

Consolidated Financial Statements of

**THE CORPORATION OF THE
CITY OF SAULT STE. MARIE**

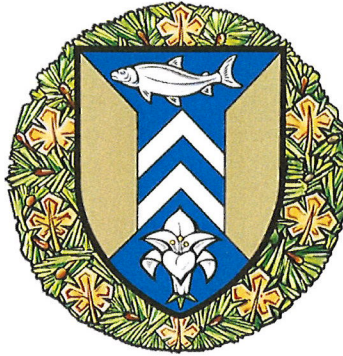
Year ended December 31, 2022

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Consolidated Financial Statements

Year ended December 31, 2022

| | Page |
|---|--------|
| Management's Responsibility for the Consolidated Financial Statements | |
| Independent Auditor's Report | |
| Consolidated Statement of Financial Position..... | 1 |
| Consolidated Statement of Operations and Accumulated Surplus | 2 |
| Consolidated Statement of Changes in Net Financial Assets..... | 3 |
| Consolidated Statement of Cash Flows | 4 |
| Notes to Consolidated Financial Statements | 5 – 25 |




Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of The City of Sault Ste. Marie (the "City") are the responsibility of the City's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.


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

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

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the City. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the City's consolidated financial statements.



Chief Administrative Officer



Chief Financial Officer / City Treasurer



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Sault Ste. Marie ON P6A 6L6
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Tel 705-949-5811
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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of The City of Sault Ste. Marie

Opinion

We have audited the consolidated financial statements of The Corporation of The City of Sault Ste. Marie (the "City"), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes 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 City as at December 31, 2022 and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the City 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 City'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 City or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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.

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.



Page 3

- 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 City'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 City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the City 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated 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

Sault Ste. Marie, Canada

August 28, 2023

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|--------------------|--------------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 40,106,539 | \$ 57,286,630 |
| Temporary investments (note 3) | 20,932,517 | 20,626,012 |
| Taxes receivable (note 4) | 6,148,436 | 2,912,216 |
| Accounts receivable | 55,628,229 | 35,899,585 |
| Investment in government business enterprises (note 9) | 87,799,185 | 83,206,071 |
| | <u>210,614,906</u> | <u>199,930,514</u> |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 33,422,578 | 28,562,380 |
| Temporary advances from trust funds | 160,930 | 343,025 |
| Deferred revenue - obligatory reserve funds (note 5) | 11,130,606 | 9,103,228 |
| Net long-term liabilities (note 6): | | |
| The Corporation of the City of Sault Ste. Marie | 1,013,087 | 1,071,857 |
| Net long-term liabilities (note 7): | | |
| Public Utilities Commission of the City of Sault Ste. Marie | 2,736,414 | 3,569,084 |
| Net long-term liabilities (note 8): | | |
| Sault Ste. Marie Public Library | 1,915,026 | 2,040,632 |
| Landfill closure and post closure liability (note 16) | 34,769,598 | 36,861,764 |
| Future employee benefit obligations (note 15) | 39,119,022 | 39,565,001 |
| | <u>124,267,261</u> | <u>121,116,971</u> |
| Net financial assets | 86,347,645 | 78,813,543 |
| Non-financial assets: | | |
| Tangible capital assets (note 17) | 597,696,471 | 556,892,634 |
| Prepaid expenses | 362,271 | 433,130 |
| Inventories | 3,750,561 | 3,239,177 |
| | <u>601,809,303</u> | <u>560,564,941</u> |
| Contingent liabilities (note 14) | | |
| Accumulated surplus (note 18) | \$ 688,156,948 | \$ 639,378,484 |

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

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

| | Budget (note 10) | 2022 | 2021 |
|--|-----------------------|-----------------------|-----------------------|
| Revenue: | | | |
| Property taxation | \$ 130,256,397 | \$ 131,230,262 | \$ 126,085,281 |
| Taxation from other governments | 4,501,741 | 4,578,570 | 4,490,232 |
| Fees and user charges | 53,337,287 | 53,196,971 | 47,315,725 |
| Government grants (note 19) | 34,025,430 | 51,574,549 | 45,987,373 |
| Interest income | 5,795,000 | 6,495,029 | 3,545,374 |
| Other | 2,181,117 | 6,602,580 | 4,220,066 |
| Developer contributions (note 17) | - | 2,445,091 | 1,971,335 |
| Net income of government business enterprises (note 9) | - | 4,793,114 | 3,525,983 |
| Total revenue | 230,096,972 | 260,916,166 | 237,141,369 |
| Expenses: | | | |
| General government | 18,288,472 | 15,270,234 | 17,204,173 |
| Protection services | 50,916,695 | 50,349,372 | 49,726,811 |
| Transportation services | 36,301,292 | 45,891,822 | 38,656,995 |
| Environmental services | 28,640,920 | 29,588,791 | 26,600,446 |
| Health services | 4,258,594 | 5,958,542 | 4,216,289 |
| Social and family services | 20,099,324 | 19,951,518 | 19,340,729 |
| Recreation and cultural services | 21,172,451 | 16,568,623 | 17,578,304 |
| Planning and development | 3,139,632 | 8,219,080 | 4,142,778 |
| Amortization of tangible capital assets | 22,078,042 | 22,050,255 | 21,143,830 |
| Loss on disposal of tangible capital assets | - | 381,631 | 200,521 |
| Total expenses | 204,895,422 | 214,229,868 | 198,810,876 |
| Annual surplus before the undernoted | 25,201,550 | 46,686,298 | 38,330,493 |
| Landfill closure and post closure liability expense (recovery) | - | (2,092,166) | 11,603,004 |
| Annual surplus | 25,201,550 | 48,778,464 | 26,727,489 |
| Accumulated surplus, beginning of year | 639,378,484 | 639,378,484 | 612,650,995 |
| Accumulated surplus, end of year | \$ 664,580,034 | \$ 688,156,948 | \$ 639,378,484 |

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

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

| | Budget (note 10) | 2022 | 2021 |
|---|---------------------|---------------|---------------|
| Annual surplus | \$ 25,201,550 | \$ 48,778,464 | \$ 26,727,489 |
| Acquisition of tangible capital assets | (48,530,850) | (63,379,288) | (58,450,018) |
| Amortization of tangible capital assets | 22,078,042 | 22,050,255 | 21,143,830 |
| Loss on sale of tangible capital assets | - | 385,603 | 200,521 |
| Proceeds on sale of tangible capital assets | - | 139,593 | 151,257 |
| | (1,251,258) | 7,974,627 | (10,226,921) |
| Change in prepaid expenses | - | 70,859 | (106,217) |
| Change in inventories | - | (511,384) | (339,728) |
| Change in net financial assets | (1,251,258) | 7,534,102 | (10,672,866) |
| Net financial assets, beginning of year | 78,813,543 | 78,813,543 | 89,486,409 |
| Net financial assets, end of year | \$ 77,562,285 | \$ 86,347,645 | \$ 78,813,543 |

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

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|---------------|---------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 48,778,464 | \$ 26,727,489 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 22,050,255 | 21,143,830 |
| Loss on sale of tangible capital assets | 385,603 | 200,521 |
| Developer contributions | (2,445,091) | (1,971,335) |
| Change in future employee benefit obligations | (445,979) | (126,606) |
| Change in landfill closure and post-closure liability | (2,092,166) | 11,603,004 |
| Net income of government business enterprise (note 8) | (4,793,114) | (3,525,983) |
| | 61,437,972 | 54,050,920 |
| Change in non-cash assets and liabilities: | | |
| Taxes receivable | (3,236,220) | (275,605) |
| Accounts receivable | (19,728,644) | (7,380,048) |
| Prepaid expenses | 70,859 | (106,217) |
| Inventories | (511,384) | (339,728) |
| Accounts payable and accrued liabilities | 4,860,198 | (674,851) |
| Deferred revenue - obligatory reserves | 2,027,378 | 4,339,688 |
| Temporary advances from (to) trust funds | (182,095) | 119,186 |
| | 44,738,064 | 49,733,345 |
| Capital activities: | | |
| Proceeds on sale of tangible capital assets | 139,593 | 151,257 |
| Cash used to acquire tangible capital assets | (60,934,197) | (56,466,319) |
| | (60,794,604) | (56,315,062) |
| Investing activities: | | |
| Dividends received from Government Business Enterprises | - | 835,080 |
| PUC Inc. previous year correction | 200,000 | - |
| | 200,000 | 835,080 |
| Financing activities: | | |
| Repayment of long-term liabilities | (1,017,046) | (1,558,901) |
| | (1,017,046) | (1,558,901) |
| Net change in cash | (16,873,586) | (7,305,538) |
| Cash and cash equivalents, beginning of year | 77,912,642 | 85,218,180 |
| Cash and cash equivalents, end of year | \$ 61,039,056 | \$ 77,912,642 |
| Cash position consists of: | | |
| Cash and cash equivalents | \$ 40,106,539 | \$ 57,286,630 |
| Temporary investments (note 3) | 20,932,517 | 20,626,012 |
| | \$ 61,039,056 | \$ 77,912,642 |

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

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

The City of Sault Ste. Marie (the “City”) is a municipality that was created on April 16, 1912 pursuant to the Municipal Act. The City provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

1. Significant accounting policies:

The consolidated financial statements of the City are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the City are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City except for the City’s government business enterprises which are accounted for on the modified equity basis of accounting.

These entities and organizations include:

Sault Ste. Marie Police Services Board
Public Utilities Commission of the City of Sault Ste. Marie (“Commission”)
Sault Ste. Marie Public Library
Tourism Sault Ste. Marie

Interdepartmental and inter-organizational transactions and balances between these entities and organizations have been eliminated.

(ii) Investment in Government Business Enterprises:

The City’s investment in PUC Inc. and PUC Services Inc. is accounted for on a modified equity basis, consistent with Canadian generally accounting principles as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, PUC Inc.’s and PUC Services Inc.’s accounting policies are not adjusted to conform with those of the City and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of PUC Inc. and PUC Services Inc. in its consolidated statement of operations and accumulated surplus with a corresponding increase or decrease in its investment asset account. Any dividends that the City may receive from PUC Inc. and PUC Services Inc. will be reflected as reductions in the investment asset account.

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

1. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(iii) Related entities:

The consolidated financial statements do not reflect the assets, liabilities, sources of financing, expenses and the activities of the following Boards and enterprises which are not under the control of Council.

Algoma Public Health
District of Sault Ste. Marie Social Services Administration Board
Board of Management of Queenstown
Sault Ste. Marie Public Region Conservation Authority

(iv) Trust funds:

Trust funds and their related operations administered by the City are not included in the consolidated financial statements.

(b) Basis of accounting:

The City follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Revenue recognition:

The City prepared tax billings based on assessment rolls issued by the Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

(d) Temporary investments:

Temporary investments are recorded at the lower of cost and market value.

(e) Inventories:

Inventories held for resale are stated at the lower of cost and net realizable value, while inventories of supplies are stated at lower of cost and replacement value.

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

1. Significant accounting policies (continued):

(f) Deferred revenue:

Deferred revenues include licenses, permits and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

A requirement for local governments is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation and other agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. Given the restriction in use until spent on qualifying projects or expenses these amounts are deferred.

(g) Non-financial assets:

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

i. Tangible capital assets:

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

| Asset | Useful Life - Years |
|-------------------------------------|---------------------|
| Landfill and land improvements | 10 - 30 years |
| Buildings and building improvements | 10 - 60 years |
| Vehicles | 3 - 15 years |
| Machinery and equipment | 5 - 25 years |
| Infrastructure | 15 - 100 years |

Half year amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions for tangible capital assets:

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

iii. Leased tangible capital assets:

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

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

1. Significant accounting policies (continued):

iv. Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, tangible capital assets are recognized at a nominal value.

v. Works of art and historical treasures:

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

(h) Use of estimates:

The preparation of consolidated 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 date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, landfill liability and in performing actuarial valuations of employee future benefits.

Actual results could differ from these estimates.

(i) Employee future benefits:

i. The City provides certain benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance Board ("WSIB") Act, and life insurance, extended health and dental benefits for early retirees.

The costs of sick leave, benefits under WSIB and life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, long-term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulated over the periods of service provided by employees, such as retirement gratuities, compensated absences and health, dental and life insurance benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

1. Significant accounting policies (continued):

(i) Employee future benefits (continued):

ii. The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System pensions ("OMERS"), are the employer's contributions due to the plan in the period.

(j) Landfill liability:

The liability for closure of operational sites and post-closure care has been recognized based on estimated future expenses, estimated inflation and the usage of the site's capacity during the year.

2. Accounting standards issued but not yet adopted:

Section PS 1201, Financial Statement Presentation, PS 3041, Portfolio Investments, PS 3280, Asset Retirement Obligations, PS 3450, Financial Instruments, are effective for fiscal years beginning on or after April 1, 2022. While early adoption is permitted, all four of the standards must be adopted in the same year except for PS 3280. PS 1201 Financial Statement Presentation includes the addition of a new statement outlining re-measurement gains and losses. PS 3041, Portfolio Investments provides guidance on how to account for and report portfolio investments. PS 3280 Asset Retirement Obligations addresses the reporting of legal obligations associated with the retirement of tangible capital assets. PS 3450, Financial Instruments provides guidance on the recognition, measurement, presentation and disclosure of financial instruments including derivative instruments. The City has not yet adopted these standards or determined the effect on the consolidated financial statements.

Section PS 2601 Foreign Currency Translation is effective for fiscal years beginning on or after April 1, 2022. This section includes guidance on deferral and amortization of unrealized gains and losses, hedge accounting and separation of realized and unrealized foreign exchange gains and losses. The City has not yet adopted these standards or determined the effect on the consolidated financial statements.

Section PS 3400, Revenue is effective for fiscal years beginning on or after April 1, 2023, early adoption is permitted. This section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The City has not yet adopted this standard or determined the effect on the consolidated financial statements.

3. Temporary investments:

Temporary investments consist of GIC's with interest rates between 3.7% to 4.6% with maturity dates ranging from May 2023 to November 2023.

4. Taxes receivable:

Property tax billings are prepared by the City based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. All assessed property values in the City were established based on a common valuation date which was used by the City in computing the property tax bills for 2022. However, the property tax revenue and tax receivables of the City are subject to measurement uncertainty as a number of significant appeals submitted by ratepayers have yet to be heard.

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

4. Taxes receivable (continued):

The City has established an allowance for tax appeals and other items in the amount of \$1,100,000 (2021 - \$2,210,000). Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined.

5. Deferred revenue – obligatory reserve funds:

The balances in the deferred revenue of the City consist of:

| | 2022 | 2021 |
|---------------------------|----------------------|---------------------|
| Federal Gas Tax | \$ 6,803,209 | \$ 7,562,035 |
| Other programs | 485 | 62,897 |
| Parkland | 453,358 | 391,553 |
| Building permits Bill 124 | 1,907,320 | 1,086,743 |
| Provincial Gas Tax | 24,074 | – |
| OCIF | 1,581,533 | – |
| NORDS | 360,627 | – |
| | <u>\$ 11,130,606</u> | <u>\$ 9,103,228</u> |

Continuity of deferred revenue is as follows:

| | 2022 | 2021 |
|-------------------------------------|----------------------|---------------------|
| Balance, beginning of year: | | |
| Federal Gas Tax | \$ 7,562,035 | \$ 3,166,352 |
| Other programs | 62,897 | 905,889 |
| Parkland | 391,553 | 347,319 |
| Building permits Bill 124 | 1,086,743 | 265,612 |
| Provincial Gas Tax | – | 78,368 |
| | <u>9,103,228</u> | <u>4,763,540</u> |
| Other revenue | 126,309 | 66,370 |
| Interest earned | 249,293 | 64,238 |
| Total revenue | <u>375,602</u> | <u>130,608</u> |
| Contributions received and deferred | 2,786,079 | 5,159,454 |
| Contributions taken into revenue | (1,134,303) | (950,374) |
| Balance, end of year | <u>\$ 11,130,606</u> | <u>\$ 9,103,228</u> |

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

6. Net long-term liabilities – The Corporation of the City of Sault Ste. Marie:

| | 2022 | 2021 |
|---|--------------|--------------|
| Net long-term liabilities incurred by: | | |
| The Corporation of the City of Sault Ste. Marie | \$ 1,013,087 | \$ 1,071,857 |

The annual principal and interest payments required to service the long-term obligations of the City are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

The long-term obligations issued in the name of the City have received approval of the Ontario Municipal board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law.

- (i) The above long-term debt has zero percent interest rate and repayable upon the specific milestones contained in the debt agreement. There were no required repayments during the year. Interest paid in the year and included in current expenditures is \$1,114 (2021 - \$17,629).
- (ii) The City has a loan approved through Ontario Infrastructure and Loans Corporation for the twin pad. Financing is available up to a maximum of \$28,800,000 over 25 years but the approved project budget was approved by Council accessing only \$14,476,853 of long-term debt. The City will draw from the loan in 2023 under terms approved on May 15, 2023 at 4.36% over 15 years resulting in a semi-annual draw of \$663,557 which includes both principal and interest payments. Amounts drawn under the loan at December 31, 2022 were \$Nil.

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

7. Net long-term liabilities – Public Utilities Commission of the City of Sault Ste. Marie:

| | 2022 | 2021 |
|---|--------------|--------------|
| Net long-term liabilities incurred by: | | |
| Public Utilities Commission of the City of Sault Ste. Marie | \$ 2,736,414 | \$ 3,569,084 |

Principal repayments recoverable over the next five years are as follows:

| | |
|------|------------|
| 2023 | \$ 858,938 |
| 2024 | 886,035 |
| 2025 | 913,987 |
| 2026 | 77,454 |

The loan is repayable \$77,660 monthly including interest at 3.11% and matures on January 12, 2026.

The City guarantees payment to the Bank of all present and future debts and liabilities, including interest due at any time by the Commission to the Bank. Under the guarantee, the City shall be limited to the sum of \$8,000,000 together with interest from the date of demand for repayment.

8. Net long-term liabilities – Sault Ste. Marie Public Library:

| | 2022 | 2021 |
|--|--------------|--------------|
| Net long-term liabilities incurred by: | | |
| Sault Ste. Marie Public Library | \$ 1,915,026 | \$ 2,040,632 |

The Sault Ste. Marie Public Library has entered into a 20-year lease for a branch location. Capital lease repayments are due as follows:

| | |
|---|--------------|
| 2022 | \$ 204,898 |
| 2023 | 204,898 |
| 2024 | 204,898 |
| 2025 | 204,898 |
| 2026 | 204,898 |
| 2028 – 2039 | 1,468,749 |
| Total minimum lease payments | 2,493,239 |
| Less amount representing interest at 4% | (578,213) |
| Present value of net minimum capital lease payments | \$ 1,915,026 |

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

8. Net long-term liabilities – Sault Ste. Marie Public Library (continued):

The current minimum monthly lease payments are \$17,075 plus harmonized sales tax for the first 10 years and \$10,100 plus harmonized sales tax for the final 10 years, expiring in March 2039 with options for renewal. Minimum monthly payments are subject to annual inflationary increases not to exceed 2% in any year.

9. Investment in government business enterprises:

PUC Inc. is incorporated under the laws of the Province of Ontario and provides municipal electrical distribution and other services to the residents of Sault Ste. Marie as well as other communities in Northern Ontario. The City owns 100% of the outstanding shares of PUC Inc. PUC Services Inc. is incorporated under the laws of the Province of Ontario and provides management, operations and maintenance services related to water, wastewater and electrical services to its related entities and other organizations. The City owns 100% of the outstanding shares of PUC Services Inc.

The following schedule reflects the combined financial information of PUC Inc. and PUC Services Inc. as at December 31:

| | 2022 | 2021 |
|-------------------------------------|-----------------------|-----------------------|
| Financial Position: | | |
| Current assets | \$ 36,225,053 | \$ 36,592,411 |
| Notes receivable | 8,540,329 | 8,524,329 |
| Future income tax assets | 3,376,000 | 2,488,000 |
| Capital assets | 129,757,771 | 129,422,285 |
| Goodwill | 3,596,271 | 3,596,271 |
| Regulatory assets | 20,285,714 | 6,949,146 |
| Total assets | \$ 201,781,138 | \$ 187,572,442 |
| Current liabilities | \$ 32,720,567 | \$ 30,225,707 |
| Deferred revenue | 10,568,482 | 10,578,508 |
| Deferred tax liability | 2,877,000 | 1,989,000 |
| Employee future benefit obligation | 1,453,180 | 1,786,769 |
| Long-term debt | 1,720,937 | 1,429,547 |
| Deferred revenue | 89,255,619 | 82,237,943 |
| Lease liabilities | 47,978 | 68,968 |
| Regulatory liabilities | 7,058,190 | 7,769,929 |
| Total liabilities | 145,701,953 | 136,086,371 |
| Shareholder's equity | 56,079,185 | 51,486,071 |
| Total liabilities and equity | \$ 201,781,138 | \$ 187,572,442 |

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

9. Investment in government business enterprises (continued):

| | 2022 | 2021 |
|--|----------------|----------------|
| Results of operations: | | |
| Revenues | \$ 130,248,598 | \$ 130,775,222 |
| Expenses | (125,513,157) | (127,502,045) |
| Provision for payment in lieu of taxes | (241,786) | (239,209) |
| Other comprehensive gain | 299,459 | 492,015 |
| Net income for the year | \$ 4,793,114 | \$ 3,525,983 |

The City's investment in government business enterprises is comprised of:

| | | |
|---|---------------|---------------|
| Common shares | \$ 15,668,248 | \$ 15,668,248 |
| Special shares | 15,513,300 | 15,513,300 |
| Accumulated other comprehensive income | 954,230 | 654,773 |
| Retained earnings | 23,943,407 | 19,649,750 |
| Equity, end of year | 56,079,185 | 51,486,071 |
| Notes receivable | 31,720,000 | 31,720,000 |
| Investment in government business enterprises | \$ 87,799,185 | \$ 83,206,071 |

The notes receivable include an unsecured note for \$6,720,000 bearing interest at 6.1% per annum, payable one year after demand and an unsecured note for \$25,000,000 bearing interest at rates negotiated periodically, currently 6.1%, payable one year after demand.

Related Party Transactions

Related party transactions between the City and government business enterprises are as follows:

- (i) At December 31, 2022, the City has the following amounts included in the consolidated statement of financial position:

A receivable of \$3,079,696 (2021 - \$2,606,688) for sewer surcharges, interest and dividends.

A payable of \$831,497 (2021- \$987,040) for street lighting and various electricity and water invoices.

- (ii) Revenues included in the Consolidated Statement of Operations and Accumulated Surplus of the City are:

| | 2022 | 2021 |
|-----------------------------|--------------|--------------|
| Interest on note receivable | \$ 1,934,920 | \$ 1,934,920 |
| Other interest | 241,471 | 114,547 |
| Dividends | — | 1,035,080 |
| Property taxes | 331,193 | 315,231 |
| | \$ 2,507,584 | \$ 3,399,778 |

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

9. Investment in government business enterprises (continued):

Related Party Transactions (continued)

- (iii) Expenses included in the Consolidated Statement of Operations and Accumulated Surplus of the City are:

| | 2022 | 2021 |
|--------------------------------------|----------------------|----------------------|
| Management fees charged | \$ 6,451,711 | \$ 5,517,231 |
| Electricity and electricity services | 3,573,302 | 3,562,342 |
| Water and wastewater services | 3,470,529 | 3,391,484 |
| Electricity charged for streetlights | 551,672 | 614,160 |
| Streetlight maintenance | 520,700 | 509,231 |
| | <u>\$ 14,567,914</u> | <u>\$ 13,594,448</u> |

Transactions with related parties are in the normal course of operations and are recorded at the exchange amount, which is the amount agreed to by the related parties. It is management's opinion that the exchange amount represents fair market value for these services.

10. Budget figures:

The Budget By-law adopted by Council for the 2022 year was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of reserves to reduce current year expenses in excess of current year revenues to \$Nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the Consolidated statements of operations and accumulated surplus and change in net financial assets represent the financial plan adopted by Council with adjustments as follows:

| | 2022 | 2021 |
|---|----------------------|----------------------|
| Adopted budget by-law for the year | \$ - | \$ - |
| Adjustments to adopted budget: | | |
| Debt principal repayments | 1,079,729 | 1,894,065 |
| Investment in tangible capital assets | 48,530,850 | 46,527,876 |
| Amortization of tangible capital assets | (22,078,042) | (21,110,429) |
| Net transfer to/from reserves and other | (2,330,987) | (2,434,572) |
| Budget surplus per consolidated statement of operations and accumulated surplus | <u>\$ 25,201,550</u> | <u>\$ 24,876,940</u> |

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

11. Pension agreements:

The City makes contributions to OMERS which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2022 was \$6,677,258 (2021 - \$6,487,595) is included as an expense on the consolidated statement of operations and accumulated surplus.

12. Operations of school boards:

During 2022, the City collected and transferred property taxes totaling \$18,265,805 (2021 - \$18,234,640) on behalf of area school boards.

13. Trust funds:

The trust funds administered by the City amounting to \$9,145,470 (2021 - \$9,116,737) are presented in a separate financial statement of trust fund balances and operations. Balances are held in trust by the City for the benefit of others, and as such they are not presented as part of the City's financial position or financial activities. At December 31, 2022, the trust fund balances are comprised of:

| | 2022 | 2021 |
|-------------------------------------|--------------|--------------|
| Cemetery Care and Maintenance funds | \$ 6,386,824 | \$ 6,277,366 |
| Pre-need assurance | 2,559,654 | 2,604,562 |
| Transit employees' pension | 82,823 | 80,941 |
| Historic Sites | 73,560 | 106,816 |
| Heritage Sault Ste. Marie | 30,707 | 30,009 |
| Ontario Home Renewal Program | (2,848) | 2,628 |
| Cultural Endowment | 14,750 | 14,415 |
| | <hr/> | <hr/> |
| | \$ 9,145,470 | \$ 9,116,737 |

14. Contingent liabilities:

The City has been named in litigation matters, the outcome of which is not determinable and accordingly, no provision has been made for them in these consolidated financial statements. Should any loss result from these claims, such loss would be charged to operations in the year of resolution.

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

15. Employee future benefit obligations:

Employee future benefits are liabilities of the City to its employees and early retirees for the following benefits earned but not taken as at December 31, 2022 are as follows:

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Future payments required to WSIB | \$ 12,360,098 | \$ 12,361,060 |
| Post-employment and post-retirement benefits | 15,366,791 | 16,299,033 |
| Vacation pay | 8,698,432 | 8,253,250 |
| Non-vesting sick leave benefits | 2,693,701 | 2,651,658 |
| Employee future benefit obligations | \$ 39,119,022 | \$ 39,565,001 |

(i) Post employment and post retirement benefits

The City provides non-pension benefits to employees and retirees until they reach 65 years of age. The values that follow have been estimated based upon employee data available during the actuarial review which was completed as at December 31, 2022.

The benefit liability continuity is as follows:

| | 2022 | 2021 |
|---|----------------------|----------------------|
| Accrued benefit liability, January 1 | \$ 16,299,033 | \$ 16,395,752 |
| Expense | 596,532 | 1,505,891 |
| Payments | (1,528,774) | (1,602,610) |
| Accrued benefit liability, December 31 | \$ 15,366,791 | \$ 16,299,033 |

Significant assumptions

| | |
|----------------------|--------------|
| Discount rate | 5.00% |
| Health cost increase | 4.0% - 6.50% |

(ii) Non-vesting sick leave benefits

Sick leave benefits accrue to City employees at a rate of one and a half days per month. Unused sick days are banked and may be used in the future if sick leave is beyond yearly allocation. No cash payments are made for unused sick time upon termination or retirement.

(iii) Accrued vacation pay

Accrued vacation pay represents the liability for vacation entitlements earned by employees but not taken as at December 31, 2022.

(iv) Future payments required to WSIB

Under the provisions of the Workplace Safety and Insurance Board Act, the City has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required, to fund current disability payments. An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability.

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

16. Landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a sixty year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The City operates one primary landfill site, the 5th Line Landfill. The site has capacity of approximately 3,000,000 metric tons with approximately 300,000 metric tons of remaining capacity. At current average fill rates, the site has a remaining operating life of approximately 5.0 years.

It is estimated that the total net present value of the cost to close and maintain the 5th Line Landfill site is approximately \$38,632,887 (2021 - \$41,232,399). At December 31, 2022, an amount of \$34,769,598 (2021 - \$36,861,764) with respect to landfill closure and post-closure liability has been accrued and will be funded from future taxation revenues. The City has established a reserve to contribute to the cost of closing and maintaining the landfill site of \$12,449,387 (2021 - \$11,619,464).

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

17. Tangible capital assets:

| | 2022 | | | | | | | | |
|-----------------------------------|---------------|--------------------------------|-------------------------------------|----------------|-------------------------|---------------|----------------------------|---------------------------|----------------|
| | Land | Landfill and Land Improvements | Buildings and Building Improvements | Infrastructure | Machinery and Equipment | Vehicles | Assets under Capital Lease | Assets under Construction | Total |
| Cost | | | | | | | | | |
| Balance, beginning of the year | \$ 27,889,767 | \$ 13,584,278 | \$ 97,512,859 | \$ 649,643,119 | \$ 36,129,206 | \$ 43,423,273 | \$ 2,507,319 | \$ 53,086,576 | \$ 923,776,397 |
| Additions | 809,451 | 51,999 | 334,766 | 18,899,863 | 4,099,873 | 4,847,472 | - | 43,445,274 | 72,488,698 |
| Disposals and transfers | - | - | - | (5,586,608) | (3,064,313) | (681,292) | - | (9,109,410) | (18,441,623) |
| Balance, end of year | 28,699,218 | 13,636,277 | 97,847,625 | 662,956,374 | 37,164,766 | 47,589,453 | 2,507,319 | 87,422,440 | 977,823,472 |
| Accumulated Amortization | | | | | | | | | |
| Balance, beginning of the year | - | (10,319,403) | (45,363,013) | (267,296,381) | (21,376,354) | (22,185,903) | (342,709) | - | (366,883,763) |
| Disposals/transfers | - | - | - | 5,558,524 | 2,637,250 | 611,243 | - | - | 8,807,017 |
| Amortization expense | - | (242,005) | (2,137,845) | (14,054,708) | (2,186,000) | (3,304,331) | (125,366) | - | (22,050,255) |
| Balance, end of year | - | (10,561,408) | (47,500,858) | (275,792,565) | (20,925,104) | (24,878,991) | (468,075) | - | (380,127,001) |
| Net book value, end of year | \$ 28,699,218 | \$ 3,074,869 | \$ 50,346,767 | \$ 387,163,809 | \$ 16,239,662 | \$ 22,710,462 | \$ 2,039,244 | \$ 87,422,440 | \$ 597,696,471 |
| Net book value, beginning of year | \$ 27,889,767 | \$ 3,264,875 | \$ 52,149,846 | \$ 382,346,738 | \$ 14,752,852 | \$ 21,237,370 | \$ 2,164,610 | \$ 53,086,576 | \$ 556,892,634 |

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

17. Tangible capital assets (continued):

| | 2021 | | | | | | | | |
|-----------------------------------|---------------|--------------------------------------|---|----------------|----------------------------|---------------|-------------------------------|------------------------------|----------------|
| | Land | Landfill and Land Improvements | Buildings and Building Improvements | Infrastructure | Machinery and Equipment | Vehicles | Assets under Capital Lease | Assets under Construction | Total |
| Cost | | | | | | | | | |
| Balance, beginning of the year | \$ 27,883,598 | \$ 13,584,278 | \$ 97,243,358 | \$ 611,059,455 | \$ 34,835,364 | \$ 36,878,533 | \$ 2,494,956 | \$ 49,150,195 | \$ 873,129,737 |
| Additions | 22,109 | - | 269,501 | 43,253,368 | 2,206,882 | 8,749,415 | 12,363 | 36,065,954 | 90,579,592 |
| Disposals and transfers | (15,940) | - | - | (4,669,704) | (913,040) | (2,204,675) | - | (32,129,573) | (39,932,932) |
| Balance, end of year | 27,889,767 | 13,584,278 | 97,512,859 | 649,643,119 | 36,129,206 | 43,423,273 | 2,507,319 | 53,086,576 | 923,776,397 |
| Accumulated Amortization | | | | | | | | | |
| Balance, beginning of the year | - | (10,069,228) | (43,231,260) | (258,304,077) | (19,999,889) | (21,369,623) | (217,436) | - | (353,191,513) |
| Disposals/transfers | - | - | - | 4,621,059 | 821,580 | 2,008,941 | - | - | 7,451,580 |
| Amortization expense | - | (250,175) | (2,131,753) | (13,613,363) | (2,198,045) | (2,825,221) | (125,273) | - | (21,143,830) |
| Balance, end of year | - | (10,319,403) | (45,363,013) | (267,296,381) | (21,376,354) | (22,185,903) | (342,709) | - | (366,883,763) |
| Net book value, end of year | \$ 27,889,767 | \$ 3,264,875 | \$ 52,149,846 | \$ 382,346,738 | \$ 14,752,852 | \$ 21,237,370 | \$ 2,164,610 | \$ 53,086,576 | \$ 556,892,634 |
| Net book value, beginning of year | \$ 27,883,598 | \$ 3,515,050 | \$ 54,012,098 | \$ 352,755,378 | \$ 14,835,475 | \$ 15,508,910 | \$ 2,277,520 | \$ 49,150,195 | \$ 519,938,224 |

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

17. Tangible capital assets (continued):

a) Assets under construction:

Assets under construction having a value of \$87,422,440 (2021 - \$53,086,576) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Developer contributions:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year was \$2,445,091 (2021 - \$1,971,335) comprised of water infrastructure, land and roads infrastructure.

18. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

| | 2022 | 2021 |
|--|----------------|----------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 597,696,471 | \$ 556,892,634 |
| Invested in government business enterprises | 87,799,185 | 83,206,071 |
| Sanitary sewer | 19,537,428 | 23,615,664 |
| Operating fund | 11,693,317 | 15,913,326 |
| Unfunded | | |
| Net long-term liabilities | (5,664,527) | (6,681,573) |
| Landfill closure costs | (34,769,598) | (36,861,764) |
| Employee benefits | (39,119,022) | (39,565,001) |
| Total surplus | 637,173,254 | 596,519,357 |
| Reserves set aside for specific purpose by Council: | | |
| Acquisition of tangible capital assets | 4,757,951 | 3,873,570 |
| Planning and development | 724,880 | 644,880 |
| Other programs | 31,341,744 | 23,917,417 |
| Waste disposal site | 12,449,387 | 11,619,464 |
| Total reserves | 49,273,962 | 40,055,331 |
| Reserve funds set aside for specific purpose by Council: | | |
| Senior's Advisory Council | 112,946 | 524,329 |
| Cemetery development | 21,927 | 951,416 |
| Industrial land | 339,218 | 319,197 |
| Property purchases | 1,111,166 | 898,370 |
| Hospital development | 124,475 | 110,484 |
| Total reserve funds | 1,709,732 | 2,803,796 |
| | \$ 688,156,948 | \$ 639,378,484 |

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

19. Government grants:

The City recognizes the transfer of government funding as expenses or revenues in the period that the events giving rise to the transfer occurred. The transfers reported on the consolidated statement of operations and accumulated surplus are:

| | 2022 | 2021 |
|-------------------|----------------------|----------------------|
| Provincial grants | \$ 44,599,061 | \$ 32,681,944 |
| Federal grants | 6,957,564 | 13,287,842 |
| Other grants | 17,924 | 17,587 |
| Total | \$ 51,574,549 | \$ 45,987,373 |

20. Segmented information:

The City is a diversified municipal government institution that provides a wide range of services to its citizens. City services are provided by departments and certain departments have been separately disclosed in the segmented information, along with the services they provide. These departments are:

General Government

General Government is comprised of City Council, the Mayor's Office, and the Chief Administrators' Office (CAO).

The Chief Administrators' Office is charged with the responsibility of coordinating the work of all municipal departments and ensuring that those departments carry out the policies and directions given by City Council.

Corporate Services

Corporate Services is comprised of the Clerks Department, Human Resources Department, the Finance Department and the Information Technology Department. Each of these departments provides program support to various other areas.

The Clerks Department's primary task is to function as the corporate secretary to City Council, ensuring that all Council Agendas, Minutes of proceedings, resolutions, decisions, voting, records, and accounts are recorded, documented and certified.

The Human Resources Department is charged with negotiation and administration of all collective agreements as well as all facets of employment and employee benefits.

The Finance Department is responsible for the City's general financial management and budget preparation. The department is comprised of financial administration, accounting, tax and licensing, and purchasing activities.

Legal Services

The Legal Department is responsible for the preparation of by-laws, deeds, leases, agreements and other legal documents, as well as property management for the City in regard to purchases, sales, leasing, easements and related agreements. Prosecutions and administration of Provincial Offences Act is also part of their responsibility.

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

20. Segmented information (continued):

Fire Services

Fire Services is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishment of fires. It is also responsible, through its Emergency Medical Services, for pre-hospital emergency paramedical care and the transport of the sick and injured.

Public Works and Engineering

The Public Works Department is responsible for maintenance of municipal infrastructure, such as streets, sewers, and parks. The department provides solid waste management through refuse collection, recycling programs, and sanitary landfill management. The department is also responsible for traffic control, including signage, signals and pavement markings.

The Engineering Department is comprised of Building Services and Engineering and Construction. Building Services provides maintenance, janitorial services and security for the Civic Centre and Ontario Works. The Engineering and Construction Division provides services associated with engineering design, construction, technical services, and special project initiatives.

Community Development and Enterprise Services

The Community Services Department provides public services for Cemeteries & Crematorium, Central Administration, Community Centres, Recreation and Culture, Transit, and Parking. The Tourism and Community Development Department is responsible for tourism sector development and advancing the Future SSM community development strategy. The Economic Development Department is responsible for business support, attraction, and entrepreneur services. The Planning & Enterprise Services Department facilitates economic development by providing services for the approval of all land development plans and the application of enforcement of zoning by-laws.

Outside Agencies

These agencies are approved by Council through grant agreements or Memorandums of Agreement. This segment includes grants to the Art Gallery of Algoma, Sault Ste. Marie Museum, Canadian Bushplane Heritage Museum, Algoma University, Pee Wee Arena, and Sault Ste. Marie Innovation Centre. The Sault Ste. Marie Police Service and Sault Ste. Marie Public Library report to City Council through their Boards.

Levy Boards

These Boards provide the City amounts to be collected on their behalf. Levy Boards include Algoma Public Health, the Sault Ste. Marie Region Conservation Authority, and the Sault Ste. Marie District Social Services Administration Board (DSSAB).

For each reported segment, revenues and expenses include both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the summary of significant accounting policies.

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

20. Segmented disclosure:

| | 2022 | | | | | | | | | |
|--|-----------------------|-----------------------|-------------------|---------------------|------------------------------------|--|---------------------|----------------|---------------------------------------|----------------------|
| | General Government | Corporate Services | Legal Services | Fire Services | Public Works and Engineering | Community Development and Enterprise Services | Outside Agencies | Levy Boards | Government Business Enterprises | Total |
| Revenue: | | | | | | | | | | |
| Taxation | \$ 8,898,395 | \$ 7,919,373 | \$ 2,331,658 | \$ 14,261,128 | \$ 32,498,290 | \$ 14,230,556 | \$ 33,162,576 | \$ 22,506,857 | \$ - | \$ 135,808,833 |
| Fees and user charges | - | 133,483 | 1,031,234 | 566,651 | 41,270,437 | 9,640,121 | 555,045 | - | - | 53,196,971 |
| Government grants | 308,917 | 1,511,134 | 399,197 | 1,725,242 | 20,403,862 | 20,149,767 | 7,076,430 | - | - | 51,574,549 |
| Interest income | 5,833,415 | - | 7,942 | - | 458,341 | 195,331 | - | - | - | 6,495,029 |
| Other | 5,187,351 | 210,829 | - | 8,958 | 3,327,073 | (51,577) | 365,036 | - | - | 9,047,670 |
| Net income of government business enterprise (note 6) | - | - | - | - | - | - | - | - | 4,793,114 | 4,793,114 |
| | 20,228,078 | 9,774,819 | 3,770,031 | 16,561,979 | 97,958,003 | 44,164,198 | 41,159,087 | 22,506,857 | 4,793,114 | 260,916,166 |
| Expenses: | | | | | | | | | | |
| Salaries, wages and employee benefits | 1,097,420 | 6,220,126 | 1,491,689 | 14,912,015 | 26,634,603 | 17,920,168 | 30,745,788 | - | - | 99,021,809 |
| Materials | 1,533,965 | 243,302 | 1,891,421 | 780,043 | 21,295,193 | 12,283,124 | 4,503,609 | - | - | 42,530,657 |
| Contracted services | 68,668 | (22,500) | 313,708 | 291,886 | 13,392,230 | 4,045,280 | 1,478,030 | - | - | 19,567,302 |
| Rents and financial | 380,006 | 1,205,302 | 73,213 | 4,214 | 12,643 | 273,135 | 203,385 | - | - | 2,151,898 |
| Grants to others | 5,130 | 884 | - | - | - | 228,289 | 1,600,825 | 22,506,857 | - | 24,341,985 |
| Loss on disposal of tangible capital assets | - | - | - | 364,118 | (47,092) | - | 64,604 | - | - | 381,630 |
| Amortization of tangible capital assets | - | 249,959 | - | 435,270 | 18,112,968 | 1,896,443 | 1,355,615 | - | - | 22,050,255 |
| | 3,085,189 | 7,897,073 | 3,770,031 | 16,787,546 | 79,400,545 | 36,646,439 | 39,951,856 | 22,506,857 | - | 210,045,536 |
| Landfill closure and post closure liability expense | - | - | - | - | 2,092,166 | - | - | - | - | 2,092,166 |
| Annual surplus (deficit) | \$ 17,142,889 | \$ 1,877,746 | \$ - | \$ (225,567) | \$ 16,465,292 | \$ 7,517,759 | \$ 1,207,231 | \$ - | \$ 4,793,114 | \$ 48,778,464 |

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

20. Segmented disclosure (continued):

| | 2021 | | | | | | | | | |
|--|-----------------------|-----------------------|-------------------|---------------------|------------------------------------|--|---------------------|----------------|---------------------------------------|----------------------|
| | General Government | Corporate Services | Legal Services | Fire Services | Public Works and Engineering | Community Development and Enterprise Services | Outside Agencies | Levy Boards | Government Business Enterprises | Total |
| Revenue: | | | | | | | | | | |
| Taxation | \$ 10,520,634 | \$ 9,004,425 | \$ 1,281,739 | \$ 13,149,599 | \$ 30,879,138 | \$ 12,897,612 | \$ 31,201,722 | \$ 21,640,644 | \$ - | \$ 130,575,513 |
| Fees and user charges | - | 101,934 | 1,378,847 | 292,605 | 38,127,879 | 6,869,838 | 544,622 | - | - | 47,315,725 |
| Government grants | 590,411 | 1,782,767 | 595,878 | 2,244,383 | 20,620,516 | 13,517,612 | 6,635,806 | - | - | 45,987,373 |
| Interest income | 3,289,155 | - | 2,160 | - | 182,527 | 71,532 | - | - | - | 3,545,374 |
| Other | 2,266,011 | 131,868 | - | 2,260 | 2,117,226 | 1,391,346 | 282,690 | - | - | 6,191,401 |
| Net income of government business enterprise (note 6) | - | - | - | - | - | - | - | - | 3,525,983 | 3,525,983 |
| | 16,666,211 | 11,020,994 | 3,258,624 | 15,688,847 | 91,927,286 | 34,747,940 | 38,664,840 | 21,640,644 | 3,525,983 | 237,141,369 |
| Expenses: | | | | | | | | | | |
| Salaries, wages and employee benefits | 1,041,567 | 6,165,811 | 1,380,164 | 14,101,632 | 25,754,522 | 16,684,107 | 30,221,157 | - | - | 95,348,960 |
| Materials | 1,906,433 | 172,851 | 1,537,481 | 1,029,951 | 27,403,783 | 1,390,691 | 4,887,203 | - | - | 38,328,393 |
| Contracted services | 39,032 | 185,404 | 277,589 | 251,783 | 11,472,872 | 3,346,334 | 1,350,334 | - | - | 16,923,348 |
| Rents and financial | 276,024 | 2,673,262 | 63,390 | 5,172 | 13,301 | 174,491 | 183,860 | - | - | 3,389,500 |
| Grants to others | 5,327 | 808 | - | - | - | 225,457 | 1,604,088 | 21,640,644 | - | 23,476,324 |
| Loss on disposal of tangible capital assets | - | - | (2,560) | - | 170,754 | 7,317 | 25,010 | - | - | 200,521 |
| Amortization of tangible capital assets | - | 270,495 | - | 430,095 | 17,291,021 | 1,876,590 | 1,275,629 | - | - | 21,143,830 |
| | 3,268,383 | 9,468,631 | 3,256,064 | 15,818,633 | 82,106,253 | 23,704,987 | 39,547,281 | 21,640,644 | - | 198,810,876 |
| Landfill closure and post closure liability expense | - | - | - | - | 11,603,004 | - | - | - | - | 11,603,004 |
| Annual surplus (deficit) | \$ 13,397,828 | \$ 1,552,363 | \$ 2,560 | \$ (129,786) | \$ (1,781,971) | \$ 11,042,953 | \$ (882,441) | \$ - | \$ 3,525,983 | \$ 26,727,489 |