

Transportation Services

This area is responsible for management of Roadways including traffic and winter control, Transit services, and the administration and operation of City-owned parking lots. This section also provides employee services to the Sudbury Airport Community Development Corporation.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2009

18. Segmented disclosure (continued):

Protection Services

This section consists of Fire, Police, contribution to the Nickel District Conservation Authority, Animal Control, Building Services, Emergency measures and management of Provincial Offences Act. Police Services ensure the safety of the lives and property of citizens; preserve peace and order; prevent crimes from occurring; detect offenders and enforce the law. Fire Services is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection and extinguishment of fires. The Building Services Division processes permit applications and ensure compliance with the Ontario Building Code and with By-Laws enacted by Council.

Environmental Services

In addition to the management of Waterworks, Sanitary and Storm Sewer systems, this area is responsible for Waste Collection, Waste Disposal and Recycling facilities and programs. This section is responsible for providing clean, potable water meeting all regulatory requirements and responsible for repairing breaks and leaks in the water and sewer system. This section produces quality effluents meeting regulatory requirements and minimizing environmental degradation.

Health and Social Services

This section consists of Ambulance Services, Social Services including Housing Services, Childcare, Assistance to aged persons, Cemetery Services as well as the City's contribution to the Health Unit and Hospital. The Social Services division is responsible for the administration and delivery of the Ontario Works Act. Ontario Works is an employment based, provincially mandated program, cost-shared with the Ministry of Community and Social Services. To enable low-income families to pursue employment and educational opportunities, Children Services deliver child care services and assist with costs of child care via the provision of subsidies. Pioneer Manor is a Long-Term Care facility providing 24-hour care and services to 422 residents. Housing services reflects the cost of administering and delivering social housing programs downloaded from the Province.

Recreation and Cultural Services

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

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2009

18. Segmented disclosure (continued):

Planning and Development Services

The goal of this section is to offer coordinated development services in order to maximize economic development opportunities. The Planning and Development Division ensures that the City of Greater Sudbury is planned and developed in accordance with the Ontario Planning Act, Provincial policies and good planning principles so that Sudbury is an enjoyable and beautiful community to live, work, play and shop. This section is also provides leadership in matters relating to landscape restoration, ecosystem health, biological integrity, energy conservation, air and lake water quality.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, certain government grants and other revenue are apportioned to services based on a percentage of operations.

CITY OF GREATER SUDBURY

Note 18 - Segmented Disclosure (continued)

Year ended December 31, 2009

	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	\$ 3,524	13,188	36,582	2,064	163,218	6,446	2,550	-	227,572
Taxation	19,442	59,352	42,038	10,427	33,427	23,805	8,083	-	196,574
User charges	3,646	4,204	8,580	54,865	17,220	7,244	800	-	96,559
Other	1,345	7,676	12,443	13,982	4,239	4,371	2,974	1,466	48,496
	27,957	84,420	99,643	81,338	218,104	41,866	14,407	1,466	569,201
Expenses									
Salaries, wages and benefits	19,572	56,964	25,014	19,045	47,985	16,176	6,354	-	191,110
Materials and contract services	8,722	8,484	32,114	42,622	55,931	13,665	4,636	-	166,174
Grants and transfer payments	89	619	24	72	97,183	1,260	1,523	-	100,770
Amortization	1,828	2,900	33,669	16,162	5,505	3,523	408	-	63,995
Other	2,425	339	112	151	515	129	191	-	3,862
Allocation of shared expenses	(8,835)	2,404	(278)	1,056	4,115	2,024	(486)	-	-
	23,801	71,710	90,655	79,108	211,234	36,777	12,626	-	525,911
Excess of revenue over expenses	\$ 4,156	12,710	8,988	2,230	6,870	5,089	1,781	1,466	43,290

CITY OF GREATER SUDBURY

Note 18 - Segmented Disclosure (continued)

Year ended December 31, 2008

	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	\$ 3,552	13,593	24,141	1,746	148,734	6,118	1,921	-	199,805
Taxation	17,206	53,025	48,277	8,196	31,108	24,028	5,731	-	187,571
User charges	3,465	4,405	8,566	53,177	17,493	7,393	2,352	-	96,851
Other	2,124	7,386	13,550	12,616	7,074	2,456	3,079	2,443	50,728
	26,347	78,409	94,534	75,735	204,409	39,995	13,083	2,443	534,955
Expenses									
Salaries, wages and benefits	19,525	55,659	23,362	17,657	45,474	16,052	5,682	-	183,411
Materials and contract services	8,032	8,518	31,791	41,052	60,739	13,624	4,566	-	168,322
Grants and transfer payments	80	684	17	69	86,334	1,214	1,044	-	89,442
Amortization	1,831	2,872	32,107	14,643	5,259	3,440	373	-	60,525
Other	3,109	491	98	2	536	131	201	-	4,568
Allocation of shared expenses	(8,790)	2,293	(26)	1,093	3,180	1,959	291	-	-
	23,787	70,517	87,349	74,516	201,522	36,420	12,157	-	506,268
Excess of revenue over expenses	\$ 2,560	7,892	7,185	1,219	2,887	3,575	926	2,443	28,687