

Consolidated financial statements of

# **City of Guelph**

December 31, 2018

# City of Guelph

December 31, 2018

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## INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council, Inhabitants and Ratepayers of the City of Guelph

### ***Opinion***

We have audited the consolidated financial statements of the City of Guelph (the Entity), which comprise:

- the consolidated statement of the financial position as at December 31, 2018
  - the consolidated statement of operations for the year then ended
  - the consolidated statement of change in net financial assets for the year then ended
  - the consolidated statement of cash flows for the year then ended
  - and notes to the consolidated financial statements, including a summary of significant accounting policies
- (Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations, its changes in consolidated net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.



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We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



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We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada  
June 24, 2019

# City of Guelph

## Consolidated statement of financial position as at December 31, 2018 ('000's)

	2018	2017 (Restated - Note 2)
	\$	\$
<b>Financial assets</b>		
Cash	50,128	37,232
Investments (Note 4)	279,175	264,083
Taxes receivable	5,248	6,369
Accounts receivable	29,373	37,307
Loans and notes receivable	2,644	2,129
Investment in Guelph Junction Railway Ltd. (Note 5)	9,409	8,668
Investment in Guelph Municipal Holdings Inc. (Note 6)	72,122	68,059
	<b>448,099</b>	<b>423,847</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	54,256	46,242
Accrued interest payable	893	984
Vacation and other employee benefits payable	7,627	6,949
Developer agreement deferred revenue	1,459	2,292
Other deferred revenue	22,327	19,340
Deferred contributions (Note 7)	64,385	60,922
Employee future benefits (Note 9)	37,319	35,869
Debt (Note 10)	95,938	110,769
Obligation under capital lease (Note 11)	494	734
Landfill post-closure liability (Note 12)	4,435	4,205
Other long-term liabilities (Note 13)	13,043	1,911
Liability for contaminated sites (Note 19)	27,000	25,446
	<b>329,176</b>	<b>315,663</b>
<b>Net financial assets</b>	<b>118,923</b>	<b>108,184</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 14)	1,123,348	1,079,482
Inventory	1,860	1,665
Prepaid expenses	3,969	3,199
	<b>1,129,177</b>	<b>1,084,346</b>
Contingencies (Note 20)		
Commitments and guarantees (Note 21)		
<b>Accumulated surplus (Note 15)</b>	<b>1,248,100</b>	<b>1,192,530</b>

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

# City of Guelph

## Consolidated statement of operations and accumulated surplus year ended December 31, 2018 ('000's)

	2018 Budget (Note 23)	2018 Actual	2017 (Restated - Note 2)
	\$	\$	\$
<b>Revenues</b>			
Taxation			
Property taxation (Note 3)	237,238	238,833	231,165
Property taxation - Downtown Guelph Business Association	618	618	467
Penalties and interest on taxes	1,310	1,251	1,392
	<b>239,166</b>	<b>240,702</b>	233,024
User charges	107,049	109,467	105,872
Contributed subdivision assets	9,560	9,560	9,562
Contributions			
Government of Canada	12,657	12,011	13,957
Province of Ontario	59,877	56,840	58,770
Municipal	4,410	5,126	4,942
Developers	16,970	18,735	15,060
Other	1,540	2,298	760
	<b>212,063</b>	<b>214,037</b>	208,923
Other			
Investment income	4,599	5,615	4,891
Donations	352	395	413
Sales of equipment, publications	5,458	4,443	5,696
Recoveries	4,101	4,313	4,967
Licences and permits	4,024	3,967	3,947
Provincial Offences Act revenues	2,703	2,686	2,709
Other fines	1,200	1,369	1,203
Gain on disposal of tangible capital assets	-	278	578
Earnings from Government Business Enterprises	2,000	6,704	1,976
	<b>24,437</b>	<b>29,770</b>	26,380
<b>Total revenues</b>	<b>475,666</b>	<b>484,509</b>	468,327
<b>Expenses</b>			
General government	35,141	30,722	27,829
Protection services	83,949	85,262	82,746
Transportation services	66,800	69,867	65,326
Environmental services	77,938	78,524	78,459
Health services	33,861	34,225	32,171
Social and family services	41,321	40,413	43,825
Social housing	23,724	23,684	22,667
Recreation and cultural services	44,909	47,304	45,273
Planning and development	8,200	18,938	6,860
<b>Total expenses</b>	<b>415,843</b>	<b>428,939</b>	405,156
<b>Excess of revenues over expenses for the year</b>	<b>59,823</b>	<b>55,570</b>	63,171
<b>Accumulated surplus, beginning of year</b>	<b>1,192,530</b>	<b>1,192,530</b>	1,129,359
<b>Accumulated surplus, end of year</b>	<b>1,252,353</b>	<b>1,248,100</b>	1,192,530

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



# City of Guelph

## Consolidated statement of change in net financial assets year ended December 31, 2018 ('000's)

	2018 Budget (Note 23)	2018 Actual	2017 (Restated - Note 2)
	\$	\$	\$
<b>Excess of revenue over expenses for the year</b>	<b>59,823</b>	<b>55,570</b>	63,171
Amortization of tangible capital assets	47,081	50,925	48,468
Acquisition of tangible capital assets	(91,330)	(90,524)	(88,118)
Contributed subdivision assets	(9,560)	(9,560)	(9,562)
Gain on disposal of tangible capital assets	-	(278)	(532)
Proceeds on disposal of tangible capital assets	-	5,571	2,464
Change in inventories and prepaid expenses	-	(965)	(875)
Increase in net financial assets for the year	6,014	10,739	15,016
Net financial assets, beginning of year	108,184	108,184	93,168
<b>Net financial assets, end of year</b>	<b>114,198</b>	<b>118,923</b>	108,184

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

# City of Guelph

## Consolidated statement of cash flows year ended December 31, 2018 ('000's)

	2018	2017 (Restated - Note 2)
	\$	\$
<b>Operating activities</b>		
Excess of revenues over expenses for the year	55,570	63,171
Items not affecting cash:		
Amortization of tangible capital assets	50,925	48,468
Gain on disposal of tangible capital assets	(278)	(532)
Contributed subdivision assets	(9,560)	(9,562)
Allowance on asset backed investment	15	(143)
Unrealized gain on interest rate swap contracts	(153)	(398)
Earnings from Government Business Enterprises	(6,804)	(1,976)
Employee future benefit expenses	1,450	2,097
Landfill post-closure cost (recovery)	230	(335)
Contaminated sites cost (recovery)	1,554	(1,414)
Changes in non-cash working capital:		
Taxes receivable	1,121	851
Accounts receivable	7,934	(13,781)
Developer agreement deferred revenue	(833)	(2,922)
Inventory	(195)	74
Prepaid expenses	(770)	(949)
Accounts payable and accrued liabilities	8,167	(7,088)
Accrued interest payable	(91)	(85)
Vacation and other employee benefits payable	678	133
Other deferred revenue	2,987	1,650
Other long-term liabilities	11,132	(280)
Cash provided by operating activities	<b>123,079</b>	<b>76,979</b>
<b>Capital and investing activities</b>		
Acquisition of tangible capital assets	(90,524)	(88,118)
Proceeds from disposal of tangible capital assets	5,571	2,464
Dividend from Guelph Municipal Holdings Inc.	1,900	1,900
Dividend from Guelph Junction Railway Ltd. (Note 5)	100	-
Change in loans and notes receivable	(515)	537
Net investment (acquisitions) disposals	(15,107)	8,692
Cash used by capital and investing activities	<b>(98,575)</b>	<b>(74,525)</b>
<b>Financing activities</b>		
Repayment of debt principal	(14,831)	(24,554)
Net change in obligation under capital lease	(240)	(207)
Net change in deferred contributions	3,463	11,642
Cash (used in) provided by financing activities	<b>(11,608)</b>	<b>(13,119)</b>
Increase (decrease) in cash for the year	<b>12,896</b>	<b>(10,665)</b>
Cash, beginning of year	<b>37,232</b>	<b>47,897</b>
<b>Cash, end of year</b>	<b>50,128</b>	<b>37,232</b>

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

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

(\$000's)

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### 1. Significant accounting policies

The consolidated financial statements of the Corporation of the City of Guelph (the "City") have been prepared by management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the City are as follows:

#### *Reporting entity*

The consolidated financial statements reflect the assets, liabilities, operating revenues and expenses and of the reporting entity. The reporting entity is comprised of those City functions or entities which have been determined to comprise a part of the aggregate City operations based upon control exercised by the City, except for the City's government businesses which are accounted for on the modified equity basis of accounting.

#### Consolidated entities

In addition to the City departments, the reporting entity includes the following:

Guelph Public Library Board  
Guelph Police Services Board  
Downtown Guelph Business Association  
The Elliott Community

All interfund assets, liabilities, revenues and expenses have been eliminated.

#### Proportionately consolidated entities

The City reports only its share of assets, liabilities and results of operations of any government partnerships in which it participates. The City participates in the Wellington-Dufferin-Guelph Public Health Unit to the extent of 46.3% (2017 – 45.9%) based on population, as stated in agreement with the other participants. In 2018, the proportionate share of each obligated municipality was realigned to the 2016 census.

#### Modified equity basis entities

The investments in Guelph Municipal Holdings Inc. and Guelph Junction Railway Limited are accounted for on a modified equity basis, consistent with the public sector accounting standards for the treatment of government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated. Under the modified equity basis of accounting, the carrying value of the investment in subsidiaries is adjusted to reflect the City's share of the net asset change of the investee.

#### *Basis of accounting*

#### Accrual basis of accounting

Revenue and expenses are reported on the accrual basis of accounting except for revenues generated under the Provincial Offences Act which are accounted for on the cash basis. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that gave rise to the revenues; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services or the creation of an obligation to pay.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

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### 1. Significant accounting policies (continued)

#### *Basis of accounting (continued)*

##### Taxes receivable 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 the 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 issuance 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 the tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded as a reduction of tax revenue when the result of the appeal process is reasonably certain. The City is entitled to collect interest and penalties on overdue taxes and these revenues are recorded in the period the interest and penalties are levied. Tax revenue is recorded net of reductions including rebates. Taxes receivable are reported net of any expense or allowance for doubtful accounts.

##### Reserves and reserve funds

Certain amounts, as approved by City Council, are set aside in reserves and reserve funds for future operating and capital purposes. Reserve funds are interest bearing and the current year earned interest is accounted for as an adjustment within accumulated surplus.

##### Deferred revenue and deferred contributions

Deferred revenues and deferred contributions represent property taxes, user charges and fees, developer contributions and other grant revenues which have been collected but for which the related services or expenses have yet to be incurred. These revenues have certain restrictions and will be recognized in the fiscal year the services are performed, or expenses incurred.

##### Tangible capital assets

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

Land improvements	- 20 to 75 years
Buildings	- 10 to 75 years
Machinery and equipment	- 3 to 25 years
Vehicles	- 5 to 15 years
Sanitary sewers infrastructure	- 50 to 80 years
Storm sewer infrastructure	- 15 to 80 years
Transportation infrastructure	- 20 to 80 years
Waterworks infrastructure	- 5 to 80 years

The City has various capitalization thresholds, so that individual tangible capital assets of lesser value are expensed, unless the assets have significant value collectively (pooled assets). Examples of pools are desktop and laptop computers, police equipment, traffic signals, streetlights, and fire equipment.

(ii) Land purchased for service delivery purposes is recorded as a tangible capital asset at cost. Any land cost premium incurred or discount received related to expropriation will be included as part of the asset to be constructed and amortized over its' useful life.

(iii) Tangible capital assets received as contributions are recognized at their fair value at the date of receipt, and correspondingly recognized as revenue in that period. Similarly, contributions of assets to a third party are recorded as an expense equal to the net book value of the tangible capital asset as of the date of transfer.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

(\$000's)

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### 1. Significant accounting policies (continued)

#### *Basis of accounting (continued)*

#### Tangible capital assets (continued)

(iv) Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of the asset are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

#### Employee future benefit obligations

The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and assumptions of mortality and termination rates, retirement age and expected inflation rates.

Past service costs from plan amendments, if any, are deferred and amortized on a straight-line basis over the average remaining service life of active employees at the date of the amendment. Actuarial gains and losses on the accrued benefit obligation arise from differences between the actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net actuarial gains or losses over 10% of the benefit obligation is amortized over the average remaining service life of active employees.

#### Government transfers

Government transfers are recognized as revenues by the City in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions or programs to be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

#### Investment income

Investment income earned on available funds and loans receivable are reported as revenue in the period earned. Investment income earned on deferred contributions is recorded as an increase to deferred contributions.

#### Contaminated sites

Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

#### Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation allowance for asset backed investments, valuation allowances for receivables, certain accrued liabilities and obligations related to employee future benefits, landfill post closure liability, liability for contaminated sites and the estimated future lives of tangible capital assets. Actual results could differ from these estimates.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

(\$000's)

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### 2. Restatement of prior periods

The City has made an adjustment to correct the treatment of a capital project that was funded by both development charges and tax base. This change relates to increasing the percentage allocation of development charge funding to align with the Development Charges background study.

Guelph Municipal Holdings Inc. has restated its 2017 financial statements to adjust unbilled revenue. The impact of the adjustment is an increase of \$1,718 of retained earnings ending balance as of December 31, 2016.

The impact of the above noted prior period adjustments are as follows:

Statement of change in net financial assets:	\$
Opening 2017 net financial assets as previously reported	86,779
Pre-2016 development charge revenue recognized	4,671
Pre-2017 GMHI unbilled revenue recognized	1,718
<u>Opening 2017 net financial assets as restated</u>	<u>93,168</u>
<u>2017 Increase in net financial assets for the year as previously reported</u>	<u>15,016</u>
<b><u>Ending 2017 net financial assets as restated</u></b>	<b><u>108,184</u></b>

Statement of operations and accumulated surplus:	\$
2017 Developers revenue as previously reported	15,000
Development charge revenue recognized	60
<u>2017 Developers revenue as restated</u>	<u>15,060</u>
2017 Excess of revenues over expenses as previously reported	63,111
Development charge revenue recognized	60
<b><u>2017 Excess of revenues over expenses as restated</u></b>	<b><u>63,171</u></b>

### 3. Taxation revenues

#### a) Taxation collected on behalf of school boards

The net taxation levies collected on behalf of the school boards are comprised of the following:

	2018	2017
	\$	\$
Taxation	66,090	65,415
Payments in lieu	1	1
	<u>66,091</u>	<u>65,416</u>
Requisitions	(66,091)	(65,416)
<u>Net levy for the year</u>	<u>-</u>	<u>-</u>

# City of Guelph

## Notes to the consolidated financial statements

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### 3. Taxation revenue (continued)

b) Taxation revenue by major tax class

2018	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & Write-offs	2018 Total
	\$	\$	\$	\$	\$
Residential	155,128	27	2,874	(272)	157,757
Mult-Residential	16,115	-	(15)	(28)	16,072
Commercial	41,036	3,580	967	(777)	44,806
Industrial	17,410	231	418	(362)	17,697
Pipelines	587	-	6	-	593
Farmlands	12	-	-	-	12
Managed Forests	3	-	-	-	3
Other	-	2,839	286	(1,232)	1,893
<b>Total tax revenue</b>	<b>230,291</b>	<b>6,677</b>	<b>4,536</b>	<b>(2,671)</b>	<b>238,833</b>

2017	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & Write-offs	2017 Total
	\$	\$	\$	\$	\$
Residential	148,102	27	2,861	(331)	150,659
Mult-Residential	16,556	-	172	(291)	16,437
Commercial	39,346	3,466	1,563	(1,859)	42,516
Industrial	16,985	35	957	(481)	17,496
Pipelines	576	-	15	-	591
Farmlands	14	-	1	(1)	14
Managed Forests	3	-	-	-	3
Other	-	2,715	331	403	3,449
<b>Total tax revenue</b>	<b>221,582</b>	<b>6,243</b>	<b>5,900</b>	<b>(2,560)</b>	<b>231,165</b>

### 4. Investments

Investments are recorded at cost. The cost and market values are as follows:

	2018		2017	
	Market	Cost	Market	Cost
	\$	\$	\$	\$
Short-term investments	124,281	123,009	62,641	62,286
Long-term investments	158,217	156,166	203,406	201,797
	<b>282,498</b>	<b>279,175</b>	<b>266,047</b>	<b>264,083</b>

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

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### 5. Investment in Guelph Junction Railway Limited

The City of Guelph owns 100% of Guelph Junction Railway Limited (the "Railway"). The following table provides condensed supplementary financial information for the year ended December 31:

	2018	2017
	\$	\$
Financial position		
Current assets	1,425	1,256
Property, plant and equipment	11,583	11,132
<b>Total assets</b>	<b>13,008</b>	<b>12,388</b>
Current liabilities	684	1,037
Long-term debt	1,519	1,638
Deferred capital contributions	1,396	1,045
<b>Total liabilities</b>	<b>3,599</b>	<b>3,720</b>
<b>Net assets</b>	<b>9,409</b>	<b>8,668</b>
Results of operations		
Revenues	3,992	4,157
Operating expenses	3,251	3,200
Net income	741	957
Retained earnings, beginning of year	8,668	7,811
Dividend to City of Guelph (Note a)	-	(100)
<b>Retained earnings, end of year</b>	<b>9,409</b>	<b>8,668</b>

#### *Related party transactions*

The City pays certain expenses and receives certain revenues on behalf of the Railway for which the Railway reimburses the City periodically through the year. During the year, these net expenses reimbursed to the City amounted to \$512 (2017 - \$576). Included in loans and notes receivable is an amount owing from the Railway of \$321 (2017 - \$105) related to the reimbursement of these current year net expenses.

The Railway paid the City \$55 (2017 - \$53) in office rent and administration fees. These transactions were made in the normal course of business and have been recorded at the exchange amounts.

In 2015, the City entered into a long-term loan agreement with Guelph Junction Railway Limited for the purpose of reconstructing a bridge within City limits. The total amount of the loan was \$1,710 repayable monthly through blended principal and interest payments which started January 2016 at 3.395%. At year end \$1,568 (2017 - \$1,615) was outstanding and included in loans and notes receivable. In 2018 principal and interest payments were \$47 and \$54 respectively (2017 - \$46, \$56).

#### a) Dividend to Shareholder

On March 1, 2019, the Board of Directors declared a dividend of \$80 based on the income earned in the year ended December 31, 2018. The dividend was paid on April 1, 2019.



# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

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### 6. Investment in Guelph Municipal Holding Inc.

The City of Guelph owns 100% of Guelph Municipal Holdings Inc. ("GMHI") which owns 100% of Guelph Hydro Electric Systems Inc. ("GHESI"), 100% of Envida Community Energy Inc. ("Envida") and 100% of GMHI Development Corporation.

During 2018, GHESI purchased the shares of Envida from their parent, GMHI. Consideration for the purchase was done by transferring additional shares of GHESI to GMHI. On July 1, 2018, Envida and GHESI were amalgamated. Prior to the amalgamation, Envida transferred its district energy assets that distribute thermal energy to a sister company, GMHI Development Corporation.

The following table provides condensed supplementary financial information for GMHI for the year ended December 31:

	2018	2017 (restated)
	\$	\$
<b>Financial position</b>		
Current assets	59,425	56,741
Property, plant and equipment	171,850	166,268
Intangible assets	352	544
Deferred income taxes	6,020	7,199
<b>Total assets</b>	<b>237,647</b>	<b>230,752</b>
Current liabilities	26,842	27,011
Customer deposits and deferred revenue	33,697	29,531
Long-term debt	94,360	94,777
Employee future benefits	10,626	11,374
<b>Total liabilities</b>	<b>165,525</b>	<b>162,693</b>
<b>Shareholder's equity</b>	<b>72,122</b>	<b>68,059</b>
<b>Results of operations</b>		
Revenues	239,897	225,006
Cost of sales	202,500	200,284
Operating expenses	30,070	29,953
Income taxes	2,149	(6,909)
<b>Total expenses</b>	<b>234,719</b>	<b>223,328</b>
<b>Net income (loss)</b>	<b>5,178</b>	<b>1,678</b>
Retained earnings, beginning of year	1,643	1,865
Dividends	(1,900)	(1,900)
<b>Retained earnings, end of year</b>	<b>4,921</b>	<b>1,643</b>
<b>Changes in equity</b>		
Share capital	67,530	67,530
Accumulated other comprehensive loss	(329)	(1,114)
<b>Retained earnings, end of year</b>	<b>4,921</b>	<b>1,643</b>
<b>Shareholder's equity</b>	<b>72,122</b>	<b>68,059</b>

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

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### 6. Investment in Guelph Municipal Holding Inc. (continued)

#### *Related party transactions*

GMHI pays certain expenses and receives certain revenues on behalf of the City related to customer water billings for which GMHI remits to the City monthly. During the year, these net revenues received amounted to \$60,592 (2017 - \$58,992). The cost paid to GMHI for administering these billings on behalf of the City was \$1,557 (2017 - \$1,485). Amounts owing to the City related to these transactions total \$11,701 (2017 - \$9,214) and are included in accounts receivable.

Dividends received from GMHI during the year were \$1,900 (2017 - \$1,900). These transactions were made in the normal course of business and have been recorded at the exchange amounts.

The following summarizes the Corporation's related party transactions, recorded at the exchange amounts and balances with GMHI for the year ended December 31:

	<b>2018</b>	2017
	<b>\$</b>	\$
Revenue:		
Property taxes	<b>359</b>	344
Rent, percentage, land lease	<b>25</b>	54
Subcontracting	<b>71</b>	53
Expenses:		
Energy sales (at commercial rates)	<b>7,192</b>	8,067
Waterworks expense	<b>1,689</b>	1,622
Street light maintenance	<b>366</b>	464
Balances:		
Accounts receivable	<b>877</b>	377
Accounts payable and accrued liabilities	<b>29</b>	43

#### *Events after the reporting period:*

Effective January 1, 2019, GHESI was acquired by Alectra Inc. Subsequent to the year ended December 31, 2018, the City of Guelph owns 4.6% of Alectra Inc., the parent of Alectra Utilities Corporation. Alectra Utilities is a municipally owned electricity utility and distributor.

# City of Guelph

## Notes to the consolidated financial statements

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### 7. Deferred contributions

The following funds have statutory restrictions and as such are classified as deferred contributions:

	Beginning balance 2018 (as restated - Note 2)	Inflows	Outflows	Ending balance 2018
	\$	\$	\$	\$
Development charges	41,930	22,904	18,462	46,372
Grants	11,897	11,047	11,408	11,536
Other	7,095	961	1,579	6,477
	<b>60,922</b>	<b>34,912</b>	<b>31,449</b>	<b>64,385</b>

The development charges are restricted for use to fund growth related capital expenditures in accordance with the Development Charges Act. The deferred grants include federal gas tax funds, and provincial gas tax funds. Each of the grants has a specified set of restrictions that outlines how the funds can be utilized. The other deferred contributions include funds received for parkland dedication as restricted under the Planning Act and funds received in relation to the Ontario Building Code Act.

### 8. Pension agreement

The City makes contributions to the Ontario Municipal Employees Retirement System ("OMERS") which is a multi-employer plan, on behalf of the 2,221 (2017 – 2,134) members of its staff. The 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 multi-employer plan is valued on a current market basis for all plan assets.

The amount contributed to OMERS for 2018 is \$16,150 (2017 - \$15,146) for current service and is reported as an expense on the unconsolidated statement of operations and accumulated surplus.

The latest available report for the OMERS plan was as at December 31, 2018. At that time the plan reported a \$4.2 billion actuarial deficit, based on actuarial liabilities of \$99.1 billion and actuarial assets of \$94.9 billion. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements. As at December 31, 2018, the City has no obligation under the past service provisions of the OMERS agreement.

### 9. Employee future benefits

Employee future benefits are current costs of the City to its employees and retirees for benefits earned but not taken as at December 31, and consist of the following:

	2018	2017
	\$	\$
Workplace Safety and Insurance ("WSIB")	<b>7,850</b>	7,536
Sick leave	<b>10,056</b>	9,617
Post retirement benefits	<b>19,413</b>	18,716
	<b>37,319</b>	<b>35,869</b>

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

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### 9. Employee future benefits and other liabilities (continued)

#### a) Liability for Workplace Safety & Insurance ("WSIB")

The City is a Schedule II employer under the Workplace Safety and Insurance Act. As a Schedule II employer, the City assumes the liability for any award made under the Act. An actuarial update was completed using information as at December 31, 2015 and extrapolated for the 2018 year end. The next required valuation will be performed in 2019 using information as of December 31, 2018.

The significant actuarial assumptions adopted in estimating the City's WSIB liabilities are as follows:

• Discount rate	4.25% (2017 – 4.25%)
• Expected future WSIB payments per lost time injury	69% (2017 - 69%)
• Health care inflation	CPI plus 4% (2017 - CPI plus 4%)
• WSIB administration rate	36% (2017 - 36%)
• Lost time injury count	50 (2017 - 50)

Information about the City's WSIB liability is as follows:

	2018	2017
	\$	\$
Accrued benefit obligation, beginning of year	7,756	7,118
Plan amendment	-	364
Current service cost	883	851
Interest	328	302
Benefits paid	(951)	(879)
	8,016	7,756
Unamortized net actuarial loss	(166)	(220)
Accrued benefit obligation, end of year	7,850	7,536

A reserve in the amount of \$3,313 (2017 - \$2,320) has been accumulated to fund this obligation.

Information about the City's WSIB expenses recognized in the period is as follows:

	2018	2017
	\$	\$
Plan amendment	-	364
Current period benefit cost	883	851
Amortization of losses	54	53
Interest expense	328	302
	1,265	1,570

#### b) Liability for sick leave

Under the sick leave benefit plan, unused sick leave can accumulate for certain employees and these employees may become entitled to a cash payment when they leave the City's employment.

A comprehensive actuarial valuation was completed using information as at December 31, 2016 and extrapolated for the 2018 year end. The next required valuation will be performed in 2020 using information as of December 31, 2019.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

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### 9. Employee future benefits and other liabilities (continued)

#### b) Liability for sick leave (continued)

The significant actuarial assumptions adopted in estimating the City's sick leave liabilities are as follows:

- Discount rate 4.00% (2017 – 4.00%)
- Inflation rate 1.75% (2017 – 1.75%)
- Future salaries 2.75% per year (2017 – 2.75%)

Information about the City's sick leave liability is as follows:

	2018	2017
	\$	\$
Accrued benefit obligation, beginning of year	10,812	10,786
Current service cost	773	727
Interest	430	422
Benefits paid	(932)	(1,123)
	11,083	10,812
Unamortized net actuarial loss	(1,027)	(1,195)
Accrued benefit obligation, end of year	10,056	9,617

There are currently reserves totaling \$10,329 (2017 - \$9,774) available to fund this obligation.

Information about the City's sick leave expenditures recognized in the period is as follows:

	2018	2017
	\$	\$
Current period benefit cost	773	727
Amortization of net actuarial loss	168	169
Interest expense	430	422
	1,371	1,318

#### c) Post-employment benefits

The City provides dental and health care benefits between the time an employee retires under OMERS, or retires at a normal retirement age, up to the age of 65.

The significant actuarial assumptions adopted in estimating the City's liabilities are as follows:

- Discount rate 4.00% (2017 – 4.00%)
- Consumer price index 1.75% (2017 – 1.75%)
- Prescription drugs trend rate 5.08% reducing over 3 years to reach 3.75% per year starting in 2021 (2017 – 5.08% reducing over 3 years to reach 3.75% per year starting in 2021)
- Dental and other medical trend rates 3.75% (2017 – 3.75%)

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

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### 9. Employee future benefits and other liabilities (continued)

#### c) Post-employment benefits (continued)

Information about the City's employee post-employment benefits are as follows:

	2018	2017
	\$	\$
Accrued benefit obligation, beginning of year	20,453	20,569
Current service cost	982	931
Interest	811	795
Benefits paid	(1,347)	(1,842)
Accrued benefit obligation, end of year	20,899	20,453
Unamortized net actuarial loss	(1,486)	(1,737)
	<b>19,413</b>	<b>18,716</b>

A portion of the City's corporate contingency reserve has been allocation to partially fund this obligation.

Information about the City's employee future benefit expenses recognized in the period are as follows:

	2018	2017
	\$	\$
Current period benefit cost	982	931
Amortization of net actuarial gains	-	492
Amortization of net actuarial loss	251	251
Interest expense	811	795
	<b>2,044</b>	<b>2,469</b>

A comprehensive actuarial valuation was completed using information as at December 31, 2016 and extrapolated for the 2018 year end. The next required valuation will be performed in 2020 using information as of December 31, 2019.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

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### 10. Debt

a) The debt is comprised of the following components:

	<b>2018</b>	2017
	\$	\$
Operating line of credit - bearing interest at prime, due on demand	-	130
Debentures - repayable at rates ranging from 0.95% to 5.237% and maturing from 2019 through 2031	<b>91,127</b>	105,233
Long-term loans - repayable at rate 6.38% and maturing 2025	<b>3,468</b>	3,867
Banker's acceptance, interest at 2.07% fixed through a swap transaction, plus a stamping fee of 0.8% for a total of 2.87%, payable in varying installments of principal and interest, maturing June 25, 2025	<b>1,343</b>	1,539
	<b>95,938</b>	110,769

Included in accounts payable and accrued liabilities is \$505 (2017 - \$658) representing the fair market value of the interest rate swap facilities.

All debt is payable in Canadian dollars. Refer to schedule 3 for further details.p

b) The debt is repayable in the following periods and will be funded through the following revenue sources:

	General taxation	User pay and other	Total
	\$	\$	\$
2019	13,505	473	13,978
2020	10,931	425	11,356
2021	11,063	440	11,503
2022	6,105	458	6,563
2023	6,260	473	6,733
Thereafter	43,021	2,784	45,805
	<b>90,885</b>	<b>5,053</b>	<b>95,938</b>

c) Total charges during the year for debt are as follows:

	<b>2018</b>	2017
	\$	\$
Principal repayments	<b>14,831</b>	24,554
Interest	<b>3,324</b>	3,943
	<b>18,155</b>	28,497

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

(\$000's)

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### 11. Obligation under capital lease:

A consolidated entity of the City has financed certain equipment through a capital lease arrangement as follows:

	2018	2017
	\$	\$
2018	-	258
2019	258	258
2020	213	225
2021	39	38
Total minimum lease payments	510	779
Less amount representing interest at 3.16% and 3.04%	(16)	(45)
Present value of net minimum capital lease payments	494	734

Interest of \$19 (2017 - \$26) relating to capital lease obligations has been included in interest expense.

### 12. Landfill post-closure liability

The City owns one landfill site. This landfill site was closed in 2003. The liability for post-closure costs has been reported on the unconsolidated statement of financial position. The liability was calculated based upon the present value of estimated post-closure costs discounted to December 31, 2018 at a factor of 4% (2017 – 4%) per annum. Post-closure care is estimated to be required for 35 years from the date of site closure.

The estimated expenditures for post-closure care as at December 31, 2018 are \$4,435 (2017 - \$4,205).

No reserve funds have been established to fund this liability as at December 31, 2018, as the City is funding this cost annually through the budget process.



# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

(\$000's)

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### 13. Other long-term liabilities

The City offers three tax-increment based grant ("TIBG") programs in the areas of Heritage Redevelopment, Brownfield Redevelopment and Downtown Development.

The tax-increment based grants are approved individually by Council and require annual reporting and property tax payment by the applicant in order for the City to pay a grant installment. The agreements have two identifiable phases: i) grant pre-approval and construction phase; ii) grant approval and payment phase.

In 2016, the City has TIBG agreements that are in the grant payment phase:

a) TIBG Agreements

	2018	2017
	\$	\$
Heritage Redevelopment	94	5
Downtown Development	8,780	1,615
Brownfield Strategy	4,169	291
	<b>13,043</b>	<b>1,911</b>

b) The TIBG's are repayable in the following periods:

	2018	2017
	\$	\$
2018	-	280
2019	2,352	280
2020	2,116	280
2021	1,894	273
2022	2,357	248
2023	1,289	250
Thereafter	3,035	300
	<b>13,043</b>	<b>1,911</b>

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

(\$000's)

### 14. Tangible capital assets

				2018
Cost	Balance, beginning of year	Additions	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	84,090	5,907	(1,987)	88,010
Buildings	329,697	9,282	(2,338)	336,641
Machinery and equipment	171,838	18,410	(1,175)	189,073
Assets under capital lease	1,071	-	-	1,071
Vehicles	73,501	17,295	(12,007)	78,789
Infrastructure				
Sanitary sewers & waste water	294,869	8,772	-	303,641
Storm water	208,209	2,985	-	211,194
Transportation	421,262	11,816	-	433,078
Waterworks	264,265	20,978	-	285,243
Assets under construction	63,178	4,639	-	67,817
	<b>1,911,980</b>	<b>100,084</b>	<b>(17,507)</b>	<b>1,994,557</b>
Accumulated amortization	Balance, beginning of year	Amortization	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	8,036	1,050	(120)	8,966
Buildings	119,937	9,852	(302)	129,487
Machinery and equipment	113,363	10,397	(941)	122,819
Assets under capital lease	344	249	-	593
Vehicles	46,059	7,157	(10,851)	42,365
Infrastructure				
Sanitary sewers & waste water	148,790	4,591		153,381
Storm water	59,518	3,108		62,626
Transportation	227,743	8,974		236,717
Waterworks	108,708	5,547		114,255
	<b>832,498</b>	<b>50,925</b>	<b>(12,214)</b>	<b>871,209</b>
Net book value	Balance, beginning of year			Balance, end of year
	\$			\$
Land and land improvements	76,054			79,044
Buildings	209,760			207,154
Machinery and equipment	58,475			66,254
Asset under capital lease	727			478
Vehicles	27,442			36,424
Infrastructure				
Sanitary sewers & waste water	146,079			150,260
Storm water	148,691			148,568
Transportation	193,519			196,361
Waterworks	155,557			170,988
Assets under construction	63,178			67,817
	<b>1,079,482</b>			<b>1,123,348</b>

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

(\$000's)

### 14. Tangible capital assets (continued)

Cost				2017
	Balance, beginning of year	Additions	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	82,572	2,899	(1,381)	84,090
Buildings	311,912	17,845	(60)	329,697
Machinery and equipment	161,711	11,809	(1,682)	171,838
Assets under capital lease	1,373	(219)	(83)	1,071
Vehicles	71,120	4,385	(2,004)	73,501
Infrastructure				
Sanitary sewers & waste water	286,284	8,585	-	294,869
Storm water	204,566	3,643	-	208,209
Transportation	416,006	5,256	-	421,262
Waterworks	254,982	9,283	-	264,265
Assets under construction	28,990	34,194	(6)	63,178
	1,819,516	97,680	(5,216)	1,911,980
Accumulated amortization	Balance, beginning of year	Amortization	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	7,143	971	(78)	8,036
Buildings	110,452	9,522	(37)	119,937
Machinery and equipment	105,065	9,665	(1,367)	113,363
Assets under capital lease	440	(44)	(52)	344
Vehicles	41,574	6,235	(1,750)	46,059
Infrastructure				
Sanitary sewers & waste water	143,779	5,011		148,790
Storm water	56,410	3,108		59,518
Transportation	218,900	8,843		227,743
Waterworks	103,551	5,157		108,708
	787,314	48,468	(3,284)	832,498
Net book value	Balance, beginning of year			Balance, end of year
	\$			\$
Land and land improvements	75,429			76,054
Buildings	201,460			209,760
Machinery and equipment	56,646			58,475
Asset under capital lease	933			727
Vehicles	29,546			27,442
Infrastructure				
Sanitary sewers & waste water	142,505			146,079
Storm water	148,156			148,691
Transportation	197,106			193,519
Waterworks	151,431			155,557
Assets under construction	28,990			63,178
	1,032,202			1,079,482

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

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### 15. Accumulated surplus

The accumulated surplus is comprised of the following components:

	2018	2017
	\$	\$
Reserves set aside for specific purpose by Council:		
for corporate	20,629	19,249
for program specific	24,949	23,226
for strategic	(3,666)	(7,117)
Reserves set aside by Wellington-Dufferin-Guelph Public Health		
for contingency	810	717
<b>Total reserves - Schedule 4</b>	<b>42,722</b>	<b>36,075</b>
Reserve funds set aside for specific purpose by Council:		
for capital financing	173,146	160,357
Reserve funds set aside by Wellington-Dufferin-Guelph Public Health		
for capital financing	1,810	1,474
<b>Total reserve funds - Schedule 4</b>	<b>174,956</b>	<b>161,831</b>
<b>Total reserve and reserve funds</b>	<b>217,678</b>	<b>197,906</b>
Invested in tangible capital assets	1,123,248	1,079,482
Investment in Guelph Municipal Holdings Inc.	72,122	68,059
Investment in Guelph Junction Railway Limited	9,409	8,668
Operating fund	(1,050)	22,387
Unfunded Liabilities		
Debt	(96,926)	(111,503)
Contaminated sites liability	(27,000)	(25,446)
Employee future benefits and related liabilities	(44,946)	(42,818)
Landfill post closure liability	(4,435)	(4,205)
<b>Total</b>	<b>1,030,422</b>	<b>994,624</b>
<b>Accumulated Surplus</b>	<b>1,248,100</b>	<b>1,192,530</b>

In accordance with the City's policy for reserve funds, interest is earned on the average reserve fund balance for the year at the average internal rate of return earned during the year. In 2018, \$3,214 (2017 - \$2,895) of interest was earned by the reserve funds and is an increase in reserve and reserve funds.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

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### 16. Expenses by object

The following is a summary of the current expenses reported on the consolidated statement of operations and accumulated surplus by the type of expenses:

	2018	2017
	\$	\$
Salaries, wages and employee benefits	217,519	208,027
Interest on debt	3,324	3,943
Materials	37,501	36,680
Purchased services	43,063	40,761
Rents and financial expenses	9,938	9,869
External transfers	66,669	57,408
Amortization of tangible capital assets	50,925	48,468
	<b>428,939</b>	<b>405,156</b>

### 17. Government partnerships

The City's share of 46.3% (2017 - 45.9%) of the results of the Wellington-Dufferin-Guelph Public Health's operations for the year and its financial position at December 31 are included in the consolidated financial statements using proportionate consolidation and include the amounts as follows:

	2018	2017
	\$	\$
Assets	3,693	3,500
Liabilities	6,493	7,140
Net financial assets	<b>(2,800)</b>	<b>(3,640)</b>
Tangible capital assets	10,650	11,239
Prepaid expenses	51	40
Inventory	4	3
Total non-financial assets	<b>10,705</b>	<b>11,282</b>
Accumulated surplus	<b>7,905</b>	<b>7,642</b>
Revenues	12,540	12,041
Expenses	12,277	11,953
Excess of revenue over expenses	<b>263</b>	<b>88</b>
Accumulated surplus, beginning of year	<b>7,642</b>	<b>7,554</b>
Accumulated surplus, end of year	<b>7,905</b>	<b>7,642</b>

During the year, the City contributed \$3,869 (2017 - \$3,756) towards its share of the costs of the partnership.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

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### 17. Government partnerships (continued)

#### *Financing Agreement:*

On December 19, 2012, the City, the County of Wellington and the County of Dufferin (the "obligated municipalities") entered into a Financing Agreement with the Wellington-Dufferin-Guelph Public Health ("Public Health") to finance the cost of building two new Public Health facilities at Chancellors Way, Guelph, and Broadway, Orangeville.

The Financing Agreement allows for quarterly advances of capital by the obligated municipalities to Public Health beginning in January 2013, until the completion of the new facilities. The total amount of the advances will not exceed \$24,400. Interest will be calculated annually, commencing on the 1st day of the month following the date of substantial completion of both facilities. The interest rate will be 3.34% per annum, and the term and amortization of the loan will be twenty years. Repayment to the obligated municipalities will commence thirty days following certification by the project's architect of substantial completion of both facilities. The whole or any part of the capital financing under this agreement may be prepaid at any time or times without penalty or bonus. The aforementioned loan has been eliminated upon consolidation.

### 18. Shared service agreements

Certain programs as mandated by provincial legislation are managed by neighboring municipalities on behalf of the City and certain programs are also managed by the City on behalf of other municipalities.

The City's share of revenues and expenses from social service programs managed by Wellington County are as follows:

	2018	2017
	\$	\$
Revenues		
Social housing	7,921	6,657
Child care	10,020	9,385
Social services	9,167	13,274
	<b>27,108</b>	29,316
Expenses		
Social housing	23,648	22,635
Child care	13,242	12,129
Social services	11,637	16,222
	<b>48,527</b>	50,986
Net expenses	<b>(21,419)</b>	(21,670)

The City's share of net expenses for social housing is 83% (2017 - 81%), child care 77% (2017 - 77%) and social services 65% (2017 - 67%).

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

(\$000's)

### 18. Shared service agreements (continued)

The City's share of revenues and expenses from programs managed by the County are as follows:

	2018	2017
	\$	\$
Revenues		
Land Ambulance	6,262	5,711
Provincial Offences Act	1,451	1,395
	<u>7,713</u>	<u>7,106</u>
Expenses		
Land Ambulance	13,300	11,844
Provincial Offences Act	1,115	1,102
	<u>14,415</u>	<u>12,946</u>
Net expenses	<u>(6,702)</u>	<u>(5,840)</u>

The City's share of net expenses for land ambulance is 61% (2017 – 63%) and Provincial Offences Act is 57% (2017 – 54%).

The Provincial Offences Act revenues are recorded on a cash basis due to regulatory restrictions. As at December 31, 2018 there are \$20,735 (2017 - \$17,208) of over-due fines receivable and of this amount \$173 (2017 - \$58) is considered uncollectable, and \$5,071 (2017 - \$1,798) is a collection agency cost and fully recoverable upon receipt of payment.

The City's share of the net expenses for all the above programs, are included in the consolidated statement of operations and accumulated surplus.

### 19. Liability for contaminated sites

The City reports environmental liabilities related to the management and remediation of contaminated sites where the City is obligated or likely obligated to incur such costs. A contaminated sites liability of \$27,000 (2017 - \$25,446) has been recorded based on environmental assessments or estimates for those sites where an assessment has not been conducted.

The City's ongoing efforts to assess contaminated sites may result in additional environmental remediation liabilities related to newly identified sites or changes in the assessments. Any changes to the City's liabilities for contaminated sites will be accrued in the year in which they are assessed as likely and reasonably estimable.

### 20. Contingencies

From time to time, the City may be involved in other claims in the normal course of business. Management assesses such claims and where considered likely to be material exposure and, where the amount of the claim is quantifiable, provisions for loss are made based on management's assessment of the likely outcome. The City does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of loss cannot be reasonably estimated. Any settlements or awards under such claims are provided when reasonably determinable.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

(\$000's)

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### 21. Commitments and guarantees

- a) The City has guaranteed a non-revolving facility for Guelph Community Sports which is supported by Council resolution authorizing provision of such guarantee in favour of Guelph Community Sports. The balance of the guaranteed facility is \$287 as at August 31, 2018.
- b) The City has commitments totaling \$1,200 (2017 - \$82) resulting from agreements entered into as part of the Heritage Redevelopment Grant Program. Grant expenses will be recognized upon the applicant meeting all the eligibility criteria.
- c) The City has commitments totaling \$5,217 (2017 - \$8,750) resulting from agreements entered into as part of the Brownfield Tax Increment Based Grant Program. Grant expenses will be recognized in the year of reassessment by MPAC and when all eligibility criteria have been met by the applicant.
- d) The City has commitments totaling \$7,082 (2017 - \$16,733) resulting from agreements entered into as part of the Major Downtown Activation Grant Program. Grant expenses will be recognized in the year of reassessment by MPAC and when all eligibility criteria have been met by the applicant.
- e) The City has commitments under a variety of leases and agreements of which the longest expires on October 31, 2057. The minimum lease payments over the next five years and thereafter are as follows:

	\$
2019	1,442
2020	1,208
2021	1,019
2022	763
2023	499
Thereafter	917
	<hr/> 5,848 <hr/>

- f) The City has committed to providing various grants to organizations in the community totaling \$514 (2017 - \$506).

### 22. Local Immigration Partnership

Included in the consolidated statement of operations and accumulated surplus are the activities of the Local Immigration Partnership Program (LIPP) which is a federally funded program for the purpose of creating a more welcoming community for immigrants by focusing efforts on employment services, English language training, community integration/inclusion and community services/programs. During 2018, the City of Guelph received \$295 (2017 - \$281) of funding from Citizenship and Immigration Canada related to the operation this program.

### 23. Budget figures

Budgets are established to set tax rates or to finance projects which may be carried out over one or more years. Budget figures have been translated to reflect changes in public sector accounting standards on the consolidated statement of operations and accumulated surplus by adjusting for amortization of tangible capital assets, including the consolidated entities and excluding budgeted amounts for the debt principal repayment and reserve transfers.

### 24. Comparative figures

Certain 2017 comparative figures have been reclassified in order to present them in a form comparable to those for 2018.



# City of Guelph

## Notes to the consolidated financial statements

December 31, 2018

(\$000's)

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### 25. Segmented information

The City of Guelph is a diversified municipal government institution that provides a wide range of services to its citizens. For management reporting purposes, the City's operations and activities are organized and reported on in two groups: Operating Fund and Capital Fund. These funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Within the operating fund, the City's operations are further defined into the Tax Supported and Non Tax Supported categories and then segregated into four service area pillars: Office of the Chief Administrative Officer, Corporate Services, Infrastructure, Development & Enterprise Services, and Public Services.

Although City services are provided internally by these defined service areas, for financial reporting, the City has chosen to remain consistent with the Ontario Financial Information Return (FIR) and the nine functional areas that it prescribes. This will allow comparability between our Schedule of Segment Disclosure (Schedules 1 and 2 attached) and several schedules on the FIR that require full segment disclosure of operating expenses and limited disclosure of operating revenues.

The services that have been separately disclosed in the segmented information are defined by the compositional requirements of the FIR as follows:

#### *General Government*

Governance (election management, Council, Council support, Office of the Mayor)

Corporate management (Office of the CAO, finance, corporate communications, legal, corporate properties and real estate and information technology)

#### *Protection services*

Police services, fire services, 911 service, court operations, building and structural inspection, parking enforcement, by-law enforcement and animal control

#### *Transportation services*

Roadways – including asphalt resurfacing and crack sealing, line painting, sweeping, traffic operations and maintenance of roadside areas, culverts and bridges

Winter control, street lighting, parking and public transit

#### *Environmental services*

Water, wastewater, storm sewers, and solid waste collection, disposal and recycling

#### *Health services*

Land ambulance operations and City's proportionate share of Public Health

#### *Social housing*

Social housing program costs

#### *Social and family services*

General assistance (Ontario Works) and childcare programs, contributions to The Elliott operations

#### *Recreation and cultural services*

Parks, recreational facilities, recreational programs, libraries, museums, River Run Centre, Sleeman Centre and other cultural services

#### *Planning and development services*

Planning and zoning, Committee of Adjustment, tourism, economic development, and Downtown Guelph Business Association operations

# City of Guelph

Consolidated schedule of segment disclosure - Schedule 1  
 year ended December 31, 2018  
 ('000's)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Social Housing	Recreation & Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>										
Taxation	240,702	-	-	-	-	-	-	-	-	240,702
User charges	1,107	1,470	15,285	73,920	14	9,998	-	6,878	795	109,467
Contributed subdivision assets	9,560	-	-	-	-	-	-	-	-	9,560
Contributions	997	4,871	11,345	12,438	23,296	23,750	7,921	9,457	935	95,010
Other										
Investment income	5,530	-	-	85	-	-	-	-	-	5,615
Donations	-	10	-	-	-	-	-	385	-	395
Sales of equipment, publications	1	2	22	2,658	-	85	-	1,673	2	4,443
Recoveries	563	123	1,220	769	5	428	-	915	290	4,313
Licences and permits	81	3,796	-	72	-	-	-	18	-	3,967
Provincial offences act	-	2,686	-	-	-	-	-	-	-	2,686
Other fines	-	1,369	-	-	-	-	-	-	-	1,369
Gain (loss) on disposal of tangible capital assets	-	(120)	396	(110)	21	-	-	(26)	117	278
Gain from Government Business Enterprises	6,704	-	-	-	-	-	-	-	-	6,704
	<b>265,245</b>	<b>14,207</b>	<b>28,268</b>	<b>89,832</b>	<b>23,336</b>	<b>34,261</b>	<b>7,921</b>	<b>19,300</b>	<b>2,139</b>	<b>484,509</b>
<b>Expenses</b>										
Salaries, wages and employee benefits	20,920	73,299	35,525	21,816	26,136	10,574	-	25,178	4,071	217,519
Interest on debt	740	568	457	586	92	298	-	557	26	3,324
Materials	966	2,236	13,511	11,750	1,546	2,089	-	5,191	212	37,501
Purchased services	7,561	4,555	5,448	14,860	2,601	1,510	15	4,431	2,082	43,063
Rents and financial expenses	3,142	269	1,346	3,646	199	-	-	1,282	54	9,938
External transfers	1,729	896	58	1,538	-	24,879	23,648	1,883	12,038	66,669
Internal charges	(8,824)	382	(2,634)	7,146	1,921	5	-	1,918	86	-
Amortization of tangible capital assets	4,488	3,057	16,156	17,182	1,730	1,058	21	6,864	369	50,925
	<b>30,722</b>	<b>85,262</b>	<b>69,867</b>	<b>78,524</b>	<b>34,225</b>	<b>40,413</b>	<b>23,684</b>	<b>47,304</b>	<b>18,938</b>	<b>428,939</b>
<b>Excess of revenues over expenses (expenses over revenues)</b>	<b>234,523</b>	<b>(71,055)</b>	<b>(41,599)</b>	<b>11,308</b>	<b>(10,889)</b>	<b>(6,152)</b>	<b>(15,763)</b>	<b>(28,004)</b>	<b>(16,799)</b>	<b>55,570</b>

# City of Guelph

Consolidated schedule of segment disclosure - Schedule 2  
 year ended December 31, 2017  
 ('000's)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Social Housing	Recreation & Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>										
Taxation	233,024	-	-	-	-	-	-	-	-	233,024
User charges	1,120	1,098	14,788	71,979	33	9,643	-	6,404	807	105,872
Contributed subdivision assets	9,562	-	-	-	-	-	-	-	-	9,562
Contributions	185	7,189	15,680	9,892	21,005	27,298	6,657	4,596	987	93,489
Other										
Investment income	4,787	-	-	70	34	-	-	-	-	4,891
Donations	-	9	-	-	-	-	-	404	-	413
Sales of equipment, publications	3	2	13	3,972	-	96	-	1,609	1	5,696
Recoveries	780	118	1,128	1,476	-	349	-	805	311	4,967
Licences and permits	78	3,778	-	73	-	-	-	18	-	3,947
Provincial offences act	-	2,709	-	-	-	-	-	-	-	2,709
Other fines	-	1,203	-	-	-	-	-	-	-	1,203
Gain (loss) on disposal of tangible capital assets	(53)	(84)	807	(39)	9	-	-	(80)	18	578
Gain from Government Business Enterprises	1,976	-	-	-	-	-	-	-	-	1,976
	<b>251,462</b>	<b>16,022</b>	<b>32,416</b>	<b>87,423</b>	<b>21,081</b>	<b>37,386</b>	<b>6,657</b>	<b>13,756</b>	<b>2,124</b>	<b>468,327</b>
<b>Expenses</b>										
Salaries, wages and employee benefits	19,797	71,648	33,098	21,102	24,371	10,099	-	23,759	4,153	208,027
Interest on debt	780	618	523	737	98	346	-	599	242	3,943
Materials	1,024	2,053	13,118	11,713	1,360	2,421	-	4,826	165	36,680
Purchased services	6,117	3,837	5,483	15,223	2,345	1,523	12	4,677	1,544	40,761
Rents and financial expenses	3,101	180	1,033	4,024	206	-	-	1,269	56	9,869
External transfers	1,747	861	55	1,648	-	28,445	22,634	1,755	263	57,408
Internal charges	(8,617)	402	(2,582)	6,726	1,958	2	-	2,015	96	-
Amortization of tangible capital assets	3,880	3,147	14,598	17,286	1,833	989	21	6,373	341	48,468
	<b>27,829</b>	<b>82,746</b>	<b>65,326</b>	<b>78,459</b>	<b>32,171</b>	<b>43,825</b>	<b>22,667</b>	<b>45,273</b>	<b>6,860</b>	<b>405,156</b>
<b>Excess of revenues over expenses (expenses over revenues)</b>	<b>223,633</b>	<b>(66,724)</b>	<b>(32,910)</b>	<b>8,964</b>	<b>(11,090)</b>	<b>(6,439)</b>	<b>(16,010)</b>	<b>(31,517)</b>	<b>(4,736)</b>	<b>63,171</b>

# City of Guelph

## Consolidated schedule of debt - Schedule 3

December 31, 2018

('000's)

Bylaw	Project description	Term	Maturity date	Interest rates	2018	2017
					\$	\$
<b>Debentures:</b>						
18105	New City Hall	25	28-Aug-31	5.237%	13,155	13,846
18105	New POA Court	25	28-Aug-31	5.237%	3,710	3,905
18622	Social Services Building Renovation	10	25-Sep-18	3.25% to 4.70%	-	319
18622	Police HQ Renovations	10	25-Sep-18	3.25% to 4.70%	-	148
18622	Road Projects - Gordon, Victoria, Cardigan, Clair	10	25-Sep-18	3.25% to 4.70%	-	628
18622	Bus Storage Area Expansion	10	25-Sep-18	3.25% to 4.70%	-	22
18622	Organic Waste Facility - Roof Repairs	10	25-Sep-18	3.25% to 4.70%	-	58
18898	Road Projects - Gordon, Victoria, Eramosa	10	25-Nov-19	.95 % to 4.60%	87	171
18898	South End Station	10	25-Nov-19	.95 % to 4.60%	764	1,501
18898	New City Hall	10	25-Nov-19	.95 % to 4.60%	264	518
18898	Land Purchase - Library	10	25-Nov-19	.95 % to 4.60%	97	191
18898	Public Drop Off Facility	10	25-Nov-19	.95 % to 4.60%	25	49
18898	Transit Terminal Road Upgrades	10	25-Nov-19	.95 % to 4.60%	214	420
18898	Watermain Projects - Laird, Arkell, Scout Camp	10	25-Nov-19	.95 % to 4.60%	729	1,433
18898	Waste Water Treatment Plant Facility Upgrade	10	25-Nov-19	.95 % to 4.60%	670	1,317
19294	Organic Waste Facility Composter Rebuild	10	9-Nov-21	1.25% to 3.70%	8,863	11,671
19294	Fire - Pumper	10	9-Nov-21	1.25% to 3.70%	211	278
19294	Civic Museum Renovations	10	9-Nov-21	1.25% to 3.70%	1,847	2,432
19294	On behalf of the Elliott	10	9-Nov-21	1.25% to 3.70%	4,229	5,569
20084	Public Health Facilities	7	20-Jul-23	1.20% to 2.25%	4,850	5,782
20084	Roads Projects - Carden & Downtown	7	20-Jul-23	1.20% to 2.25%	4,005	4,775
20084	Land Purchase - Baker Street	7	20-Jul-23	1.20% to 2.25%	823	981
20084	Waste Management Carts	7	20-Jul-23	1.20% to 2.25%	3,145	3,749
20084	Roads Projects - Clair & Laird Road	7	20-Jul-23	1.20% to 2.25%	3,797	4,526
20084	Roads Projects - Clair & Laird Road - DC	10	20-Jul-26	1.20% to 2.25%	12,493	12,903
20084	Police HQ Renovations	7	20-Jul-23	1.20% to 2.25%	7,697	7,950
20084	Police HQ Renovations - DC	10	20-Jul-26	1.20% to 2.25%	7,322	7,563
20084	Victoria Road Recreation Facility Renovation	10	20-Jul-26	1.20% to 2.25%	12,130	12,528
					<b>91,127</b>	<b>105,233</b>
<b>Other loans:</b>						
	The Elliott Line of Credit - RBC	Demand	NA	prime	-	130
	The Elliott Bankers Acceptance - SWAP	10	25-Jun-25	4.83%	1,343	1,539
	CIBC Loan - Sleeman Centre - SWAP	18.8	01-Sep-25	6.38%	3,468	3,867
<b>Total Debt</b>					<b>95,938</b>	<b>110,769</b>

# City of Guelph

## Consolidated schedule of reserves and reserve funds - Schedule 4

December 31, 2018

('000's)

Code	Description	2018	2017
		\$	\$
<b>Reserves:</b>			
Corporate:			
115	Police Operating Contingency	189	150
131	Compensation Contingency	5,533	5,638
180	Tax Rate Operating Contingency	7,728	8,174
193	Legal/Insurance	2,723	2,715
198	Environment and Utility Contingency	2,882	2,050
208	Social Housing Contingency	1,574	522
		<b>20,629</b>	<b>19,249</b>
Program Specific:			
100	Accumulated Sick Leave - Fire	6,324	5,753
101	Accumulated Sick Leave - Police	4,005	4,021
181	Water Contingency	3,897	3,897
182	Wastewater Contingency	4,734	4,734
195	Election Costs	200	518
211	Court Contingency	573	484
330	Workplace Safety Insurance Board	3,313	2,320
338	Paramedic Retirement	1,446	1,042
345	Westminster Woods	35	35
359	Stormwater Contingency	422	422
		<b>24,949</b>	<b>23,226</b>
Strategic:			
119	Affordable Housing	972	984
122	Redevelopment Incentives	8,387	6,615
179	Strategic Initiatives	488	616
194	Downtown Improvements	507	231
332	Industrial Land	(14,279)	(15,683)
352	Greenhouse Gas	259	120
		<b>(3,666)</b>	<b>(7,117)</b>
Consolidated Entities			
	Wellington-Dufferin-Guelph Public Health	810	717
<b>Total Reserves</b>		<b>42,722</b>	<b>36,075</b>

# City of Guelph

## Consolidated schedule of reserves and reserve funds - Schedule 4

December 31, 2018

('000's)

Code	Description	2018	2017
		\$	\$
<b>Reserve Funds:</b>			
120	Courts Capital	1,146	1,143
135	Museum Donations	126	150
138	Library Bequests	524	433
150	Infrastructure Renewal	24,565	21,179
152	Water Capital	45,076	49,495
153	Wastewater Capital	80,629	68,894
155	City Owned Contaminated Sites	2,165	1,533
156	Growth	1,620	1,009
157	Library	836	883
158	Police	2,599	3,930
159	City Building	(156)	1,341
162	Sleeman Centre Naming Rights	33	28
165	Stormwater Capital	4,597	2,420
189	Sleeman Capital	39	27
205	Community Investment	91	89
206	Rental Property	643	-
210	Information Technology	-	849
340	River Run	241	165
350	Transportation Demand Management	562	23
351	Efficiency Innovation Opportunity	7,648	6,614
356	Public Art	76	152
360	Paramedic Services Provincial Capital	86	-
		<b>173,146</b>	160,357
Consolidated Entities			
	Wellington-Dufferin-Guelph Public Health	1,810	1,474
<b>Total Reserve Funds</b>		<b>174,956</b>	<b>161,831</b>
<b>Total Reserves and Reserve Funds</b>		<b>217,678</b>	<b>197,906</b>

# City of Guelph

## Guelph Public Library Board - Schedule 5

### Statement of revenue and expense

year ended December 31, 2018

('000's)

	2018 Budget	2018 Actual	2017 Actual
	\$	\$	\$
<b>OPERATING FUND</b>			
Revenue			
Grant - Government of Canada	-	23	-
Grant - Province of Ontario	168	168	168
Developers	0	100	-
Donations	69	148	168
Fees and service charges	289	281	291
Sundry revenue	24	28	26
	<b>550</b>	<b>748</b>	<b>653</b>
Expenses			
Administrative and office	7	8	8
Operating supplies	615	784	619
Repairs and maintenance	516	432	549
Consulting and professional fees	125	149	274
Communications	169	210	217
Amortization	-	1,317	1,232
Training	53	48	45
Salaries and benefits	6,155	6,515	5,947
Rental and leases	968	831	883
Fleet costs	-	2	1
Furniture and equipment	26	-	4
Utilities and taxes	165	134	152
	<b>8,799</b>	<b>10,430</b>	<b>9,931</b>
Net operating deficit	<b>(8,249)</b>	<b>(9,682)</b>	<b>(9,278)</b>
<b>CAPITAL FUND</b>			
Developer contribution revenues	-	512	577
Tangible capital asset acquisitions	(1,553)	(1,470)	(1,138)
Net capital deficit	<b>(1,553)</b>	<b>(958)</b>	<b>(561)</b>
Add: net contributions (to)/from reserves	<b>(20)</b>	<b>15</b>	<b>58</b>
	<b>(1,573)</b>	<b>(943)</b>	<b>(503)</b>
Total combined net deficit	<b>(9,822)</b>	<b>(10,625)</b>	<b>(9,781)</b>

# City of Guelph

## Guelph Police Services Board - Schedule 6

### Statement of revenue and expense

year ended December 31, 2018

('000's)

	2018 Budget	2018 Actual	2017 Actual (Restated)
	\$	\$	\$
<b>OPERATING FUND</b>			
Revenue			
Grants	2,122	2,209	2,014
Other fees and recoveries	832	1,014	884
	<u>2,954</u>	<u>3,223</u>	<u>2,898</u>
Expenses			
Amortization	-	1,188	1,377
Personnel supplies	158	152	117
Professional services	1,224	1,492	1,223
Fleet	637	595	514
Repairs and maintenance	211	198	160
Corporate development and travel	536	529	498
Rental and lease	129	127	124
Communication	439	552	430
Utilities, taxes and insurance	453	447	409
Banking and other fees	11	103	15
Software	399	405	309
Operating, admin and office supplies	328	274	312
Interest on long-term debt	-	328	348
Salaries and benefits	39,066	38,635	37,453
	<u>43,591</u>	<u>45,025</u>	<u>43,289</u>
Net operating deficit	<u>(40,637)</u>	<u>(41,802)</u>	<u>(40,391)</u>
<b>CAPITAL FUND</b>			
Revenue			
Province of Ontario grants	-	14	12
Other revenues	8	2,972	4,347
	<u>8</u>	<u>2,986</u>	<u>4,359</u>
Expenses			
Loss on disposal of tangible capital assets	-	120	60
Tangible capital asset acquisitions	1,116	8,452	12,998
Net capital deficit	<u>(1,108)</u>	<u>(5,586)</u>	<u>(8,699)</u>
Add: net contributions from reserves	1,444	3,795	8,770
Less: debt principal repayments	-	(401)	(395)
	<u>1,444</u>	<u>3,394</u>	<u>8,375</u>
Total combined net deficit	<u>(40,301)</u>	<u>(43,994)</u>	<u>(40,715)</u>