

Consolidated Financial Statements

City of Guelph

December 31, 2019

City of Guelph

December 31, 2019

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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, 2019
 - 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, 2019, 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
July 20, 2020

City of Guelph

Consolidated statement of financial position
as at December 31, 2019
(\$000's)

	2019	2018
	\$	\$
Financial assets		
Cash	54,871	50,128
Investments (Note 3)	354,607	279,175
Taxes receivable	5,096	5,248
Accounts receivable	34,268	29,373
Loans and notes receivable	186	2,644
Investment in Guelph Junction Railway Limited (Note 4)	10,421	9,409
Investment in Guelph Municipal Holdings Inc. (Note 5)	89,411	72,122
	548,860	448,099
Liabilities		
Accounts payable and accrued liabilities	54,123	54,256
Accrued interest payable	1,190	893
Vacation and other employee benefits payable	7,862	7,627
Developer agreement deferred revenue	2,161	1,459
Other deferred revenue	24,627	22,327
Deferred contributions (Note 6)	90,304	64,385
Employee future benefits (Note 8)	41,811	37,319
Debt (Note 9)	116,485	95,938
Obligation under capital lease (Note 10)	246	494
Landfill post-closure liability (Note 11)	4,520	4,435
Other long-term liabilities (Note 12)	12,377	13,043
Liability for contaminated sites (Note 17)	26,000	27,000
	381,706	329,176
Net financial assets	167,154	118,923
Non-financial assets		
Tangible capital assets (Note 13)	1,159,903	1,123,348
Inventory	1,844	1,860
Prepaid expenses	4,006	3,969
	1,165,753	1,129,177
Contingencies (Note 18)		
Commitments and guarantees (Note 19)		
Accumulated surplus (Note 14)	1,332,907	1,248,100

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

City of Guelph

Consolidated statement of operations and accumulated surplus year ended December 31, 2019 (\$'000's)

	2019 Budget (Note 21) \$	2019 Actual \$	2018 Actual \$
Revenues			
Taxation			
Property taxation (Note 2)	247,625	249,695	238,833
Property taxation - Downtown Guelph BIA	621	621	618
Penalties and interest on taxes	1,305	1,359	1,251
	249,551	251,675	240,702
User charges	109,127	111,878	109,467
Contributed subdivision assets	4,600	4,607	9,560
Contributions			
Government of Canada	7,574	12,455	12,011
Province of Ontario	61,563	63,883	56,840
Municipal	4,688	5,019	5,111
Developers	15,727	18,196	18,735
Other	1,380	960	2,313
	204,659	216,998	214,037
Other			
Investment income	3,298	7,457	5,515
Donations	312	677	397
Sales of equipment, publications	2,671	4,221	4,443
Recoveries	3,700	5,650	4,311
Licences and permits	4,117	3,918	3,967
Provincial Offences Act revenues	2,708	2,845	2,686
Other fines	1,200	1,143	1,369
(Loss) gain on disposal of tangible capital assets	-	(1,396)	278
Government business enterprises earnings	917	34,006	6,804
	18,923	58,521	29,770
Total revenues	473,133	527,194	484,509
Expenses			
General government	39,440	32,959	30,722
Protection services	90,556	90,795	85,262
Transportation services	70,229	72,087	69,867
Environmental services	84,100	81,552	78,524
Health services	35,760	35,441	34,225
Social and family services	45,655	45,896	40,413
Social housing	21,070	23,664	23,684
Recreation and cultural services	47,587	50,897	47,304
Planning and development	9,393	9,096	18,938
Total expenses	443,790	442,387	428,939
Excess of revenues over expenses for the year	29,343	84,807	55,570
Accumulated surplus - beginning of year	1,248,100	1,248,100	1,192,530
Accumulated surplus, end of year	1,277,443	1,332,907	1,248,100

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

City of Guelph

Consolidated statement of change in net financial assets year ended December 31, 2019 (\$000's)

	2019 Budget (Note 21) \$	2019 Actual \$	2018 Actual \$
Excess of revenues over expenses for the year	59,823	84,807	55,570
Amortization of tangible capital assets	47,081	53,050	50,925
Acquisition of tangible capital assets	(91,330)	(88,841)	(90,524)
Contributed subdivision assets	(9,560)	(4,607)	(9,560)
Loss (gain) on disposal of tangible capital assets	-	1,396	(278)
Proceeds from disposal of tangible capital assets	-	2,447	5,571
Change in inventory	-	(37)	(770)
Change in prepaid expenses	-	16	(195)
Increase in net financial assets for the year	6,014	48,231	10,739
Net financial assets, beginning of year	118,923	118,923	108,184
Net financial assets, end of year	124,937	167,154	118,923

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

City of Guelph

Consolidated statement of cash flows year ended December 31, 2019 (\$000's)

	2019	2018
	\$	\$
Operating activities		
Excess of revenues over expenses for the year	84,807	55,570
Items not affecting cash:		
Amortization of tangible capital assets	53,050	50,925
Loss (gain) on disposal of tangible capital assets	1,396	(278)
Contributed subdivision assets	(4,607)	(9,560)
Allowance on asset backed investment	-	15
Unrealized gain on interest rate swap contracts	-	(153)
Earnings from government business enterprises	(34,006)	(6,804)
Employee future benefits expenses	4,492	1,450
Landfill post-closure cost	85	230
Contaminated sites (recovery) cost	(1,000)	1,554
Changes in non-cash working capital:		
Taxes receivable	152	1,121
Accounts receivable	(4,895)	7,934
Developer agreement deferred revenue	702	(833)
Inventory	16	(195)
Prepaid expenses	(37)	(770)
Accounts payable and accrued liabilities	(133)	8,167
Accrued interest payable	297	(91)
Vacation and other employee benefits payable	235	678
Other deferred revenue	2,300	2,987
Other long-term liabilities	(666)	11,132
Cash provided by operating activities	102,188	123,079
Capital and investing activities		
Acquisition of tangible capital assets	(88,841)	(90,524)
Proceeds from disposal of tangible capital assets	2,447	5,571
Dividend from Guelph Municipal Holdings Inc. (Note 5)	15,625	1,900
Dividend from Guelph Junction Railway Limited (Note 4)	80	100
Change in loans and notes receivable	2,458	(515)
Net investment (acquisitions) disposals	(75,432)	(15,107)
Cash used by capital and investing activities	(143,663)	(98,575)
Financing activities		
Net issuance (repayment) of debt principal	20,547	(14,831)
Net change in obligation under capital lease	(248)	(240)
Net change in deferred contributions	25,919	3,463
Cash (used in) provided by financing activities	46,218	(11,608)
Increase in cash for the year	4,743	12,896
Cash, beginning of year	50,128	37,232
Cash, end of year	54,871	50,128

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

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

(\$000's)

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% (2018 – 46.3%) 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 and the change in net assets is recorded as income from government business enterprises on the statement of operations and accumulated surplus.

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

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1. Significant Accounting Policies (continued)

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.

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 provides 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 interest income and an adjustment within accumulated surplus.

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

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1. Significant Accounting Policies (continued)

Basis of accounting (continued)

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. Development charges, federal and provincial gas tax grants, funds received for parkland dedication restricted under the Planning Act, and funds received in relation to the Ontario Building Code Act which together make up Deferred Contributions, are interest bearing and current year interest earned on these amounts is added to deferred revenue and recognized as revenue when eligible expenses are incurred.

Tangible capital assets

- a) 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:

<u>Asset</u>	<u>Useful Life (Years)</u>
Land improvements	20 - 75
Buildings	10 - 75
Machinery and equipment	3 - 25
Vehicles	5 - 15
Sanitary sewers infrastructure	50 - 80
Storm sewer infrastructure	15 - 80
Transportation infrastructure	20 - 80
Waterworks infrastructure	5 - 80

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.

- b) 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.
- c) 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, 2019

(\$000's)

1. Significant Accounting Policies (continued)

Basis of accounting (continued)

Tangible capital assets (continued)

- d) 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.

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

(\$000's)

1. Significant Accounting Policies (continued)

Basis of accounting (continued)

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.

2. 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:

	2019	2018
	\$	\$
Taxation revenue collected - school boards	67,060	66,091
Requisitions	(67,060)	(66,091)
Net levy for the year	-	-

b) Taxation revenue by major tax class

2019	Taxes (own purpose) \$	Payments in lieu \$	Supplem- entary taxes \$	Rebates & write-offs \$	2019 total \$
Residential	161,763	28	2,687	(136)	164,342
Mult-residential	16,892	-	249	(232)	16,909
Commercial	42,902	3,680	991	(633)	46,940
Industrial	18,044	211	144	(511)	17,888
Pipelines	591	-	12	-	603
Farmlands	13	-	-	-	13
Managed forests	3	-	-	-	3
Other	-	2,847	161	(11)	2,997
Total tax revenue	240,208	6,766	4,244	(1,523)	249,695

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

(\$000's)

2. Taxation revenues (continued)

b) Taxation revenue by major tax class (continued)

2018	Taxes (own purpose) \$	Payments in lieu \$	Supplem- entary taxes \$	Rebates & write-offs \$	2018 total \$
Residential	155,128	27	2,874	(272)	157,757
Multi-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
Total tax revenue	230,291	6,677	4,536	(2,671)	238,833

3. Investments

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

	2019		2018	
	Market \$	Cost \$	Market \$	Cost \$
Short-term investments	152,470	150,163	124,281	123,009
Long-term investments	205,395	204,444	158,217	156,166
	357,865	354,607	282,498	279,175

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

(\$000's)

4. 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:

	2019	2018
	\$	\$
Financial position		
Current assets	1,802	1,425
Property, plant and equipment	12,659	11,583
Total assets	14,461	13,008
Current liabilities	2,101	684
Long-term debt	-	1,519
Deferred capital contributions	1,939	1,396
Total liabilities	4,040	3,599
Net assets	10,421	9,409
Results of operations		
Revenues	4,713	3,992
Operating expenses	3,621	3,251
Net income	1,092	741
Retained earnings, beginning of year	9,409	8,668
Dividend to City of Guelph (Note 4.b)	(80)	-
Retained earnings, end of year	10,421	9,409

a) 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 \$405 (2018 - \$512). Included in loans and notes receivable is an amount owing from the Railway of \$344 (2018 - \$321) related to the reimbursement of these current year net expenses.

The Railway paid the City \$55 (2018 - \$55) 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 \$1,520 (2018 - \$1,568) was outstanding and included in loans and notes receivable. In 2019 principal and interest payments were \$49 and \$53 respectively (2018 - \$47, \$54)

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

(\$000's)

4. Investment in Guelph Junction Railway Limited (continued)

b) 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, 2019. The dividend was paid on April 1, 2019.

5. Investment in Guelph Municipal Holding Inc.

The City of Guelph owns 100% of Guelph Municipal Holdings Inc. ("GMHI"). Prior to January 1, 2019 GMHI owned 100% of Guelph Hydro Electric Systems Inc. ("GHESI"), and prior to June 30, 2019, GMHI owned 100% of GMHI Development Corporation ("DevCo").

On January 1, 2019, GMHI sold its shares of GHESI to Alectra Inc. ("Alectra") for consideration of 4.63% of Alectra's shares.

On June 30, 2019, GMHI and DevCo were amalgamated, leaving one combined entity: GMHI.

Prior to the sale of GHESI to Alectra, GMHI controlled GHESI and DevCo, and therefore the assets, liabilities, revenues and expenses of GHESI and DevCo were fully consolidated into GMHI's financial statements.

With the sale of GHESI to Alectra and the amalgamation of GMHI and DevCo, GMHI now owns 4.63% of Alectra and has representation on the Board of Directors. GMHI has been assessed as having significant influence over Alectra, and has therefore accounted for the investment in Alectra using the equity method as prescribed by International Financial Reporting Standards (IFRS).

The 2018 comparatives in the 2019 GMHI financial statements include the full operations of GHESI as well as DevCo, while the 2019 figures include the transactions related to the sale of GHESI, the operations of DevCo and GMHI's share of Alectra's net income.

GMHI recorded a \$46 million gain on sale of GHESI, and \$5.6 million in deferred tax expense, for a net impact on the total comprehensive income of GMHI in 2019 being \$40.4 million.

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

(\$000's)

5. Investment in Guelph Municipal Holding Inc. (continued)

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

	2019	2018
	\$	\$
Financial position		
Current assets	404	59,425
Property, plant and equipment	-	171,850
Intangible assets	-	352
Deferred income taxes	-	6,020
Due from related parties	2,545	-
Investment in Alectra Inc.	101,109	-
Total assets	104,058	237,647
Accounts payable and accrued liabilities	183	26,842
Deferred tax liability	14,464	26,842
Customer deposits and deferred revenue	-	33,697
Long-term debt	-	94,360
Employee future benefits	-	10,626
Total liabilities	14,647	192,367
Shareholder's equity	89,411	45,280
Results of operations		
Revenue		
Investment revenue	2,269	-
Gain on disposal of investment in Guelph Hydro Electric Systems Inc.	46,002	-
Other services	-	5,381
Electricity sales	255	234,516
Total revenue	48,526	239,897
Expenses		
Cost of sales	248	202,500
Operating expenses	900	30,070
Income taxes	5,627	2,149
Total expenses	6,775	234,719
Net income (loss)	41,751	5,178
Retained earnings, beginning of year	4,921	1,643
Dividends	(15,625)	(1,900)
Refundable portion of deferred tax liability	(8,837)	-
Other	(329)	-
Retained earnings, end of year	21,881	4,921
Shareholder's Equity		
Share capital	67,530	67,530
Accumulated other comprehensive loss	-	(329)
Retained earnings, end of year	21,881	4,921
Shareholder's equity	89,411	72,122

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

(\$000's)

5. Investment in Guelph Municipal Holding Inc. (continued)

a) Related party transactions

In 2018 GMHI paid certain expenses and received certain revenues on behalf of the City related to customer water billings which GMHI remitted to the City monthly. In 2019 this arrangement no longer existed due to the sale of Guelph Hydro Electric Systems Inc. to Alectra Inc. on January 1, 2019. During the year 2018, net revenues received by GMHI on behalf of the City amounted to \$60,592. The cost paid to GMHI in 2018 for administrating these billings on behalf of the City was \$1,557. Amounts owing to the City related to these transactions in 2018 totaled \$11,701 and are included in accounts receivable.

Dividends received from GMHI during the year were \$15,625 (2018 - \$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:

	2019	2018
	\$	\$
Revenue:		
Property taxes	-	359
Rent, percentage, land lease	-	25
Subcontracting	-	71
Expenses:		
Energy sales (at commercial rates)	78	7,192
Waterworks expense	-	1,689
Street light maintenance	-	366
Balances:		
Legal and financial services provided to GMHI by the City	90	-
Accounts receivable	-	877
Accounts payable and accrued liabilities	29	29

b) Events after the reporting period

The former DevCo, now amalgamated with GMHI, operates district energy assets. GMHI has transitioned out of certain district energy contracts and is continuing to consider options available for the remaining contracts.

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

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6. Deferred contributions

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

	Beginning balance 2019 \$	Inflows \$	Outflows \$	Ending balance 2019 \$
Development charges	46,372	38,653	22,024	63,001
Grants	11,536	17,012	11,383	17,165
Other	6,476	3,812	150	10,138
	64,384	59,477	33,557	90,304

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*.

7. Pension agreement

The City makes contributions to the Ontario Municipal Employees Retirement System ("OMERS") which is a multi-employer plan, on behalf of the 2,285 (2018 - 2,249) 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 2019 is \$17,141 (2018 - \$16,915) 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, 2019. At that time the plan reported a \$3.4 billion actuarial deficit, based on actuarial liabilities of \$106.4 billion and actuarial assets of \$103.0 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, 2019, the City has no obligation under the past service provisions of the OMERS agreement.

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Notes to the consolidated financial statements

December 31, 2019

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8. Employee future benefits and other liabilities

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:

	2019	2018
	\$	\$
Workplace Safety and Insurance ("WSIB")	10,462	7,850
Sick leave	10,305	10,056
Post retirement benefits	21,044	19,413
	41,811	37,319

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, 2018 and extrapolated for the 2019 year end. The next required valuation will be performed in 2022 using information as of December 31, 2021.

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

- Discount rate 3.75% (2018 - 4.25%)
- Expected future WSIB payments 121.00% (2018 - 69.00%)
per lost time injury
- Health care inflation CPI plus 2.00% (2018 - CPI plus 4.00%)
- WSIB administration rate 32.00% (2018 - 36.00%)
- Lost time injury count 65 (2018 - 50)

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

	2019	2018
	\$	\$
Accrued benefit obligation, beginning of year	17,185	7,756
Current service cost	3,252	883
Interest	663	328
Benefits paid	(2,273)	(951)
	18,827	8,016
Unamortized net actuarial loss	(8,365)	(166)
Accrued benefit obligation, end of year	10,462	7,850

A reserve in the amount of \$3,427 (2018 - \$3,313) has been accumulated to fund this obligation.

City of Guelph

Notes to the consolidated financial statements

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8. Employee future benefits and other liabilities (continued)

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

	2019	2018
	\$	\$
Current period benefit	3,252	883
Amortization of losses	970	54
Interest expense	663	328
	4,885	1,265

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 2019 year end. The next required valuation will be performed in 2020 using information as of December 31, 2019.

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

- Discount rate 4.00% (2018 - 4.00%)
- Inflation rate 1.75% (2018 - 1.75%)
- Future salaries 2.75% per year (2018 - 2.75%)

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

	2019	2018
	\$	\$
Accrued benefit obligation, beginning of year	11,083	10,812
Current service cost	819	773
Interest	436	430
Benefits paid	(1,174)	(932)
	11,164	11,083
Unamortized net actuarial loss	(858)	(1,027)
Accrued benefit obligation, end of year	10,306	10,056

There are currently reserves totaling \$10,571 (2018 - \$10,329) available to fund this obligation.

City of Guelph

Notes to the consolidated financial statements

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8. Employee future benefits and other liabilities (continued)

b) Liability for sick leave (continued)

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

	2019	2018
	\$	\$
Current period benefit cost	819	773
Amortization of net actuarial loss	169	168
Interest expense	436	430
	1,424	1,371

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% (2018 – 4.00%)
- Inflation rate 1.75% (2018 – 1.75%)
- Prescription drugs trend rate 5.08% reducing over 3 years to reach 3.75% per year starting in 2021 (2018 – 5.08% reducing over 3 years to reach 3.75% per year starting in 2021)
- Dental and other medical trend rate 3.75% (2018 – 3.75%)

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

	2019	2018
	\$	\$
Accrued benefit obligation, beginning of year	20,899	20,453
Current service cost	1,035	982
Increase due to plan amendment	825	-
Interest	831	811
Benefits paid	(1,310)	(1,347)
Accrued benefit obligation, end of year	22,280	20,899
Unamortized net actuarial loss	(1,235)	(1,486)
	21,045	19,413

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

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

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8. Employee future benefits and other liabilities (continued)

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

	2019	2018
	\$	\$
Current period benefit cost	1,035	982
Amortization of net actuarial loss	251	251
Interest expense	830	811
	2,116	2,044

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

9. Debt

a) *Debt is comprised of the following components:*

	2019	2018
	\$	\$
Operating line of credit - bearing interest at prime, due on demand	1,385	-
Debentures - repayable at rates ranging from 0.95% to 5.237% and maturing from 2019 through 2031	110,915	91,127
Long-term loans - repayable at rate 6.38% and maturing 2025	3,043	3,468
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	1,142	1,343
	116,485	95,938

Included in accounts payable and accrued liabilities is \$405 (2018 - \$505) 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.

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

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9. Debt (continued)

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

	General taxation \$	User pay and other \$	Total \$
2020	12,261	1,810	14,071
2021	12,419	441	12,860
2022	7,487	458	7,945
2023	7,668	475	8,143
2024	5,158	492	5,650
Thereafter	65,461	2,355	67,816
	110,454	6,031	116,485

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

	2019 \$	2018 \$
Principal repayments	13,916 \$	14,831
Interest	3,249	3,324
	17,165 \$	18,155

10. Obligation under capital lease

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

	2019 \$	2018 \$
2019	-	258
2020	213	213
2021	39	39
Total minimum lease payments	252	510
Less amount representing interest at 3.16% and 3.04%	(6)	(16)
Present value of net minimum capital lease payments	246	494

Interest of \$12 (2018 - \$19) relating to capital lease obligations has been included in interest expense.

City of Guelph

Notes to the consolidated financial statements

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11. 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, 2019 at a factor of 3.75% (2018 – 4.00%) 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, 2019 are \$4,520 (2018 - \$4,435).

No reserve funds have been established to fund this liability as at December 31, 2019, as the City is funding this cost annually through the budget process.

12. 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.

The City has TIBG agreements that are in the grant payment phase as follows:

a) *TIBG Agreements*

	2019	2018
	\$	\$
Heritage Redevelopment	79	94
Downtown Development	6,285	8,780
Brownfield Strategy	6,013	4,169
	12,377	13,043

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

	2019	2018
	\$	\$
2019	1,852	2,352
2020	1,524	2,116
2021	1,505	1,894
2022	1,495	2,357
2023	1,483	1,289
Thereafter	4,518	3,035
	12,377	13,043

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

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13. Tangible capital assets

	2019			
	Balance, beginning of year	Additions	Disposals	Balance, end of year
Cost	\$	\$	\$	\$
Land and land improvements	88,010	8,577	(1,564)	95,023
Buildings	336,641	55,168	(6,351)	385,458
Machinery and equipment	189,073	15,479	(2,543)	202,009
Assets under capital lease	1,071	-	(7)	1,064
Vehicles	78,789	4,873	(2,539)	81,123
Infrastructure				
Sanitary sewers & waste water	303,641	4,014	-	307,655
Storm water	211,194	7,398	-	218,592
Transportation	433,078	14,910	(1,514)	446,474
Waterworks	285,243	5,568	(660)	290,151
Assets under construction	67,817	(22,534)	-	45,283
	1,994,557	93,453	(15,178)	2,072,832
Accumulated amortization				
Land and land improvements	8,966	1,111	(157)	9,920
Buildings	129,487	10,108	(5,373)	134,222
Machinery and equipment	122,819	11,937	(2,370)	132,386
Assets under capital lease	593	236	-	829
Vehicles	42,365	6,560	(2,234)	46,691
Infrastructure				
Sanitary sewers & waste water	153,381	4,678	-	158,059
Storm water	62,626	3,193	-	65,819
Transportation	236,717	9,156	(535)	245,338
Waterworks	114,255	6,071	(661)	119,665
	871,209	53,050	(11,330)	912,929
Net book value				
Land and land improvements	79,044			85,103
Buildings	\$ 207,154			\$ 251,236
Machinery and equipment	66,254			69,623
Assets under capital lease	478			235
Vehicles	36,424			34,432
Infrastructure				
Sanitary sewers & waste water	150,260			149,596
Storm water	148,568			152,773
Transportation	196,361			201,136
Waterworks	170,988			170,486
Assets under construction	67,817			45,283
	\$ 1,123,348			\$1,159,903

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

(\$000's)

13. Tangible capital assets (continued)

	2018			
	Balance, beginning of year	Additions	Disposals	Balance, end of year
Cost	\$	\$	\$	\$
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
	<u>1,911,980</u>	<u>100,084</u>	<u>(17,507)</u>	<u>1,994,557</u>
Accumulated amortization				
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
	<u>832,498</u>	<u>50,925</u>	<u>(12,214)</u>	<u>871,209</u>
Net book value				
Land and land improvements	76,054			79,044
Buildings	209,760			207,154
Machinery and equipment	58,475			66,254
Assets 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
	<u>1,079,482</u>			<u>1,123,348</u>

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

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14. Accumulated surplus

The accumulated surplus is comprised of the following components:

	2019	2018
	\$	\$
Reserves set aside for specific purpose by Council:		
for corporate	24,814	20,629
for program specific	20,562	24,949
for strategic	(1,474)	(3,666)
Reserves set aside by Wellington-Dufferin-Guelph Public Health		
for contingency	314	810
Total reserves - Schedule 4	44,216	42,722
Reserve funds set aside for specific purpose by Co:		
for capital financing	206,219	173,146
Reserve funds set aside by Wellington-Dufferin-Guelph Public Health		
for capital financing	211	1,810
Total reserve funds - Schedule 4	206,430	174,956
Total reserve and reserve funds	250,646	217,678
Invested in tangible capital assets	1,159,903	1,123,248
Investment in Guelph Municipal Holdings Inc.	89,411	72,122
Investment in Guelph Junction Railway Limited	10,421	9,409
Operating fund	11,342	(1,050)
Unfunded liabilities		
Debt	(116,485)	(96,926)
Contaminated sites liability	(26,000)	(27,000)
Employee future benefits and related liabilities	(41,811)	(44,946)
Landfill post closure liability	(4,520)	(4,435)
Total	1,082,261	1,030,422
Accumulated Surplus	1,332,907	1,248,100

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 rate of return earned on investments during the year. In 2019, \$4,232 (2018 - \$3,219) 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

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15. Government partnerships

The City's share of 46.3% (2018 - 46.3%) 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:

	2019 \$	2018 \$
Financial assets	1,691	3,693
Liabilities	3,788	6,493
Net financial assets	(2,097)	(2,800)
Tangible capital assets	10,354	10,650
Prepaid expenses	31	51
Inventory	3	4
Total non-financial assets	10,388	10,705
Accumulated surplus	8,291	7,905
Revenues	12,777	12,540
Expenses	12,392	12,277
Excess of revenues over expenses for the year	385	263
Accumulated surplus, beginning of year	7,905	7,642
Accumulated surplus, end of year	8,290	7,905

During the year, the City contributed \$3,946 (2018 - \$3,869) towards its share of the costs of the partnership. This amount is included in revenue in the table above, but has been eliminated from the statement of operations on consolidation.

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 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 interest rate is 3.34% per annum, and the term and amortization of the loan is twenty years. Repayment to the obligated municipalities commenced 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 is included in liabilities in the table above but has been eliminated upon consolidation.

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

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16. 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.

Social Service Programs

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

	2019	2018
	\$	\$
Revenues		
Social housing provincial contributions	7,521	7,921
Child care provincial contributions	13,494	10,020
Social services provincial contributions	9,771	9,167
	30,786	27,108
Expenses		
Social housing	23,633	23,648
Child care	17,492	13,242
Social services	12,486	11,637
	53,611	48,527
Net expenses	(22,825)	(21,419)

The City's share of net expenses for social housing is 85% (2018 - 83%), child care 74% (2018 - 77%) and social services 70% (2018 - 65%).

The revenue and expenses from programs managed by the City on behalf of the City and the County of Wellington are:

Provincial Offences Act Administration

	2019	2018
	\$	\$
POA revenues	2,652	2,525
POA expenses	2,228	2,188
Net City revenue	424	337

The City's share of net revenue from Provincial Offences Act administration in 2019 was 56% (2018 - 57%). Included in the above expense figure is \$340 (2018 - \$249) in transfers to the County of Wellington for the County's share of net revenue from fines collected.

The Provincial Offences Act revenues are recorded on a cash basis due to regulatory restrictions. As at December 31, 2019 there are \$21 (2018 - \$21) of over-due fines receivable and of this amount \$- (2018 - \$-) is considered uncollectable, and \$6 (2018 - \$5) is a collection agency cost and fully recoverable upon receipt of payment.

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

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16. Shared service agreements (continued)

Land Ambulance

	2019	2018
	\$	\$
Land ambulance revenues	15,340	14,770
Land ambulance expenses	22,801	21,912
Net City expense	(7,461)	(7,142)

The City's share of net operating expenses for land ambulance in 2019 was 63% (2018 - 61%). Included in the above revenue figures is \$4,531 (2018 - \$4,528) in contributions from the County of Wellington which includes the County's contributions to Land Ambulance capital projects.

The full amount of the revenue and expenses for Land Ambulance and Provincial Offences Act administration are included in the consolidated statement of operations and accumulated surplus.

17. 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 \$26,000 (2018 - \$27,000) 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.

18. 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.

19. Commitments and guarantees

a) *Heritage Redevelopment Grant Program*

The City has commitments totaling \$2,901 (2018 - \$1,200) 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.

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Notes to the consolidated financial statements

December 31, 2019

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19. Commitments and guarantees (continued)

b) *Brownfield Tax Increment Based Grant Program*

The City has commitments totaling \$6,705 (2018 - \$5,217) 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.

c) *Major Downtown Activation Grant Program*

The City has commitments totaling \$7,082 (2018 - \$7,082) 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.

d) *City Commitments*

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
	\$
2020	1,064
2021	861
2022	675
2023	619
2024	531
Thereafter	652
	4,402

e) *City Grants*

The City has committed to providing various grants to organizations in the community totaling \$2,428 (2018 - \$514).

20. 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 2019, the City of Guelph received \$353 (2018 - \$295) of funding from Citizenship and Immigration Canada related to the operation this program.

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

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21. 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.

22. Comparative figures

Certain 2018 comparative figures have been reclassified in order to present them in a form comparable to those for 2019.

23. Subsequent events

Subsequent to December 31, 2019, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

Markets are prone to volatility and the COVID-19 virus has presented many uncertainties and is threatening the outlook for future global trade and GDP. This uncertainty has translated into widespread volatility across equity and bond markets since December 31, 2019.

At this time these factors present uncertainty over future cash flows and may cause significant changes to the assets or liabilities. An estimate of the financial effect is not determinable at this time.

24. 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 in to 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:

City of Guelph

Notes to the consolidated financial statements

December 31, 2019

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24. Segmented information (continued)

a) *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).

b) *Protection services*

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

c) *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.

d) *Environmental services*

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

e) *Health services*

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

f) *Social housing*

- Social housing program costs.

g) *Social and family services*

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

h) *Recreation and cultural services*

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

i) *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, 2019

(\$'000's)

	General government \$	Protection services \$	Transportation services \$	Environmental services \$	Health services \$	Social and family services \$	Social housing \$	Recreation and cultural services \$	Planning and development \$	Total \$
Revenues										
Taxation	251,675	-	-	-	-	-	-	-	-	251,675
User charges	1,144	1,408	16,426	75,227	36	9,836	-	7,089	712	111,878
Contributed subdivision assets	4,607	-	-	-	-	-	-	-	-	4,607
Contributions	1,459	5,007	18,904	9,905	23,991	27,887	7,521	5,117	722	100,513
Other										
Investment income	7,176	3	-	201	73	-	-	4	-	7,457
Donations	5	14	-	-	-	-	-	658	-	677
Sales of equipment, publications	(1)	1	8	1,729	-	98	-	2,385	1	4,221
Recoveries	1,114	189	1,421	714	-	1,006	-	946	260	5,650
Licences and permits	76	3,881	(75)	17	-	-	-	19	-	3,918
Provincial Offences Act revenues	-	2,845	-	-	-	-	-	-	-	2,845
Other fines	-	1,143	-	-	-	-	-	-	-	1,143
(Loss) gain on disposal of tangible capital assets	(528)	(753)	(685)	(77)	-	-	-	(123)	770	(1,396)
Government business enterprises earnings	34,006	-	-	-	-	-	-	-	-	34,006
	300,733	13,738	35,999	87,716	24,100	38,827	7,521	16,095	2,465	527,194

City of Guelph

Consolidated schedule of segment disclosure - Schedule 1

year ended December 31, 2019

(\$'000's)

	General government \$	Protection services \$	Transportation services \$	Environmental services \$	Health services \$	Social and family services \$	Social housing \$	Recreation and cultural services \$	Planning and development \$	Total \$
Expenses										
Salaries, wages and employee benefits	22,227	77,166	37,616	23,592	27,292	10,855	-	26,101	4,394	229,243
Interest on debt	677	691	601	425	77	256	-	503	19	3,249
Materials	750	2,200	14,540	9,475	1,637	1,996	-	5,889	228	36,715
Purchased services	7,420	4,483	5,411	17,970	2,506	1,691	10	4,674	1,740	45,905
Rents and financial expenses	3,706	208	1,484	3,109	236	10	-	1,750	7	10,510
External transfers	2,482	1,035	-	1,577	-	29,978	23,633	2,790	2,220	63,715
Internal charges	(8,940)	1,745	(4,339)	7,556	2,068	4	-	1,804	102	-
Amortization of tangible capital assets	4,637	3,267	16,774	17,848	1,625	1,106	21	7,386	386	53,050
	32,959	90,795	72,087	81,552	35,441	45,896	23,664	50,897	9,096	442,387
Excess of revenues over expenses for the year	267,774	(77,057)	(36,088)	6,164	(11,341)	(7,069)	(16,143)	(34,802)	(6,631)	84,807

City of Guelph

Consolidated schedule of segment disclosure - Schedule 2

year ended December 31, 2018

(\$'000's)

	General government \$	Protection services \$	Transportation services \$	Environmental services \$	Health services \$	Social and family services \$	Social housing \$	Recreation and cultural services \$	Planning and development \$	Total \$
Revenues										
Taxation	240,702	-	-	-	-	-	-	-	-	240,702
User charges	1,196	1,470	15,285	73,860	14	9,998	-	6,849	795	109,467
Contributed subdivision assets	9,560	-	-	-	-	-	-	-	-	9,560
Contributions	1,059	4,862	11,345	12,447	23,296	23,751	7,921	9,457	872	95,010
Other										
Investment income	5,351	2	-	93	68	-	-	1	-	5,515
Donations	-	12	-	-	-	-	-	385	-	397
Sales of equipment, publications	(89)	2	22	2,718	-	86	-	1,702	2	4,443
Recoveries	682	122	1,213	731	5	428	-	914	216	4,311
Licences and permits	80	3,796	-	72	-	-	-	19	-	3,967
Provincial Offences Act revenues	-	2,686	-	-	-	-	-	-	-	2,686
Other fines	-	1,369	-	-	-	-	-	-	-	1,369
(Loss) gain on disposal of tangible capital assets	(3)	(120)	397	(110)	23	-	-	(26)	117	278
Government business enterprises earnings	6,804	-	-	-	-	-	-	-	-	6,804
	265,342	14,201	28,262	89,811	23,406	34,263	7,921	19,301	2,002	484,509

City of Guelph

Consolidated schedule of segment disclosure - Schedule 2

year ended December 31, 2018

(\$'000's)

	General government	Protection services	Transportation services	Environmental services	Health services	Social and family services	Social housing	Recreation and cultural services	Planning and development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expenses										
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
	30,722	85,262	69,867	78,524	34,225	40,413	23,684	47,304	18,938	428,939
Excess of revenues over expenses for the year	234,620	(71,061)	(41,605)	11,287	(10,819)	(6,150)	(15,763)	(28,003)	(16,936)	55,570

City of Guelph

Consolidated schedule of debt - Schedule 3

December 31, 2019

(\$000's)

Bylaw	Project description	Term	Maturity date	Interest rates	2019 \$	2018 \$
Debentures:						
18898	Road Projects - Gordon, Victoria, Eramosa	10	11/25/2019	.95 % to 4.60%	-	87
18898	South End Station	10	11/25/2019	.95 % to 4.60%	-	764
18898	New City Hall	10	11/25/2019	.95 % to 4.60%	-	264
18898	Land Purchase - Library	10	11/25/2019	.95 % to 4.60%	-	97
18898	Public Drop Off Facility	10	11/25/2019	.95 % to 4.60%	-	25
18898	Transit Terminal Road Upgrades	10	11/25/2019	.95 % to 4.60%	-	214
18898	Watermain Projects - Laird, Arkell, Scout Camp	10	11/25/2019	.95 % to 4.60%	-	729
18898	Waste Water Treatment Plant Facility Upgrade	10	11/25/2019	.95 % to 4.60%	-	670
19294	Organic Waste Facility Composter Rebuild	10	11/9/2021	1.25% to 3.70%	5,967	8,863
19294	Fire - Pumper	10	11/9/2021	1.25% to 3.70%	142	211
19294	Civic Museum Renovations	10	11/9/2021	1.25% to 3.70%	1,244	1,847
19294	On behalf of the Elliott	10	11/9/2021	1.25% to 3.70%	2,847	4,229
20084	Public Health Facilities	7	7/20/2023	1.20% to 2.25%	798	990
20084	Public Health Facilities - DC	7	7/20/2023	1.20% to 2.25%	2,608	3,238
20084	Riverside Fuel Tank	7	7/20/2023	1.20% to 2.25%	87	109
20084	Stormwater CIP	7	7/20/2023	1.20% to 2.25%	413	513
20084	Roads Projects - Carden & Downtown	7	7/20/2023	1.20% to 2.25%	3,226	4,005
20084	Land Purchase - Baker Street	7	7/20/2023	1.20% to 2.25%	663	823
20084	Waste Management Carts	7	7/20/2023	1.20% to 2.25%	2,533	3,145
20084	Roads Projects - Clair & Laird Road	7	7/20/2023	1.20% to 2.25%	3,058	3,797
20084	Police HQ Renovations	7	7/20/2023	1.20% to 2.25%	7,442	7,697
20084	Roads Projects - Clair & Laird Road - DC	10	7/20/2026	1.20% to 2.25%	12,077	12,493
20084	Police HQ Renovations - DC	10	7/20/2026	1.20% to 2.25%	7,079	7,322
20084	Victoria Road Recreation Facility Renovation	10	7/20/2026	1.20% to 2.25%	11,726	12,130
18105	New City Hall	25	8/28/2031	5.237%	12,426	13,155
18105	New POA Court	25	8/28/2031	5.237%	3,505	3,710
20417	Police HQ Renovations	20	7/10/2039	1.95% to 2.8%	7,000	-
20417	Police HQ Renovations - DC	20	7/10/2039	1.95% to 2.8%	8,124	-
20417	Wilson Parkade	20	7/10/2039	1.95% to 2.8%	10,600	-
20417	Wilson Parkade - DC	20	7/10/2039	1.95% to 2.8%	4,500	-
20417	Farebox	20	7/10/2039	1.95% to 2.8%	1,300	-
20417	Fuel Tank	20	7/10/2039	1.95% to 2.8%	1,550	-
					110,915	91,127
Other loans:						
N/A	The Elliott Line of Credit - RBC	Demand	N/A	prime	1,385	-
N/A	The Elliott Bankers Acceptance - SWAP	10	6/25/2025	4.83%	1,142	1,343
N/A	CIBC Loan - Sleeman Centre - SWAP	18.8	9/1/2025	6.38%	3,043	3,468
					5,570	4,811
Total Debt					116,485	95,938

City of Guelph

Consolidated schedule of reserves and reserve funds - Schedule 4
 December 31, 2019
 (\$'000's)

Code	Description	2019 \$	2018 \$
Reserves:			
Corporate:			
115	Police Operating Contingency	189	189
131	Compensation Contingency	5,333	5,533
180	Tax Rate Stabilization Contingency	11,974	7,728
193	Legal/Insurance	2,861	2,723
198	Environment and Utility Contingency	2,882	2,882
208	Social Housing Contingency	1,574	1,574
		24,813	20,629
Program Specific:			
100	Accumulated Sick Leave - Fire	6,591	6,324
101	Accumulated Sick Leave - Police	3,981	4,005
181	Water Contingency	1,730	3,897
182	Waste Water Contingency	1,920	4,734
195	Election Costs	322	200
211	Court Contingency	731	573
330	Workplace Safety and Insurance Board	3,427	3,313
338	Paramedic Retirement	1,403	1,446
345	Westminster Woods	35	35
359	Stormwater Contingency	422	422
		20,562	24,949
Strategic:			
119	Affordable Housing	1,296	972
122	Redevelopment Incentives	8,751	8,387
179	Strategic Initiatives	552	488
194	Downtown Improvements	544	507
332	Industrial Land	(12,876)	(14,279)
352	Greenhouse Gas	259	259
		(1,474)	(3,666)
Consolidated Entities:			
	Reserves set aside by Wellington-Dufferin-Guelph Public Health	314	810
Total Reserves		44,215	42,722

City of Guelph

Consolidated schedule of reserves and reserve funds - Schedule 4
 December 31, 2019
 (\$000's)

Code	Description	2019 \$	2018 \$
Reserve Funds:			
120	Courts Capital	1,188	1,146
135	Museum Donations	129	126
138	Library Bequests	895	524
150	Infrastructure Renewal	35,085	24,565
151	Parking Capital	1,496	-
152	Water Capital	46,191	45,076
153	Wastewater Capital	87,508	80,629
155	City Owned Contaminated Sites	4,851	2,165
156	Growth	2,357	1,620
157	Library	449	836
158	Police	2,533	2,599
159	City Building	5,078	(156)
162	Sleeman Centre Naming Rights	30	33
165	Stormwater Capital	7,093	4,597
189	Sleeman Capital	62	39
205	Community Investment	1,427	91
206	Rental Property	749	643
340	River Run	326	241
350	Transportation Demand Management	37	562
351	Efficiency Innovation Opportunity	6,778	7,648
355	100% Renewable Energy	1,716	-
356	Public Art	62	76
360	Paramedic Services Provincial Capital	177	86
		206,217	173,146
Consolidated Entities:			
	Reserve funds set aside by Wellington- Dufferin-Guelph Public Health	211	1,810
Total Reserve Funds		206,428	174,956
Total Reserves and Reserve Funds		250,643	217,678

City of Guelph

Guelph Public Library Board - Schedule 5 Statement of revenues and expenses year ended December 31, 2019 (\$000's)

	2019	2019	2018
	Budget	Actual	Actual
	\$	\$	\$
Operating fund			
Revenues			
User charges	321	310	306
Contributions	168	168	168
Other	71	391	151
	560	869	625
Expenses			
Salaries, wages and employee benefits	6,320	6,366	6,515
Materials	1,702	968	920
Purchased services	777	788	809
Rents and financial expenses	975	897	839
Internal charges	99	153	144
	9,873	9,172	9,227
Net operating deficit	(9,313)	(8,303)	(8,602)
Capital fund			
Revenues			
Contributions	-	190	123
Expenses			
Assets under construction	-	1,163	313
Capitalized library books	-	735	860
Amortization of tangible capital assets	-	1,393	1,317
	-	3,291	2,490
Net capital deficit	-	(3,101)	(2,367)
Add: net contributions (to)/from reserves	(50)	114	76
	(50)	(2,987)	(2,291)
Total combined net deficit	(9,363)	(11,290)	(10,893)

City of Guelph

Guelph Police Services Board - Schedule 6

Statement of revenues and expenses

year ended December 31, 2019

(\$000's)

	2019 Budget \$	2019 Actual \$	2018 Actual \$
Operating fund			
Revenues			
User charges	499	585	606
Contributions	2,372	2,412	2,209
Other	57	113	87
	2,928	3,110	2,902
Expenses			
Salaries, wages and employee benefits	41,007	43,291	39,166
Interest on debt	-	480	328
Materials	1,332	1,328	1,170
Purchased services	2,711	2,874	2,898
Rents and financial expenses	163	162	225
Internal charges	345	139	260
	45,558	48,274	44,047
Net operating deficit	(42,630)	(45,164)	(41,145)
Capital fund			
Revenues			
Contributions	-	2,612	2,985
Other	-	(753)	(120)
	-	1,859	2,865
Expenses			
Amortization of tangible capital assets	-	1,366	1,188
Assets under construction	-	6,618	8,338
	-	7,984	9,526
Net capital deficit	-	(6,125)	(6,661)
Add: net contributions from reserves	1,767	9,708	1,968
Less: debt principal repayments	-	(849)	(401)
	1,767	8,859	1,567
Total combined net deficit	(40,863)	(42,430)	(46,239)