

Consolidated Financial Statements and Treasurer's Report for the year ended December 31, 2021

Prepared by Finance, Corporate Services
Guelph, Ontario

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Message from the General Manager, Finance and City Treasurer, Tara Baker

I am pleased to present the City of Guelph's 2021 year-end results in a new comprehensive report that aligns our financial reporting with best practice guidelines in the municipal sector. This new format provides a single reference point for Council and the community to access financial information, furthering transparency and understandability of the financial management processes and outcomes of the City.

The 2021 consolidated financial statements have received a clean audit opinion from KPMG, an independent professional audit firm. In addition, the City's financial metrics are strengthening year over year, with a growing net asset position, manageable debt, sustainable funding strategies and growing reserve flexibility. This is the second year of managing through COVID-19 (COVID) impacts on the City's operations, with financial impacts being felt widely across many business lines. The Executive Team's active and diligent service management coupled with the fiscal support from upper levels of government through special grants related to transit, health services (paramedics, long-term care and public health) and general support used for other City businesses hit the hardest, has led to a stable financial position, ready to handle the inflationary challenges of 2022.

The City's Strategic Plan sets the expectation that we run an effective, fiscally responsible and trusted local government. In my view, trust is earned through frequent, transparent and consistent communication of financial matters, and we strive to improve on this goal each and every day. We are proud of the work completed to extend our budget horizon out two years, with City's first multi-year budget approval. Extending our financial planning and budgeting beyond one year enables the City to develop and implement long-term achievable and affordable financial strategies to fund the community service goals approved by Council. In 2021, the City was proud to receive its first ever Distinguished Budget Presentation Award from the Government Finance Officers' Association, validating staff's work to align our budget with the strategic goals of Council.

I would like to thank the collective work of city staff and council members in supporting the internal control structures and fiscal policies that are the foundation to being a trusted local government. We take pride in our continuous improvement mindset to keep improving and learning and responding to the changing needs of City business.

Introductory Information

Mayor and Council

More information about City Council can be found on the City's website at <https://guelph.ca/city-hall/mayor-and-council/city-council/>.

Mayor

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Council

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Senior Leadership Team

Please visit <https://guelph.ca/city-hall/contact-us/organizational-contacts/> for an up-to-date organizational chart. In 2021, the senior leadership team was comprised of the following positions and staff:

Chief Administrative Officer

Scott Stewart

519-822-1260 extension 2221

cao@guelph.ca

Strategic Communications and Community Engagement

Tara Sprigg, General Manager

519-822-1260 extension 2610

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Internal Audit

Robert Jelacic, General Manager

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Smart Cities

Barbara Swartzentruber, Executive Director

519-822-1260 extension 3066

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Strategy, Innovation and Intergovernmental Services

Jodie Sales, General Manager

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Deputy Chief Administrative Officer, Corporate Services

Trevor Lee

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City Clerk's Office

Stephen O'Brien, General Manager / City Clerk

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Finance

Tara Baker, General Manager / City Treasurer

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Human Resources

Mark Ellis, General Manager

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Information Technology

Sasha Einwechter, General Manager

519-822-1260 extension 2485

sasha.einwechter@guelph.ca

Legal, Realty and Court Services

Christopher Cooper, General Manager / City Solicitor

519-822-1260 extension 2288

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Deputy Chief Administrative Officer, Infrastructure, Development and Enterprise Services

Jayne Holmes

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Economic Development and Tourism

John Regan, General Manager

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Engineering and Transportation Services

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Environmental Services

Jennifer Rose, General Manager

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Planning and Building Services

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Facilities and Energy Management

Antti Vilkkö, General Manager

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Deputy Chief Administrative Officer, Public Services

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Guelph-Wellington Paramedic Services

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Dave Elloway, General Manager / Fire Chief

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Guelph Transit

Robin Gerus, General Manager

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Doug Godfrey, General Manager

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Gene Matthews, General Manager

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About the City of Guelph

Information about the City of Guelph can be found on the [City's website](#), and in the Guelph [Community Profile](#) published in 2022.

Legislative authority

The Municipal Act requires the City to engage independent auditors to express an opinion as to whether the Consolidated Financial Statements present fairly, in all material respects, the City's financial position and results from operations and cash flows in accordance with Public Sector Accounting Standards (PSAS). The City's independent auditors, KPMG LLP, have issued an unqualified Auditor's Report on the financial statements attached to this report.

City Council annually reviews and approves the Consolidated Financial Statements as required under the Municipal Act, 2001. Council review and approval of the Consolidated Financial Statements and review of the Audit Findings Report satisfy the following Audit Committee responsibilities:

- Understand the scope of the external auditor's review of internal financial control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses and the timing of the disposition of significant findings.
- After consultation with the Treasurer and the external auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of the City's accounting, financial personnel and other resources.
- Review with staff and the external auditors the results of the audit, including any difficulties encountered, and all other matters required to be communicated to the Committee under generally accepted auditing standards.
- If required, at the conclusion of the audit, consult with the external auditors, without the presence of staff, about internal financial controls, compliance, and the completeness and accuracy of the City's Consolidated Financial Statements.
- Ensure the timely presentation of the external auditor's annual audit report to Council.
- Review significant accounting and reporting issues in terms of their impact on the Financial Statements, including complex or unusual transactions, areas high in subjectivity, and recent professional and regulatory pronouncements.
- Prior to the presentation of the annual Financial Statements to Council, review the Financial Statements and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles; and

- Recommend to Council the approval and distribution of the annual Consolidated Financial Statements.

Reporting entity and services

The Consolidated Financial Statements include all organizations that are owned or controlled by the City. There are three different consolidation methods used, depending on the nature of the organization and its relationship with the City.

The following entities are consolidated in the City's Consolidated Financial Statements:

- [The Elliott Community \(The Elliott\)](#) – fully consolidated
- [Downtown Guelph Business Association \(DGBA\)](#) – fully consolidated
- [Wellington-Dufferin-Guelph Public Health \(Public Health\)](#) – proportionately consolidated (46.3 per cent)
- [Guelph Municipal Holdings Inc. \(GMHI\)](#) – modified equity basis
- [Guelph Junction Railway](#) – modified equity basis
- [Guelph Police Services Board \(Police Board\)](#) – fully consolidated
- [Guelph Public Library Board \(Library Board\)](#) – fully consolidated

Fully consolidated means that the full financial statements of those entities have been combined into the City's statements.

Proportionately consolidated means that only the City's share (46.3 per cent) of Public Health's financial statements have been included in the City's statements.

All inter-organizational transactions have been eliminated between the City and the fully consolidated and proportionately consolidated entities.

Modified equity basis means that the carrying value of the net assets of the investee are shown on the face of the City's Statement of Financial Position as an investment, and any gain or loss in carrying value is shown on the Statement of Operations as government business enterprises earnings. There are no inter-organizational transaction eliminations.

The City of Guelph has many planning documents ranging from the [Community Plan](#), [Strategic Plan](#), [Official Plan](#), [Master Plans and other plans and strategies](#) for several service areas that can be found on the [City's website](#).

Financial management and control

The financial management and control of the City of Guelph is largely governed through by-laws and policies that make up the City's [Long-term Financial Framework](#), including the [Budget Policy](#), [General Reserve and Reserve Fund Policy](#), [Debt Management Policy](#), [Procurement By-law](#), [Investment Policy](#), and [Asset Management Policy](#).

The City's credit rating is assessed annually by S&P, and the [reports](#) are published annually on the City's website.

The City also received the Distinguished Budget Presentation Award from the Government Financial Officers Association of the United States and Canada for its 2021 budget and has applied again for consideration for its first multi-year budget approved by Council for 2022 and 2023.

Performance measurement and benchmarking

Benchmarking assists in establishing baselines, defining best practices and identifying improvement opportunities. By comparing the City's experience with that of other municipalities, decision makers are able to monitor selected indicators over time and evaluate and prioritize improvement opportunities.

The City of Guelph participates in an annual comparative study conducted by BMA Management Consulting Inc. on behalf of 110 Ontario municipalities which brings together a group of indicators to give an overall snapshot for each municipality. The [2021 BMA](#) report can be found on the City's website.

Management's responsibility for the financial statements

The management of The Corporation of the City of Guelph have prepared the Consolidated Financial Statements and are responsible for their accuracy and integrity. The financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada.

The City's budget is prepared on a modified cash basis and is intended to serve as a rate revenue setting document, the means to calculate the tax levy, and a spending control tool. Non-cash expenses such as amortization are not included in the budget. The City's [2021 budget](#) can be found on the City website.

By contrast, the Consolidated Financial Statements are prepared in accordance with Public Sector Accounting Standards (PSAS). Annually, City staff prepare a PSAS adjusted budget to present in the Statement of Operations and Accumulated Surplus to enable a better comparison of budgeted to actual results on a PSAS basis; however, this is not a perfect science, and in years when Council approves significant, multi-year capital projects, the PSAS adjusted budget can still look very different from the actual figures reported.

An example in the 2021 Consolidated Financial Statements is the budgeted Developer and Development Charges revenue line item, with budgeted revenue of \$123.8 million compared with actual revenue of \$12.2 million. The reason for this difference is that there were two major capital projects that have significant funding from Developers and Development Charges approved in 2021. These are the South End Community Centre (with budgeted Development Charges funding of \$68.8 million) and the new Guelph Public Library Main Branch (with budgeted Development Charges funding of \$12.7 million and funding from Developers of \$5.0 million). These projects will both span multiple years, and the revenue from

Developers and Development Charges will be recognized as the expenditures for the projects are incurred.

Staff provide a report describing the PSAS budget adjustments along with the budget for Council's approval annually. This is a requirement of Ontario Regulation 284/09. Details about the PSAS adjusted budget for 2021 are found in [Report 2020-204 – Budget Impacts per Ontario Regulations 284/09 and Budget – Public Sector Accounting Standards](#).

Financial Information

Consolidated Financial Statements

The consolidated financial statements and auditor's report are presented in their entirety in the following pages.

Consolidated Financial Statements

City of Guelph

December 31, 2021

DRAFT

City of Guelph

December 31, 2021

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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, 2021
- 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, 2021, 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



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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.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada
DATE

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City of Guelph

Consolidated statement of financial position as at December 31, 2021 (\$000's)

	2021 \$	2020 \$
Financial assets		
Cash	47,720	67,501
Investments (Note 3)	512,552	377,252
Taxes receivable	4,793	4,435
Accounts receivable	26,185	29,700
Loans and notes receivable	-	1,336
Investment in Guelph Junction Railway Limited (Note 4)	11,925	10,871
Investment in Guelph Municipal Holdings Inc. (Note 5)	90,626	89,381
	693,801	580,476
Liabilities		
Accounts payable and accrued liabilities	37,698	44,928
Accrued interest payable	1,249	1,137
Vacation and other employee benefits payable	9,126	9,436
Developer agreement deferred revenue	2,237	1,979
Loans and notes payable	865	-
Other deferred revenue	24,810	24,426
Deferred contributions (Note 7)	141,709	109,768
Employee future benefits (Note 9)	50,142	46,246
Debt (Note 10)	138,686	102,417
Obligation under capital lease (Note 11)	1,769	1,972
Landfill post-closure liability (Note 12)	4,194	3,387
Other long-term liabilities (Note 13)	7,754	10,031
Liability for contaminated sites (Note 18)	25,270	24,050
	445,509	379,777
Net financial assets	248,292	200,699
Non-financial assets		
Tangible capital assets (Note 14)	1,179,347	1,170,605
Inventory	2,147	2,122
Prepaid expenses	2,507	2,342
	1,184,001	1,175,069
Contingencies (Note 19)		
Commitments and guarantees (Note 20)		
Accumulated surplus (Note 15)	1,432,293	1,375,768

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, 2021 (\$'000's)

	2021 Budget (Note 22) \$	2021 Actual \$	2020 Actual \$
Revenues			
Taxation			
Property taxation (Note 2)	269,223	270,483	259,036
Penalties and interest on taxes	1,360	1,301	1,826
	270,583	271,784	260,862
User charges	116,649	104,748	99,928
Contributed subdivision assets	7,028	7,027	5,681
Contributions			
Government of Canada	9,851	17,251	18,472
Province of Ontario	40,719	78,483	68,252
Municipal	36,409	5,128	5,249
Developers	123,838	12,219	6,984
Other contributions	396	1,596	1,071
Other revenue (Note 6)	41,591	26,022	24,448
Total revenues	647,064	524,258	490,947
Expenses			
General government	40,239	41,865	38,287
Protection services	100,348	98,954	94,293
Transportation services	71,627	68,781	68,541
Environmental services	79,688	87,349	81,422
Health services	42,291	46,654	41,108
Social and family services	47,439	44,709	43,642
Social housing	25,159	25,577	25,519
Recreation and cultural services	50,621	46,462	45,037
Planning and development	8,069	7,382	6,497
Total expenses	465,481	467,733	444,346
Excess of revenues over expenses for the year	181,583	56,525	46,601
Accumulated surplus- beginning of year	1,378,282	1,375,768	1,329,167
Accumulated surplus, end of year	1,559,865	1,432,293	1,375,768

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, 2021 (\$000's)

	2021 Budget (Note 22)	2021 Actual	2020 Actual
	\$	\$	\$
Excess of revenues over expenses for the year	181,583	56,525	46,601
Amortization of tangible capital assets	53,921	54,414	54,233
Acquisition of tangible capital assets	-	(60,575)	(59,491)
Acquisition of leased tangible capital assets	-	-	(2,086)
Contributed subdivision assets	(7,028)	(7,027)	(5,681)
Gain on disposal of tangible capital assets	(13,900)	(1,312)	(1,090)
Proceeds from disposal of tangible capital assets	-	5,758	3,413
Change in inventory and prepaid expenses	-	(190)	1,386
Increase in net financial assets for the year	214,576	47,593	37,285
Net financial assets, beginning of year	271,012	200,699	163,414
Net financial assets, end of year	485,588	248,292	200,699

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

City of Guelph

Consolidated statement of cash flows year ended December 31, 2021 (\$000's)

	2021 \$	2020 \$
Operating activities		
Excess of revenues over expenses for the year	56,525	46,601
Items not affecting cash:		
Amortization of tangible capital assets	54,414	54,233
Gain on disposal of tangible capital assets	(1,312)	(1,090)
Contributed subdivision assets	(7,027)	(5,681)
Government business enterprise earnings	(5,600)	(3,535)
Employee future benefits expenses	3,896	4,435
Landfill post-closure cost	807	(1,133)
Contaminated sites cost (recovery)	1,220	(1,950)
Changes in non-cash working capital:		
Taxes receivable	(358)	661
Accounts receivable	3,515	(1,372)
Developer agreement deferred revenue	258	(182)
Inventory and prepaid expenses	(190)	1,386
Accounts payable and accrued liabilities	(7,229)	(9,195)
Accrued interest payable	112	(53)
Vacation and other employee benefits payable	(310)	1,574
Other deferred revenue	384	(201)
Other long-term liabilities	(2,277)	(146)
Net change in deferred contributions	31,941	19,464
Cash provided by operating activities	128,769	103,816
Capital and investing activities		
Acquisition of tangible capital assets	(60,575)	(59,491)
Proceeds from disposal of tangible capital assets	5,758	3,413
Dividend from Guelph Municipal Holdings Inc. (Note 5)	3,300	3,035
Dividend from Guelph Junction Railway Limited (Note 4)	-	80
Change in loans and notes receivable	2,201	(1,150)
Net investment acquisitions	(135,300)	(22,645)
Cash used by capital and investing activities	(184,616)	(76,758)
Financing activities		
Net (repayment) issuance of debt principal	36,269	(14,068)
Principal repayments on capital lease	(203)	(360)
Cash provided by (used in) financing activities	36,066	(14,428)
(Decrease) increase in cash for the year	(19,781)	12,630
Cash, beginning of year	67,501	54,871
Cash, end of year	47,720	67,501

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

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$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 cash flows 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% (2020 – 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 public sector accounting standards for the treatment of government business enterprises. Under the modified equity basis, the business enterprises' 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, 2021

(\$000's)

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 due to regulatory restrictions. 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, 2021

(\$000's)

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, funds received for parkland dedication restricted under the Planning Act, funds received in relation to the Ontario Building Code Act, funding received through the following grants: Canada Community-Building Fund, Ontario Dedicated Gas Tax Funds for Public Transportation Program, the Safe Restart Agreement Public Transit Funding Stream, 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:

Asset	Useful Life (Years)
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.

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

1. Significant Accounting Policies (continued)

Basis of accounting (continued)

Tangible capital assets (continued)

- 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.
- 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.

The cost of plan amendments related to prior period employee services are accounted for in the period of the plan 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 net actuarial gains or losses are amortized over the estimated average remaining service life.

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, 2021

(\$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:

	2021	2020
	\$	\$
Taxation revenue collected - school boards	60,569	67,834
Requisitions	(60,569)	(67,834)
	-	-

b) Taxation revenue by major tax class

2021	Taxes (own purpose) \$	Payments in lieu \$	Supplem- entary taxes \$	Rebates & write-offs \$	2021 total \$
Residential	176,533	44	1,977	(21)	178,533
Mult-Residential	17,190	-	21	(251)	16,960
Commercial	46,686	4,361	1,574	(1,222)	51,399
Industrial	19,291	350	(207)	(1,330)	18,104
Pipelines	621	-	9	-	630
Farmlands	15	-	-	-	15
Managed Forests	2	-	-	-	2
Other	-	2,918	116	1,199	4,233
	260,338	7,673	3,490	(1,625)	269,876

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

2. Taxation revenues (continued)

b) Taxation revenue by major tax class (continued)

2020	Taxes (own purpose) \$	Payments in lieu \$	Supple- mentary taxes \$	Rebates & write-offs \$	2020 total \$
Residential	170,006	30	2,581	(287)	172,330
Multi-Residential	17,817	-	80	(205)	17,692
Commercial	44,568	3,977	1,108	(2,343)	47,310
Industrial	18,962	210	99	(1,073)	18,198
Pipelines	604	-	4	-	608
Farmlands	15	-	-	-	15
Managed Forests	3	-	-	-	3
Other	-	2,971	149	(882)	2,238
	251,975	7,188	4,021	(4,790)	258,394

3. Investments

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

	2021		2020	
	Market \$	Cost \$	Market \$	Cost \$
Investments	530,922	512,552	385,776	377,252

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

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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:

	2021	2020
	\$	\$
Financial position		
Current assets	2,070	2,072
Property, plant and equipment	13,979	13,435
Total assets	16,049	15,507
Current liabilities	261	956
Long-term debt	1,359	1,413
Deferred capital contributions	2,504	2,267
Total liabilities	4,124	4,636
Shareholder's equity	11,925	10,871
Results of operations		
Revenues	5,101	3,984
Operating expenses	4,047	3,454
Net income	1,054	530
Retained earnings, beginning of year	10,871	10,421
Dividend to City of Guelph (Note 4.b)	-	(80)
Shareholder's equity, end of year	11,925	10,871

a) Related party transactions

The City pays expenditures and receives revenues on behalf of the Railway with the net amount being included as an intercompany balance on the statement of financial position. At December 31, 2021, the City has a current balance payable of \$623 (2020 - balance receivable of \$865). This intercompany balance is interest free and due on demand.

The City paid the Railway \$352 (2020 - \$312) for services. The City received \$81 (2020 - \$55) in office rent and administration fees for the year and \$15 (2020 - \$15) in municipal property taxes. 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%. The loan agreement was renewed effective December 31, 2020 for a 5 year term. The loan is now repayable monthly through blended principal and interest payment at 3.370%. At year end \$1,413 (2020 - \$1,469) was outstanding and included in loans and notes receivable. In 2021 principal and interest payments were \$56 and \$44 respectively (2020 - \$50, \$51)

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

4. Investment in Guelph Junction Railway Limited (continued)

b) Dividend to Shareholder

Due to the negative impacts that the COVID-19 pandemic had on income earned in the year ended December 31, 2020, no dividend was declared or paid in 2021.

5. Investment in Guelph Municipal Holding Inc.

The City of Guelph owns 100% of Guelph Municipal Holdings Inc. ("GMHI").

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

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

	2021	2020
	\$	\$
Financial position		
Current assets	556	1,724
Due from related parties	2,333	1,777
Investment in Alectra Inc.	102,663	100,943
Total assets	105,552	104,444
Accounts payable and accrued liabilities	35	599
Deferred tax liability	14,891	14,464
Total liabilities	14,926	15,063
Shareholder's equity	90,626	89,381

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

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

Results of operations

Revenue

Investment revenue **5,186** 3,473

Gain on disposal of investment in Guelph Hydro Electric
Systems Inc. - 731

Other revenue **208** 65

Electricity sales **13** 210

Total revenue **5,407** 4,479

Expenses

GMHI operations and management **440** 627

District energy wind down costs **(5)** 847

Income taxes **166** -

Total expenses **601** 1,474

Net income **4,806** 3,005

Retained earnings, beginning of year **21,851** 21,881

Dividend to City of Guelph (note a) **(3,300)** (3,035)

Refundable portion of deferred tax liability **(261)** -

Retained earnings, end of year **23,096** 21,851

Shareholder's Equity

Share capital **67,530** 67,530

Retained earnings, end of year **23,096** 21,851

Shareholder's equity **90,626** 89,381

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

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

a) Related party transactions

In 2021, GMHI received electricity sales revenue from the City in the amount of \$77 (2020 - \$60). GMHI paid the City \$90 (2020 - \$90) in fees for administering GMHI's legal, financial, and operations activities, and \$82 (2020 - \$173) in water and electricity costs. Amounts owing to the City related to these transactions in 2021 totaled \$- (2020 - \$152).

These transactions were made in the normal course of business and have been recorded at the exchange amounts.

Dividends received from GMHI during the year were \$3,300 (2020 - \$3,035).

6. Other revenue

Other revenue consists of the following:

	2021 Budget \$	2021 Actual \$	2020 Actual \$
Investment income	9,599	5,342	7,083
Donations	305	424	322
Sales of equipment, publications	2,964	2,629	1,935
Recoveries	3,208	3,759	4,646
Licences and permits	4,183	3,809	3,470
Provincial Offences Act revenues	2,702	2,247	1,632
Other fines	1,350	900	735
Gain on disposal of tangible capital assets	13,900	1,312	1,090
Government business enterprises earnings	3,380	5,600	3,535
	41,591	26,022	24,448

7. Deferred contributions

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

	Beginning balance 2021 \$	Inflows \$	Outflows \$	Ending balance 2021 \$
Development charges	76,761	28,264	14,828	90,197
Grants	20,453	27,537	14,828	33,162
Other	12,554	6,574	778	18,350
	109,768	62,375	30,434	141,709

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

7. Deferred contributions (continued)

The development charges are restricted for use to fund growth related capital expenditures in accordance with the *Development Charges Act*. The deferred grants include: Canada Community-Building Fund, Ontario Dedicated Gas Tax Funds for Public Transportation Program and the Safe Restart Agreement Public Transit Funding Stream. Each of the grants has a specified set of restrictions that outlines how the funds can be utilized. The other deferred contributions include funds received for parkland dedication as restricted under the *Planning Act* and funds received in relation to the *Ontario Building Code Act*.

8. Pension agreement

The City and its consolidated entities make contributions to the Ontario Municipal Employees Retirement System ("OMERS") which is a multi-employer plan, on behalf of the 2,310 (2020 - 2,351) 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 2021 is \$18,451 (2020 - \$18,435) for current service and is reported as an expense in the consolidated statement of operations and accumulated surplus.

The latest available report for the OMERS plan was as at December 31, 2021. At that time the plan reported a \$3.1 billion actuarial deficit (2020 - \$3.2 billion), based on actuarial liabilities of \$119.3 billion (2020 - \$111.8 billion) and actuarial assets of \$116.2 billion (2020 - \$108.6 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, 2021, the City has no obligation under the past service provisions of the OMERS agreement.

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

9. 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:

	2021 \$	2020 \$
Workplace Safety and Insurance ("WSIB")	15,658	13,052
Sick leave	10,625	10,739
Post retirement benefits	23,859	22,455
	50,142	46,246

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 2021 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% (2020 - 3.75%)
- Expected future WSIB payments per lost time injury 121.00% (2020 - 121.00%)
- Health care inflation CPI plus 2.00% (2020 - CPI plus 2.00%)
- WSIB administration rate 32.00% (2020 - 32.00%)
- Lost time injury count 65 (2020 - 65)

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

	2021 \$	2020 \$
Accrued benefit obligation, beginning of year	20,462	18,827
Current service cost	3,428	3,339
Interest	783	723
Benefits paid	(2,560)	(2,427)
Accrued benefit obligation, end of year	22,113	20,462
Unamortized net actuarial loss	(6,455)	(7,410)
Liability, end of year	15,658	13,052

A reserve in the amount of \$3,493 (2020 - \$3,401) has been accumulated to fund this obligation.

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

9. Employee future benefits and other liabilities (continued)

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

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

	2021 \$	2020 \$
Current period benefit	3,428	3,339
Amortization of net actuarial loss	955	955
Interest expense	783	723
	5,166	5,017

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, 2019 and extrapolated for the 2021 year end. The next required valuation will be performed in 2023 using information as of December 31, 2022.

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

- Discount rate 3.50% (2020 - 3.50%)
- Inflation rate 1.75% (2020 - 1.75%)
- Future salaries 2.75% per year (2020 - 2.75%)

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

	2021 \$	2020 \$
Accrued benefit obligation, beginning of year	12,386	12,200
Current service cost	916	868
Interest	433	423
Adjustment due to plan amendment	(741)	-
Benefits paid	(971)	(1,105)
Accrued benefit obligation, end of year	12,023	12,386
Unamortized net actuarial loss	(1,398)	(1,647)
Liability, end of year	10,625	10,739

There are currently reserves totaling \$11,479 (2020 - \$11,086) available to fund this obligation.

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

9. 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:

	2021	2020
	\$	\$
Current period benefit cost	916	868
Amortization of net actuarial loss	249	249
Interest expense	433	423
	1,598	1,540

c) Post-employment and retirement 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 as well as benefits for employees on long-term disability for more than two years.

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

- Discount rate 3.50% (2020 – 3.50%)
- Inflation rate 1.75% (2020 – 1.75%)
- Prescription drugs trend rate 6.75% increase for 2020 vs. 2019 reducing by 0.33% per year to reach 3.75% in 2029 vs. 2028 and 3.75% per year thereafter. (2020 – 6.75% increase for 2020 vs. 2019 reducing by 0.33% per year to reach 3.75% in 2029 vs. 2028 and 3.75% per year thereafter)
- Dental and other medical trend rate 3.75% (2020 – 3.75%)

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

	2021	2020
	\$	\$
Accrued benefit obligation, beginning of year	29,590	28,943
Current service cost	1,426	1,356
Interest	1,029	1,007
Benefits paid	(1,815)	(1,716)
Accrued benefit obligation, end of year	30,230	29,590
Unamortized net actuarial loss	(6,371)	(7,135)
Liability, end of year	23,859	22,455

The City includes funding for this obligation in its annual budget.

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

9. Employee future benefits and other liabilities (continued)

c) Post-employment and retirement benefits (continued)

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

	2021	2020
	\$	\$
Current period benefit cost	1,426	1,356
Amortization of net actuarial loss	764	764
Interest expense	1,029	1,007
	3,219	3,127

A comprehensive actuarial valuation was completed using information as at December 31, 2019 and extrapolated for the 2021 year end. The next required valuation will be performed in 2023 using information as of December 31, 2022.

10. Debt

a) Debt is comprised of the following components:

	2021	2020
	\$	\$
Debentures - repayable at rates ranging from 0.35% to 5.237% and maturing from 2022 to 2039	135,851	98,891
Long-term loan - repayable at rate 6.38% and maturing 2025	2,107	2,590
Bankers 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	728	936
	138,686	102,417

Included in accounts payable and accrued liabilities is \$208 (2020 - \$388) 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, 2021

(\$000's)

10. Debt (continued)

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

	Discretionary reserve funds \$	User pay, obligatory reserve funds, and other \$	Total \$
2022	5,135	7,499	12,634
2023	5,285	7,564	12,849
2024	3,827	6,555	10,382
2025	3,811	6,458	10,269
2026	16,537	19,561	36,098
Thereafter	22,987	33,467	56,454
	57,582	81,104	138,686

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

	2021 \$	2020 \$
Principal repayments	12,855	14,068
Interest	3,358	3,229
	16,213	17,297

11. Obligation under capital lease

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

	2021 \$	2020 \$
2021	-	278
2022	239	239
2023	239	239
2024	239	239
2025	239	239
2026	239	239
Thereafter	897	897
Total minimum lease payments	2,092	2,370
Less amount representing interest at 3.92% (2020 - 3.16% and 3.04%)	(323)	(398)
Present value of net minimum capital lease payments	1,769	1,972

Interest of \$73 (2020 - \$23) relating to capital lease obligations has been included in interest expense.

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

12. Landfill post-closure liability

The City owns one landfill site. This landfill site was closed in 2003. The liability for post-closure costs has been reported on the consolidated statement of financial position. The liability was calculated based upon the present value of estimated post-closure costs discounted to December 31, 2021 at a factor of 3.50% (2020 - 3.50%) 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, 2021 are \$4,194 (2020 - \$3,387).

No reserve funds have been established to fund this liability as at December 31, 2021, as the City is funding this cost annually through the budget process.

13. Other long-term liabilities

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

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

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

a) *TIBG Agreements*

	2021	2020
	\$	\$
Heritage Redevelopment	23	57
Downtown Development	5,217	7,411
Brownfield Strategy	2,514	2,563
	7,754	10,031

b) *The TIBGs are repayable in the following periods:*

	2021	2020
	\$	\$
2021	-	2,884
2022	1,762	1,379
2023	1,483	1,367
2024	1,462	1,361
2025	1,361	1,361
Thereafter	1,686	1,679
	7,754	10,031

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

14. Tangible capital assets

	2021			
Cost	Balance, beginning of year \$	Additions \$	Disposals \$	Balance, end of year \$
Land and land improvements	95,248	4,275	(3,317)	96,206
Buildings	392,987	8,935	(1,499)	400,423
Machinery and equipment	219,602	12,750	(3,969)	228,383
Assets under capital lease	3,151	-	-	3,151
Vehicles	87,766	5,928	(4,034)	89,660
Infrastructure				
Sanitary sewers & waste water	315,044	10,011	-	325,055
Storm water	222,857	3,878	-	226,735
Transportation	453,619	8,822	-	462,441
Waterworks	293,851	8,450	(772)	301,529
Assets under construction	49,398	4,553	(64)	53,887
	2,133,523	67,602	(13,655)	2,187,470
Accumulated amortization				
Land and land improvements	10,694	1,040	(479)	11,255
Buildings	145,240	11,035	(257)	156,018
Machinery and equipment	144,374	11,378	(3,831)	151,921
Assets under capital lease	1,049	120	-	1,169
Vehicles	50,991	7,483	(3,870)	54,604
Infrastructure				
Sanitary sewers & waste water	161,892	4,095	-	165,987
Storm water	69,171	3,399	-	72,570
Transportation	254,754	9,547	-	264,301
Waterworks	124,753	6,317	(772)	130,298
	962,918	54,414	(9,209)	1,008,123
Net book value				
Land and land improvements	\$ 84,554			\$ 84,951
Buildings	247,747			244,405
Machinery and equipment	75,228			76,462
Assets under capital lease	2,102			1,982
Vehicles	36,775			35,056
Infrastructure				
Sanitary sewers & waste water	153,152			159,068
Storm water	153,686			154,165
Transportation	198,865			198,140
Waterworks	169,098			171,231
Assets under construction	49,398			53,887
	\$1,170,605			\$1,179,347

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

14. Tangible capital assets (continued)

	2020			
Cost	Balance, beginning of year \$	Additions \$	Disposals \$	Balance, end of year \$
Land and land improvements	95,023	2,578	(2,353)	95,248
Buildings	385,458	7,529	-	392,987
Machinery and equipment	202,009	18,313	(720)	219,602
Assets under capital lease	1,064	2,087	-	3,151
Vehicles	81,123	9,124	(2,481)	87,766
Infrastructure				
Sanitary sewers & waste water	307,655	7,389	-	315,044
Storm water	218,592	4,265	-	222,857
Transportation	446,474	7,145	-	453,619
Waterworks	290,151	4,713	(1,013)	293,851
Assets under construction	45,283	4,115	-	49,398
	2,072,832	67,258	(6,567)	2,133,523
Accumulated amortization				
Land and land improvements	9,920	1,022	(248)	10,694
Buildings	134,222	11,018	-	145,240
Machinery and equipment	132,386	12,581	(593)	144,374
Assets under capital lease	829	220	-	1,049
Vehicles	46,691	6,690	(2,390)	50,991
Infrastructure				
Sanitary sewers & waste water	158,059	3,833	-	161,892
Storm water	65,819	3,352	-	69,171
Transportation	245,338	9,416	-	254,754
Waterworks	119,665	6,101	(1,013)	124,753
	912,929	54,233	(4,244)	962,918
Net book value				
Land and land improvements	\$ 85,103			\$ 84,554
Buildings	251,236			247,747
Machinery and equipment	69,623			75,228
Assets under capital lease	235			2,102
Vehicles	34,432			36,775
Infrastructure				
Sanitary sewers & waste water	149,596			153,152
Storm water	152,773			153,686
Transportation	201,136			198,865
Waterworks	170,486			169,098
Assets under construction	45,283			49,398
	\$ 1,159,903			\$ 1,170,605

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

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15. Accumulated surplus

The accumulated surplus is comprised of the following components:

	2021	2020
	\$	\$
Reserves set aside for specific purpose by Council:		
for corporate	28,993	28,180
for program specific	22,074	20,656
for strategic	7,319	3,037
Reserves set aside by WDGPH:		
for contingency	583	429
Total reserves- Schedule 4	58,969	52,302
Reserve funds set aside for specific purpose by Council:		
for capital financing	259,550	222,322
Reserve funds set aside by WDGPH:		
for capital financing	624	395
Total reserve funds - Schedule 4	260,174	222,717
Total reserve and reserve funds	319,143	275,019
Invested in tangible capital assets	1,179,347	1,170,605
Investment in Guelph Municipal Holdings Inc.	90,626	89,381
Investment in Guelph Junction Railway Limited	11,925	10,421
Operating fund	49,544	6,442
Unfunded liabilities		
Debt	(138,686)	(102,417)
Liability for contaminated sites	(25,270)	(24,050)
Employee future benefits and related liabilities	(50,142)	(46,246)
Landfill post-closure liability	(4,194)	(3,387)
Total	1,113,150	1,100,749
Accumulated Surplus	1,432,293	1,375,768

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 2021, \$4,383 (2020 - \$4,384) of interest was earned by the reserve funds and is an increase in reserve and reserve funds.

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

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16. Government partnerships

The City's share of 46.3% (2020 - 46.3%) of the results of the Wellington-Dufferin-Guelph Public Health's (WDGPH) 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:

	2021	2020
	\$	\$
Financial assets	3,712	2,578
Liabilities	4,047	3,862
Net financial assets	(335)	(1,284)
Tangible capital assets	9,566	9,957
Prepaid expenses	16	23
Inventory	1	2
Total non-financial assets	9,583	9,982
Accumulated surplus	9,248	8,698
Revenues	18,554	14,360
Expenses	18,003	13,953
Excess of revenues over expenses for the year	551	407
Accumulated surplus, beginning of year	8,697	8,290
Accumulated surplus, end of year	9,248	8,697

During the year, the City contributed \$4,357 (2020 - \$4,379) 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.

17. 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.

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

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17. Shared service agreements (continued)

Social Service Programs

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

	2021 \$	2020 \$
Revenues		
Social housing provincial contributions	10,685	8,818
Child care provincial contributions	13,487	11,226
Social services provincial contributions	7,274	9,167
	31,446	29,211
Expenses		
Social housing	25,537	25,485
Child care	16,821	14,558
Social services	10,144	11,923
	52,502	51,966
Net expenses	(21,056)	(22,755)

The City's share of net expenses for social housing is 81% (2020 - 84%), child care 67% (2020 - 69%) and social services 69% (2020 - 72%).

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

	2021 \$	2020 \$
POA revenues	2,104	1,563
POA expenses	1,900	1,611
Net City revenue (expense)	204	(48)

The City's share of net (expense) revenue from Provincial Offences Act administration in 2021 was 56% (2020 - 55%). Included in the above expenses figure is \$206 (2020 - \$(31)) in transfers (from) to the County of Wellington for the County's share of net revenue (expense) from fines collected.

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

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17. Shared service agreements (continued)

Land Ambulance

	2021	2020
	\$	\$
Revenues		
Provincial base	13,260	11,409
Provincial covid-19	901	1,242
Municipal	5,222	5,167
User charges	34	16
Developers	258	27
Other contributions	431	351
Other revenue	(158)	127
	19,948	18,339
Expenses		
Expenses	27,760	25,917
Covid-19 expenses	905	1,255
	28,665	27,172
	(8,717)	(8,833)

The City's share of net operating expenses for land ambulance in 2021 was 61% (2020 - 62%). Included in the above revenue figures is \$5,222 (2020 - \$5,167) 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.

18. 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 \$25,270 (2020 - \$24,050) 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.

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

19. 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.

20. Commitments and guarantees

a) *Guelph General Hospital*

In 2020 the City committed to making a contribution of \$4,500 to Guelph General Hospital, payable in six equal annual installments of \$750 from 2020 through 2026, with no payment in 2021. As of December 31, 2021 the City has commitments of \$3,750 resulting from this agreement.

b) *Heritage Redevelopment Grant Program*

The City has commitments totaling \$2,901 (2020 - \$2,901) resulting from agreements entered into as part of the Heritage Redevelopment Grant Program. Grant expenses will be recognized upon the applicant meeting all the eligibility criteria.

c) *Brownfield Tax Increment Based Grant Program*

The City has commitments totaling \$7,076 (2020 - \$7,424) resulting from agreements entered into as part of the Brownfield Tax Increment Based Grant Program. Grant expenses will be recognized in the year of reassessment by MPAC and when all eligibility criteria have been met by the applicant.

d) *Major Downtown Activation Grant Program*

The City has commitments totaling \$7,082 (2020 - \$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.

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

20. Commitments and guarantees (continued)

e) *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:

	2021
	\$
2022	771
2023	737
2024	658
2025	530
2026	360
Thereafter	173
	3,229

f) *City Grants*

The City has committed to providing various grants to organizations in the community totaling \$629 (2020 - \$2,416).

21. 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 2021, the City of Guelph received \$353 (2020 - \$259) of funding from Citizenship and Immigration Canada related to the operation this program.

22. 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.

23. Comparative figures

Certain 2020 comparative figures have been reclassified in order to present them in a form comparable to those for 2021.

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

24. Economic conditions

On March 31, 2020 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. During the year ended December 31, 2021, the City experienced COVID-19 related declines in revenues (primarily user charges) and increases costs in selected service areas. The City responded by implementing a variety of cost containment measures, while the Federal and Provincial governments responded by providing funding through the Safe Restart Agreement and additional program specific funding.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the City's operations and financial position is not known at this time. There remains uncertainty in the upcoming year with respect to user charges revenue and additional pandemic-related costs. Additional government transfers related directly to the impact of COVID-19 have been announced.

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City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

25. Segmented information

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

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

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

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).
- Program and support services.

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.

City of Guelph

Notes to the consolidated financial statements

December 31, 2021

(\$000's)

25. Segmented information (continued)

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.

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City of Guelph

Consolidated schedule of segment disclosure - Schedule 1 year ended December 31, 2021 (\$'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	271,784	-	-	-	-	-	-	-	-	271,784
User charges	1,326	1,756	7,467	81,971	34	9,252	-	2,315	627	104,748
Contributed subdivision assets	7,027	-	-	-	-	-	-	-	-	7,027
Contributions	6,183	3,006	16,111	10,849	33,861	26,670	10,685	6,819	493	114,677
Other revenue										
Investment income	4,955	4	-	111	268	-	-	4	-	5,342
Donations	140	9	-	-	-	52	-	223	-	424
Sales of equipment, publications	-	2	20	2,045	-	12	-	549	1	2,629
Recoveries	541	345	518	735	-	1,066	-	314	240	3,759
Licences and permits	83	3,691	-	35	-	-	-	-	-	3,809
Provincial Offences Act revenues	-	2,247	-	-	-	-	-	-	-	2,247
Other fines	-	900	-	-	-	-	-	-	-	900
(Loss) gain on disposal of tangible capital assets	(708)	48	303	(1,091)	(158)	-	-	(94)	3,012	1,312
Government business enterprises earnings	5,600	-	-	-	-	-	-	-	-	5,600
	296,931	12,008	24,419	94,655	34,005	37,052	10,685	10,130	4,373	524,258

City of Guelph

Consolidated schedule of segment disclosure - Schedule 1
 year ended December 31, 2021
 (\$'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	26,888	84,094	36,402	25,356	35,710	12,595	-	23,213	4,642	248,900
Interest on debt	585	938	770	135	46	226	-	804	10	3,514
Materials	1,299	2,337	12,016	9,285	2,148	2,286	-	4,221	268	33,860
Purchased services	9,965	4,810	5,469	18,775	4,086	1,642	17	3,895	1,707	50,366
Rents and financial expenses	4,151	313	1,054	6,357	588	(26)	-	1,421	9	13,867
External transfers	3,814	908	-	1,668	-	26,966	25,537	3,499	420	62,812
Internal charges	(9,312)	1,548	(5,802)	8,751	2,492	6	-	2,223	94	-
Amortization of tangible capital assets	4,475	4,006	18,872	17,022	1,584	1,014	23	7,186	232	54,414
	41,865	98,954	68,781	87,349	46,654	44,709	25,577	46,462	7,382	467,733
Excess of revenues over expenses for the year	255,066	(86,946)	(44,362)	7,306	(12,649)	(7,657)	(14,892)	(36,332)	(3,009)	56,525

City of Guelph

Consolidated schedule of segment disclosure - Schedule 2

year ended December 31, 2020

(\$'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	260,862	-	-	-	-	-	-	-	-	260,862
User charges	1,018	1,187	7,344	77,554	16	9,617	-	2,512	680	99,928
Contributed subdivision assets	5,681	-	-	-	-	-	-	-	-	5,681
Contributions	11,770	3,159	13,287	4,381	28,113	25,932	8,818	3,994	574	100,028
Other revenue										
Investment income	6,867	5	-	111	94	-	-	6	-	7,083
Donations	113	6	-	-	-	-	-	203	-	322
Sales of equipment, publications	(1)	12	8	1,209	-	22	-	685	-	1,935
Recoveries	739	122	1,621	577	-	713	-	492	382	4,646
Licences and permits	25	3,413	-	23	-	-	-	9	-	3,470
Provincial Offences Act revenues	-	1,632	-	-	-	-	-	-	-	1,632
Other fines	-	735	-	-	-	-	-	-	-	735
(Loss) gain on disposal of tangible capital assets	(414)	26	204	(14)	127	-	-	(30)	1,191	1,090
Government business enterprises earnings	3,535	-	-	-	-	-	-	-	-	3,535
	290,195	10,297	22,464	83,841	28,350	36,284	8,818	7,871	2,827	490,947

City of Guelph

Consolidated schedule of segment disclosure - Schedule 2

year ended December 31, 2020

(\$'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	22,762	80,303	35,155	23,921	31,721	12,132	-	21,915	4,342	232,251
Interest on debt	627	832	815	256	61	283	-	448	12	3,334
Materials	2,163	2,439	11,391	9,278	2,202	1,964	-	3,986	125	33,548
Purchased services	7,830	4,208	5,518	20,328	2,944	1,640	12	4,584	1,634	48,698
Rents and financial expenses	4,937	237	1,171	1,611	295	31	-	1,266	3	9,551
External transfers	4,328	670	-	1,622	-	26,480	25,485	4,080	67	62,732
Internal charges	(9,103)	1,673	(4,004)	7,609	2,172	5	-	1,549	99	-
Amortization of tangible capital assets	4,743	3,931	18,495	16,797	1,713	1,107	22	7,209	215	54,232
	38,287	94,293	68,541	81,422	41,108	43,642	25,519	45,037	6,497	444,346
Excess of revenues over expenses for the year	251,908	(83,996)	(46,077)	2,419	(12,758)	(7,358)	(16,701)	(37,166)	(3,670)	46,601

City of Guelph

Consolidated schedule of debt - Schedule 3

December 31, 2021

(\$000's)

Bylaw	Project description	Term	Maturity date	Interest rates	2021 \$	2020 \$
Debentures:						
19294	Organic Waste Facility Composter Rebuild	10	11/9/2021	1.25% to 3.70%	-	2,984
19294	Fire - Pumper	10	11/9/2021	1.25% to 3.70%	-	71
19294	Civic Museum Renovations	10	11/9/2021	1.25% to 3.70%	-	622
19294	On behalf of the Elliott	10	11/9/2021	1.25% to 3.70%	-	1,424
20084	Public Health Facilities	7	7/20/2023	1.20% to 2.25%	404	602
20084	Public Health Facilities - DC	7	7/20/2023	1.20% to 2.25%	1,323	1,970
20084	Riverside Fuel Tank	7	7/20/2023	1.20% to 2.25%	44	66
20084	Stormwater CIP	7	7/20/2023	1.20% to 2.25%	210	312
20084	Roads Projects - Carden & Downtown	7	7/20/2023	1.20% to 2.25%	1,636	2,436
20084	Land Purchase - Baker Street	7	7/20/2023	1.20% to 2.25%	336	501
20084	Waste Management Carts	7	7/20/2023	1.20% to 2.25%	1,285	1,913
20084	Roads Projects - Clair & Laird Road	7	7/20/2023	1.20% to 2.25%	1,551	2,310
20084	Police HQ Renovations	7	7/20/2023	1.20% to 2.25%	6,920	7,183
20084	Roads Projects - Clair & Laird Road - DC	10	7/20/2026	1.20% to 2.25%	11,230	11,656
20084	Police HQ Renovations - DC	10	7/20/2026	1.20% to 2.25%	6,582	6,832
20084	Victoria Road Recreation Facility Renovation	10	7/20/2026	1.20% to 2.25%	10,904	11,318
18105	New City Hall	25	8/28/2031	5.237%	10,852	11,659
18105	New POA Court	25	8/28/2031	5.237%	3,061	3,288
20417	Police HQ Renovations	20	7/10/2039	1.95% to 2.8%	6,432	6,719
20417	Police HQ Renovations - DC	20	7/10/2039	1.95% to 2.8%	7,464	7,797
20417	Wilson Parkade	20	7/10/2039	1.95% to 2.8%	9,739	10,174
20417	Wilson Parkade - DC	20	7/10/2039	1.95% to 2.8%	4,135	4,319
20417	Farebox	20	7/10/2039	1.95% to 2.8%	1,194	1,247
20417	Fuel Tank	20	7/10/2039	1.95% to 2.8%	1,424	1,488
202607	Baker District- Guelph Central Library	10	6/3/2031	0.35% to 2.4%	11,575	-
202607	South End Community Centre	10	6/3/2031	0.35% to 2.4%	37,550	-
					135,851	98,891
Other loans:						
N/A	The Elliott Bankers Acceptance - SWAP	10	June 25, 2025	2.87%	728	936
N/A	CIBC Loan - Sleeman Centre - SWAP	18.8	9/1/2025	6.38%	2,107	2,590
					2,835	3,526
Total Debt					138,686	102,417

City of Guelph

Consolidated schedule of reserves and reserve funds - Schedule 4

December 31, 2021

(\$000's)

Code	Description	2021 \$	2020 \$
Reserves:			
Corporate:			
102	Library Contingency	355	200
115	Police Operating Contingency	1,607	607
131	Compensation Contingency	4,888	4,992
180	Tax Rate Stabilization Contingency	11,840	16,037
193	Legal/Insurance	2,861	2,861
198	Environment and Utility Contingency	4,658	3,350
208	Social Housing Contingency	2,784	133
		28,993	28,180
Program Specific:			
100	Accumulated Sick Leave - Fire	7,127	6,818
101	Accumulated Sick Leave - Police	4,352	4,268
103	Health Care Spending Account (HCSA) Fire	100	-
106	Parking Operating Contingency	920	-
134	Evergreen Bequests	52	-
181	Water Contingency	1,730	1,730
182	Waste Water Contingency	1,920	1,920
195	Election Costs	624	473
211	Court Contingency	781	731
330	Workplace Safety and Insurance Board	3,493	3,401
338	Paramedic Retirement	343	858
345	Westminster Woods	35	35
359	Stormwater Contingency	597	422
		22,074	20,656
Strategic:			
119	Affordable Housing	2,708	1,632
122	Redevelopment Incentives	10,290	11,756
179	Strategic Initiatives	847	747
194	Downtown Improvements	492	492
332	Industrial Land	(7,018)	(11,590)
		7,319	3,037
Consolidated Entities:			
	Reserves set aside by Wellington-Dufferin-Guelph Public Health	583	429
Total Reserves		58,969	52,302

City of Guelph

Consolidated schedule of reserves and reserve funds - Schedule 4

December 31, 2021

(\$000's)

Code	Description	2021 \$	2020 \$
Reserve Funds:			
120	Courts Capital	1,414	1,265
135	Museum Donations	135	132
138	Library Bequests	1,089	957
150	Infrastructure Renewal	46,858	39,276
151	Parking Capital	4,644	3,110
152	Water Capital	50,455	47,170
153	Wastewater Capital	101,707	89,582
155	City Owned Contaminated Sites	10,472	7,569
156	Growth	4,570	3,002
157	Library	1,412	759
158	Police	3,159	1,794
159	City Building	7,333	5,703
162	Sleeman Centre Naming Rights	26	52
165	Stormwater Capital	13,405	9,639
189	Sleeman Capital	76	67
205	Community Investment	805	1,087
206	Rental Property	648	692
340	River Run	365	375
348	Community Paramedicine	235	-
351	Efficiency Innovation Opportunity	7,131	6,891
355	100% Renewable Energy	3,036	2,938
356	Public Art	65	64
360	Paramedic Services Provincial Capital	510	198
		259,550	222,322
Consolidated Entities:			
	Reserve funds set aside by Wellington-Dufferin-Guelph Public Health	624	395
Total Reserve Funds		260,174	222,717
Total Reserves and Reserve Funds		319,143	275,019

City of Guelph

Guelph Public Library Board - Schedule 5 Statement of revenues and expenses year ended December 31, 2021 (\$'000's)

	2021 Budget \$	2021 Actual \$	2020 Actual \$
Operating fund			
Revenues			
User charges	321	120	92
Contributions	168	265	168
Other revenue	71	151	84
	560	536	344
Expenses			
Salaries, wages and employee benefits	6,688	6,332	5,980
Interest on debt	-	97	-
Materials	1,707	790	865
Purchased services	808	742	724
Rents and financial expenses	976	840	889
Internal charges	88	146	132
	10,267	8,947	8,590
Net operating deficit	(9,707)	(8,411)	(8,246)
Capital fund			
Revenues			
Contributions	-	412	(89)
Expenses			
Assets under construction	-	144	1,018
Capitalized library books	-	568	596
Amortization of tangible capital assets	-	1,241	1,198
	-	1,953	2,812
Net capital deficit	-	(1,541)	(2,901)
Add: net contributions (to)/from reserves	(506)	(825)	1,139
	(506)	(2,366)	(1,762)
Total combined net deficit	(10,213)	(10,777)	(10,008)

City of Guelph

Guelph Police Services Board - Schedule 6 Statement of revenues and expenses year ended December 31, 2021 (\$000's)

	2021 Budget \$	2021 Actual \$	2020 Actual \$
Operating fund			
Revenues			
User charges	604	576	468
Contributions	2,565	2,761	2,589
Other revenue	54	394	166
	3,223	3,731	3,223
Expenses			
Salaries, wages and employee benefits	46,637	47,440	44,864
Interest on debt	-	771	651
Materials	1,427	1,371	1,607
Purchased services	3,338	3,230	2,975
Rents and financial expenses	96	255	183
Internal charges	(467)	(595)	271
	51,031	52,472	50,551
Net operating deficit	(47,808)	(48,741)	(47,328)
Capital fund			
Revenues			
Contributions	-	186	593
Other revenue	-	(74)	(18)
	-	112	575
Expenses			
Amortization of tangible capital assets	-	2,322	2,115
Assets under construction	-	3,179	4,019
	-	5,501	6,134
Net capital deficit	-	(5,389)	(5,559)
Add: Net contributions (to) from reserves	(1,846)	(717)	4,090
Less: debt principal repayments	-	(1,132)	(1,114)
	(1,846)	(1,849)	2,976
Total combined net deficit	(49,654)	(55,979)	(49,911)

Financial Statement Discussion and Analysis

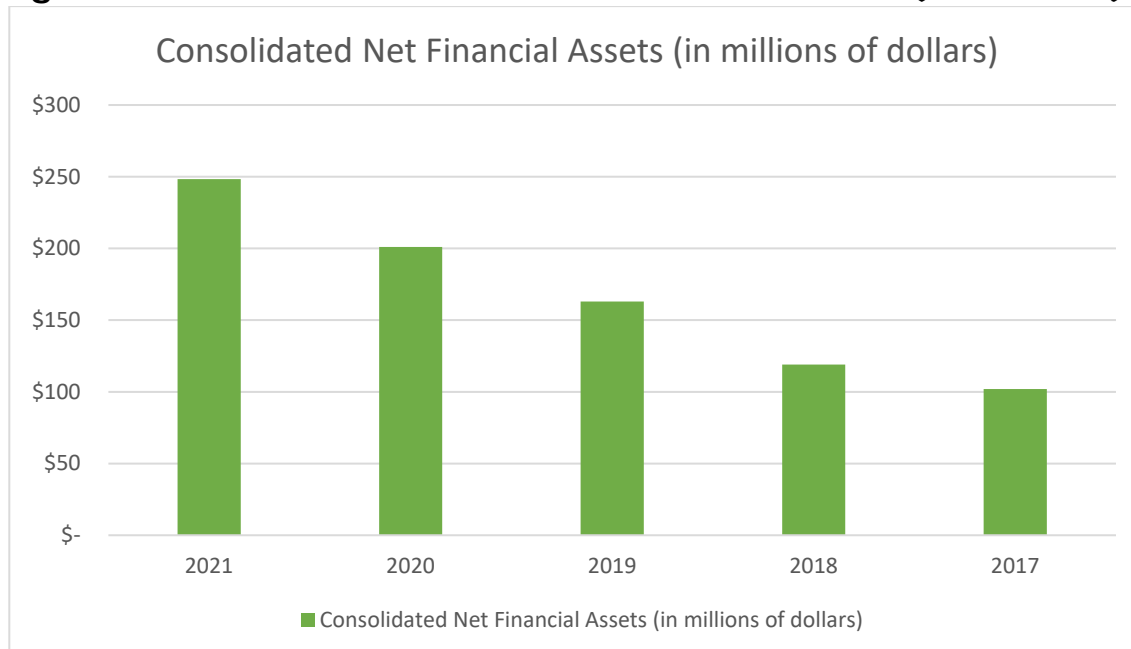
Statement of Financial Position

The Statement of Financial Position is a summary of the consolidated assets, liabilities and accumulated surplus, which includes reserves and reserve funds. The City's net financial position (net financial assets) is a key indicator of its overall fiscal health and is used by the credit rating agency in the City's annual rating review. As of December 31, 2021, the City's consolidated net financial assets totaled \$248.3 million (2020 - \$200.7 million), an increase of \$47.6 million from 2020. This continues a trend spanning five years and indicates that the City and its consolidated entities are generating revenue to increase financial assets (increase of \$113.3 million in 2021) at a greater rate than the increase in financial liabilities (increase of \$65.7 million in 2021).

On a per capita basis, the City has also been trending upward with 2021 net financial assets per person of \$1,727, which is above the 2020 municipal average of \$848 and median of \$1,009 for single and lower tier municipalities. 2021 data is not yet available for comparison.

A major contributor to this trend is the unspent capital funds for approved capital projects, as explained in report [2022-150 – 2021 Year-end Capital Budget Monitoring Report](#). In 2021, Council approved a capital resourcing strategy, as described in report [2021-39 – Capital Program Resourcing Strategy](#), to help move projects forward. As this strategy is implemented and backlogged projects are completed, the City's net financial position will change as funds are spent and therefore shift from financial assets (cash and investments) to non-financial assets (tangible capital assets).

Figure-1: Consolidated Net Financial Assets Trend (in millions)



Cash and investments

Total cash and investment holdings increased by \$115.5 million in 2021.

Line Item	Cash	Investments	Total
Opening balance, January 1, 2021	\$67,501	\$377,252	\$444,753
Opening balance transfers to investments	(19,781)	19,781	0
Cash generated from operating activities	128,769		128,769
Cash generated from operating activities transferred to investments for future capital expenditures	(66,394)	66,394	0
Net cash spent on capital activities	(49,316)		(49,316)
Issuance of debt for future capital projects		49,125	49,125
Principal repayments on outstanding debt	(13,059)		(13,059)
Closing balance, December 31, 2021	\$47,720	\$512,552	\$560,272

The City meets the minimum target measure of cash and investment holdings, which is a 1:1 ratio with the City's reserves, and reserve fund balances including the deferred contributions on the Statement of Financial Position. Please refer to [Information Report 2022-174 - 2021 Year-end Investment Performance Report](#) for a full report on the City's investment portfolio as of December 31, 2021.

Accounts receivable and taxes receivable

Accounts receivable decreased by \$3.5 million in 2021 compared with December 31, 2020. Several year-over-year fluctuations contribute to this difference, however, the main factors in this decrease are a decline in accrued receivables for investment income (\$2.0 million), a decrease in HST rebates receivable due to two months' being in receivables at the 2020 year-end (\$1.6 million), and a decrease in amounts receivable by consolidated entities (\$500 thousand). These decreases are offset by an increase in accounts receivable for water and wastewater revenues (\$1.0 million).

The balance in taxes receivable at year-end was very consistent from 2020 to 2021. More information about taxes receivable can be found in [Information Report 2022-81 - Property Tax Receivables and Collections](#).

Overall, 5.9 per cent of revenue was in accounts and taxes receivable as of December 31, 2021, compared with 7.2 per cent at the end of 2020.

Loans and notes receivable (payable)

Loans and notes receivable switched to a payable position from 2020 to 2021, with \$1.3 million receivable at the end of 2020 and \$865 thousand payable at the end of 2021. At the end of 2021, this balance consists of amounts payable by the City to both GMHI and GJR (at the 2020 year-end, GJR owed funds to the City) and is

offset by other long-term receivables from external parties and a long-term loan receivable from GJR.

Investment in GJR

The City's investment in GJR increased by \$1.1 million as GJR had net income of \$1.1 million in 2021 and did not pay any dividends.

Investment in GMHI

The City's investment in GMHI increased by \$1.2 million as GMHI earned total comprehensive income of \$4.8 million during the year which was offset by \$3.3 million in dividends paid to the City and an adjustment to retained earnings for the refundable portion of deferred taxes. GMHI budgets for revenue from Alectra Inc. (Alectra) differently than it reports for the purposes of the audited financial statements. The budget forecasts dividends received from Alectra, while the revenue from Alectra on the audited financial statements is based on GMHI's share of Alectra's net income. GMHI budgeted for dividends totaling \$3.5 million from Alectra in 2021 and received \$2 thousand more than budgeted. In contrast, GMHI reported \$5.2 million in revenue from Alectra on its financial statements (4.63 per cent of Alectra's net income), which contributes to the significant increase in shareholder's equity, which is the basis for reporting the City's investment in GMHI.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased by \$7.2 million. There are many year-over year fluctuations that contribute to this difference, and much of this balance is dependent on the timing of payment. General accounts payable and accrued liabilities owing to vendors for goods and services declined by \$2.1 million; other key factors contributing to the reduction were a decrease in accrued property tax rebates and appeals (\$1.1 million), the timing of the December payment to OMERS (\$2.7 million), a reduction in the legal accrual for contingent liabilities (\$650 thousand), as well as a reduction in warranty holdbacks (\$467 thousand).

Vacation and other employee benefits payable

Vacation and other employee benefits payable was consistent with the amount owing at December 31, 2020 (decrease of \$310 thousand).

Deferred contributions

Deferred contributions are the City's obligatory reserve funds and include development charges (for growth-related capital expenditures), federal and provincial gas tax funds, parkland dedication, and Ontario Building Code Act funds that have been received but not yet spent. An additional reserve fund was added to this group in 2021 for the Safe Restart Grant Public Transit Funding Stream.

In 2021 the City had inflows totaling \$62.4 million to deferred contributions and outflows of \$30.4 million for projects funded through these revenue sources, for a net increase of \$31.9 million to the year-end balance. [Report 2022-161 – 2021 Long-term Financial Statement – Reserves and Debt](#) contains a detailed analysis of the balances in the City's obligatory reserve funds. While Development Charges

inflows and outflows in 2021 (inflows - \$28.3 million, outflows - \$14.8 million) began to increase again after a dip in 2020 (2020 inflows - \$23.8 million, outflows - \$10.0 million), both measures are still lower than pre-COVID levels (2019 inflows - \$38.7 million, outflows - \$22.0 million). On the inflows side, this tells us that developer activity began to rebound from the lows seen in the first year of COVID. Development Charge outflows are connected to progress on capital projects which, as noted elsewhere in this report, continued to struggle in 2021 due to capital resourcing challenges.

In 2021 the Federal Government nearly doubled the Canada Community-Building Fund (formerly the Federal Gas Tax) payments to municipalities for one year, which also contributed to the excess of inflows over outflows in deferred contributions which contributed to the increasing balance in the City's investment portfolio.

Employee future benefits

Employee future benefits contain three categories of future liabilities: first, estimates of the future liability to the City for current Workplace Safety and Insurance Board (WSIB) claims; second, medical and dental benefits for employees on long-term disability longer than 24 months (post-employment) and early retirees; and third, sick leave/retirement benefits for first responders (police, fire, paramedics). An actuarial valuation is undertaken every three years to determine the liability as of the valuation date, and actuarial estimates of the next three years' liability. The most recent WSIB liability valuation was done in 2019 with the liability calculated as of December 31, 2018, and estimates for the liability as of December 31, 2019, 2020, and 2021 included in the report. In 2020, the post-employment, early retiree, and sick leave benefits valuation was completed for the year-ended December 31, 2019, with liability estimates for 2020, 2021, and 2022.

Employee future benefits liability increased by \$3.9 million from 2020 to 2021, with the largest driver of this increase being an increase to the future liability for WSIB benefits (\$2.6 million increase), followed by an increase in the liability for future post-employment and retiree benefits (\$2.4 million). These increases were offset by a reduction in the liability for sick leave/retirement benefits of \$1.1 million resulting from early lump sum payout options taken during the year by paramedics.

Debt

The City issued debt totaling \$49.1 million in the spring of 2021, as part of the amount approved for issuance through By-law 202607, as outlined in [Report 2021-102 – 2021 Debenture Issue](#). The City and its consolidated entities made debt principal repayments totaling \$12.9 million in 2021. Please refer to [Report 2022-161 - 2021 Long-term Financial Statement – Reserves and Debt](#) for further detail.

Obligation under capital lease

Obligation under capital lease decreased by \$203 thousand in 2021 as The Elliott made the expected principal payments on its capital lease.

Landfill post-closure liability

Landfill post-closure liability increased by \$807 thousand due to adjustments to forecasted annual maintenance and capital costs for managing the site.

Other long-term liabilities

Other long-term liabilities are amounts owing under the City's three Tax Increment Based Grants (TIBG) programs: Heritage Redevelopment, Downtown Community Improvement Plan, and the Brownfield Redevelopment Community Improvement Plan. The amounts included in the liability are amounts owing for completed projects that have met all of the eligibility criteria.

In 2021, the liability decreased by \$2.3 million, which was the net result of an additional agreement which met the eligibility criteria and added \$348 thousand to the liability, and payments totaling \$2.6 million made in 2021, which were an offsetting reduction to the liability.

In addition to the liability, the City has entered into agreements valued at \$17.1 million as of December 31, 2021 (\$17.4 million as of December 31, 2020), for which the other parties have not yet met the eligibility criteria required for recognition of a liability. No new agreements were entered into in 2021.

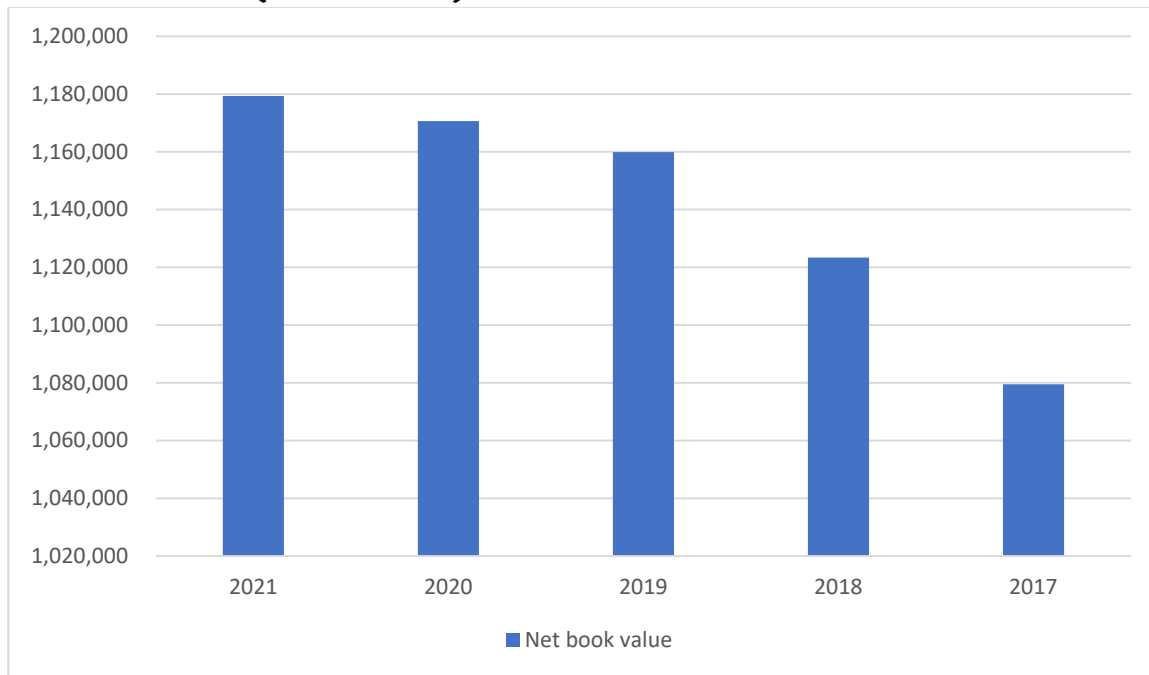
Liability for contaminated sites

The liability for contaminated sites increased by \$1.2 million mainly due to increases in inflation assumptions from 1.75 per cent to 4.75 per cent for the short-term (2022 and 2023) and 3.0 per cent for 2024 and beyond. The impact of the inflationary increases was offset by the completion of the remediation work at the IMICO site (monitoring still required for 5 years) and 55 Baker Street.

Tangible capital assets

The City and its consolidated entities acquired \$67.6 million in tangible capital assets in 2021 (\$67.3 million in 2020). Of this, \$7.0 million (2020 - \$5.7 million) were contributed subdivision assets. The net book value of the City's tangible capital assets increased by \$8.7 million from the 2020 net book value (2020 - \$10.7 million increase). This increase is relatively flat compared with prior years' increases and reflects a continued lower level of capital spending in 2021 than in pre-2020 years, mainly due to the resource capacity issues as outlined in report [2021-39 – Capital Program Resourcing Strategy](#).

Figure-2: Net book value of tangible capital assets (consolidated) 2017 to 2021 (in millions):



More information about 2021 capital activities can be found in [2022-150 – 2021 Year-end Capital Budget Monitoring Report](#).

Reserves and Reserve Funds

Please refer to the report [2022-161 2021 Long-term Financial Statement – Reserves and Debt](#) for details about reserves and reserve fund activity in 2021.

Statement of Operations and Accumulated Surplus

The City and its consolidated entities ended the year with an excess of revenues over expenses of \$56.5 million, compared with \$46.6 million in 2020.

The audited Consolidated Financial Statements are prepared in accordance with PSAS, and as a result, the net surplus reported in these financial statements is different from the surplus reported by staff in report [2022-155 - 2021 Year-end Operating Budget Monitoring Report](#). Both numbers are computed using the same underlying data, however, as shown in Figure-3 they are presented differently based on the requirements of modified cash basis operating and capital budgeting versus full accrual-based financial reporting.

Figure-3: Reconciliation of PSAS surplus versus operating budget surplus (in millions)

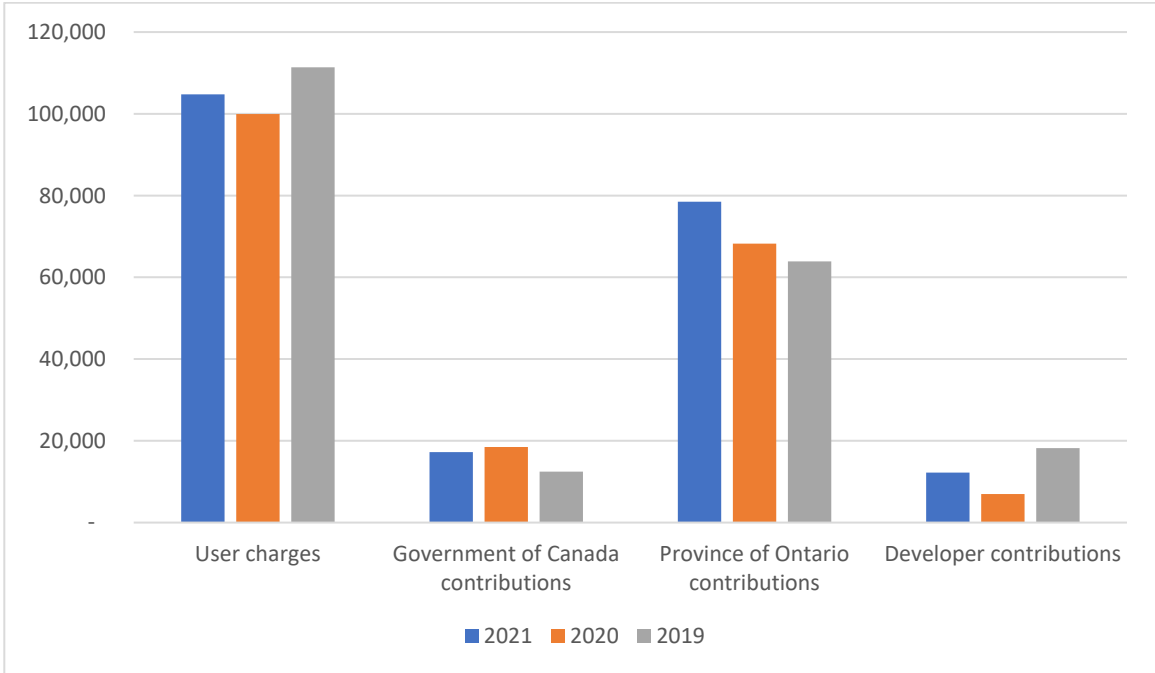
Description	Amount
Ending surplus - PSAS	\$56,525
Net capital-related revenues and depreciation	43,408

Description	Amount
Debt-related and non-cash items	(9,180)
Reserve related transfers	(89,126)
Consolidated entities	(4,017)
Adjusted modified cash basis deficit	(\$2,390)
Ending deficit – tax supported	(\$5,524)
Ending surplus – non-tax supported	3,134
Total	(\$2,390)
Difference	\$0

Revenue Highlights

The City’s largest source of revenue is property taxes; however, there are other key sources of revenue that support the City’s operations which continued to be heavily impacted by COVID in 2021.

Figure-4: Sources of revenue significantly impacted by COVID (in millions)



User charges increased by \$4.8 million in 2021 compared with 2020, but still remained well below 2019 levels, with the largest areas of impact being transit, parking, and recreation and cultural services.

Additional contributions from the federal and provincial governments helped to fill the gap from decreased user charges through the Safe Restart grants and other

program specific one-time funding (paramedic services, social services, The Elliott, Public Health).

Revenue from developer contributions rebounded in 2021 at \$12.2 million, approximately halfway between the low seen in 2020 (\$7.0 million) and the 2019 pre-COVID developer contribution revenue of \$18.2 million. Developer contributions are recognized as revenue when the underlying Development Charge funded capital expenditures are made, and therefore the capacity issues identified in report [2021-39 – Capital Program Resourcing Strategy](#) also impact this line item.

Expense Highlights

In 2021 total expenses increased by \$23.4 million compared with 2020, with increases in every functional area except transportation services.

Figure-5 presents expenses by type for 2017 through 2021. Notable changes for 2021 included salaries, wages, and benefits which increased by \$16.6 million as City operations began to return to normal after the COVID impacts in 2020 and public health salaries, wages and benefits increased by \$6.2 million (26 per cent) from 2020 as a result of the unprecedented COVID vaccination effort that was undertaken in 2021. Rents and financial expenses also increased by \$4.3 million due to increases in the liability for contaminated sites and landfill post closure liability which are included in this grouping, as well as costs associated with the debt issue in Spring 2021 and rising insurance costs.

Figure-5: Expenses by type 2017 to 2021 (in millions)

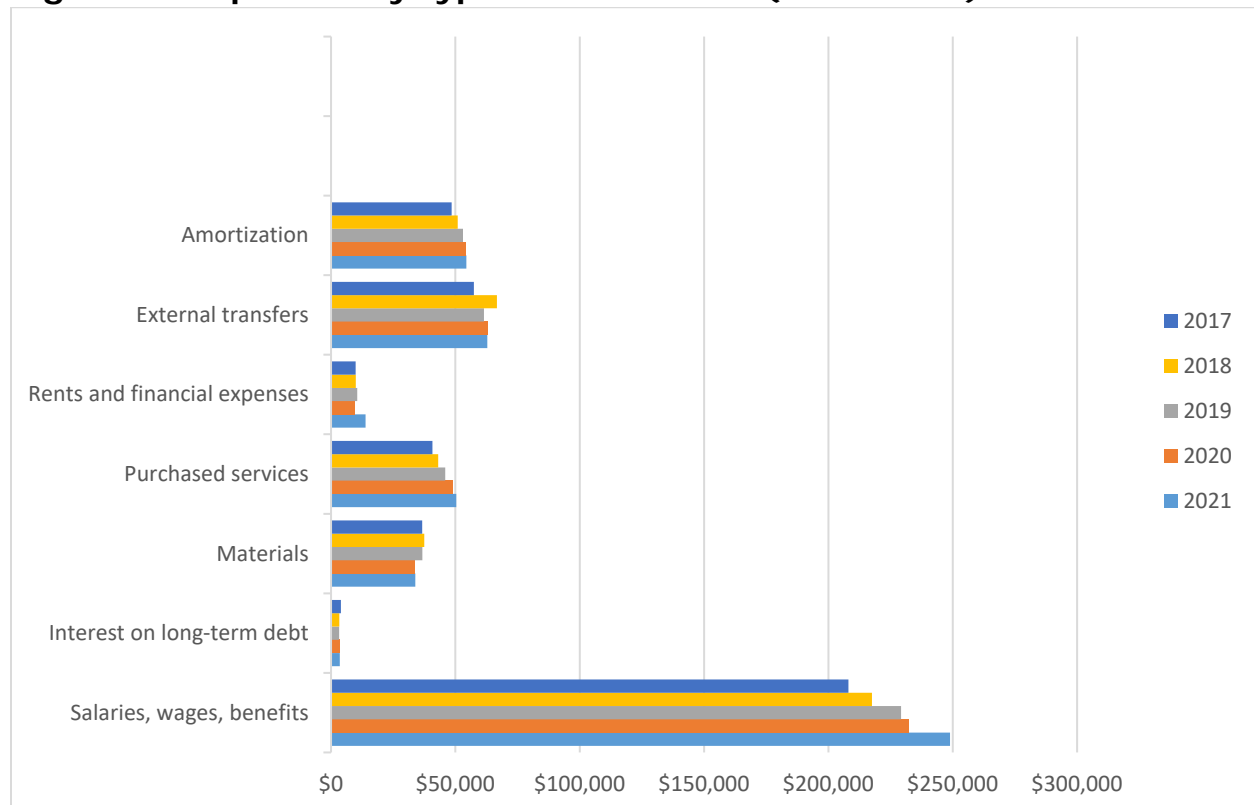
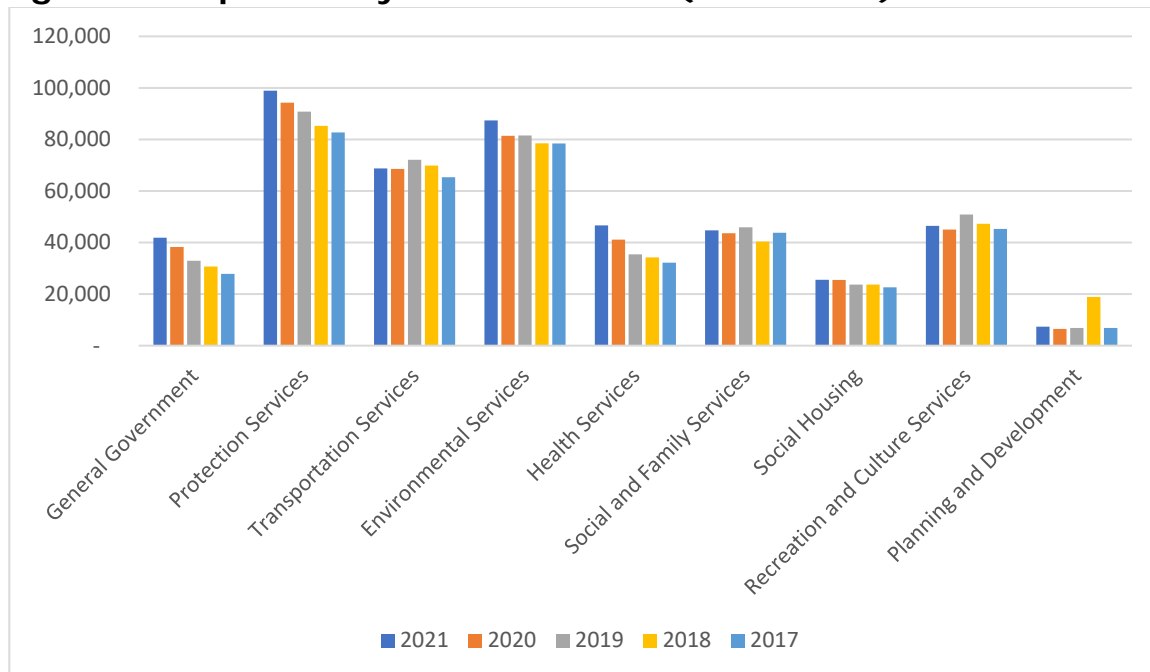


Figure-6 presents the trend for the total operating expenses for each functional area within the City. General government expenses increased in 2021 compared with 2020 as general COVID expenses incurred by the City were grouped there for reporting purposes. Costs related to first responders also increased as expected during COVID driving the increases in protection services (police and fire), and health services (paramedics). Public health expenses also contributed to the increase in health services spending with an overall increase of 29 per cent as WDGPH undertook a massive COVID vaccination campaign in 2021. The increase in environmental services was mainly driven by the increase in the contaminated sites and landfill post-closure liabilities.

Figure-6: Expenses by function trend (in millions)



Statement of Cash Flows

This statement provides a summary of how cash was generated during 2021 and where it was spent. The purpose of this statement is to reconcile the excess of revenue over expenses for the year from the Statement of Operations and Accumulated Surplus to the City’s cash at the end of the fiscal year, as shown in the Statement of Financial Position.

The first section of the Statement of Cash Flows highlights the cash generated from operations and begins with the excess of revenues over expenses for the year of \$56.5 million. Items that are non-cash in nature or which reflect changes in non-cash working capital items from the Statement of Financial Position are then added or subtracted. During 2021, the City and its consolidated entities generated \$128.8 million in cash from operations (2020 - \$103.8 million).

The next two sections relate to capital, investing, and financing activities, which show how the City has used and generated its cash during the year. The City spent \$60.6 million to acquire tangible capital assets and received \$5.8 million from the sale of capital assets. Net cash of \$135.3 million was transferred to the City's investment accounts, and the City received dividends totaling \$3.3 million from GMHI. Proceeds from the 2021 debt issue totaling \$49.1 million were offset by debt principal repayments totaling \$12.9 million made during the year in addition to \$203 thousand in principal repayments on The Elliott's capital lease.

Overall, the consolidated cash position decreased year-over-year by \$19.8 million, ending 2021 with a balance of \$47.7 million.

Audit Opinion

KPMG issued a clean audit opinion on the City's 2021 consolidated financial statements. KPMG's Audit Findings Report was provided to Council as an attachment to report 2022-187 – Consolidated Financial Statements and External Audit Findings Report.

Statistical Information

There are three categories of financial indicators in the City's [Long-Term Financial Framework](#): sustainability, vulnerability, and flexibility.

Sustainability is the ability to maintain services over an extended period of time, providing continuous service at the expected level to all intended customers.

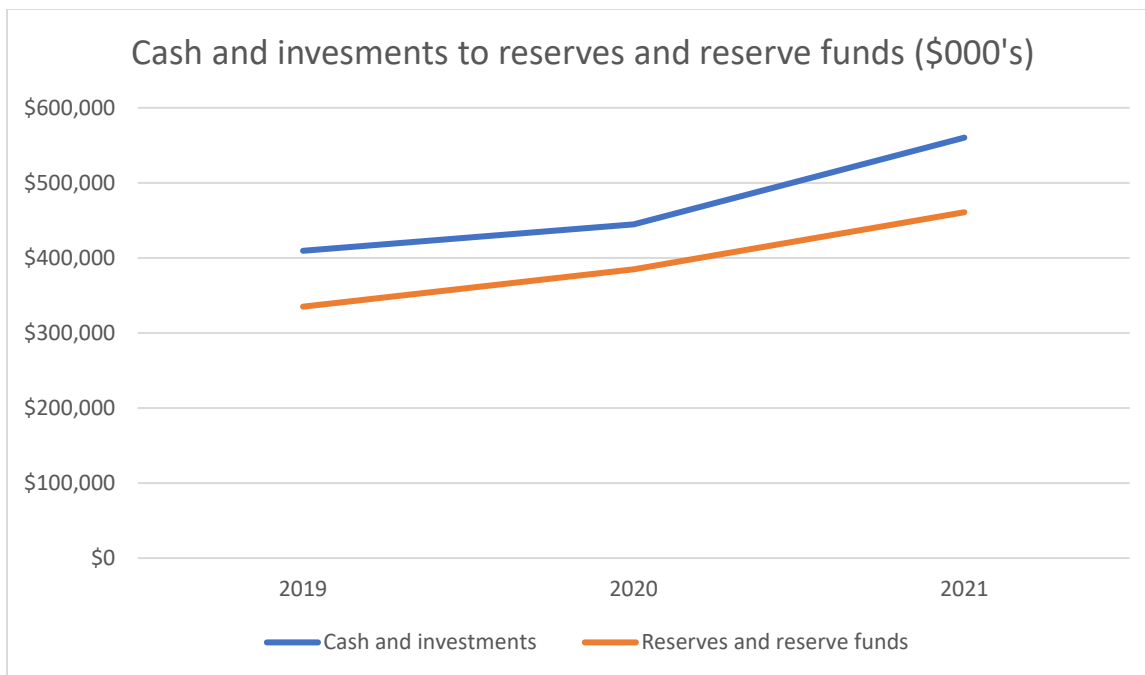
Vulnerability is the level of resiliency within the organization to mitigate unexpected negative factors while maintaining financial and service commitments.

Flexibility is the ability of the organization to adapt to a changing environment to both capitalize on opportunities and avoid threats.

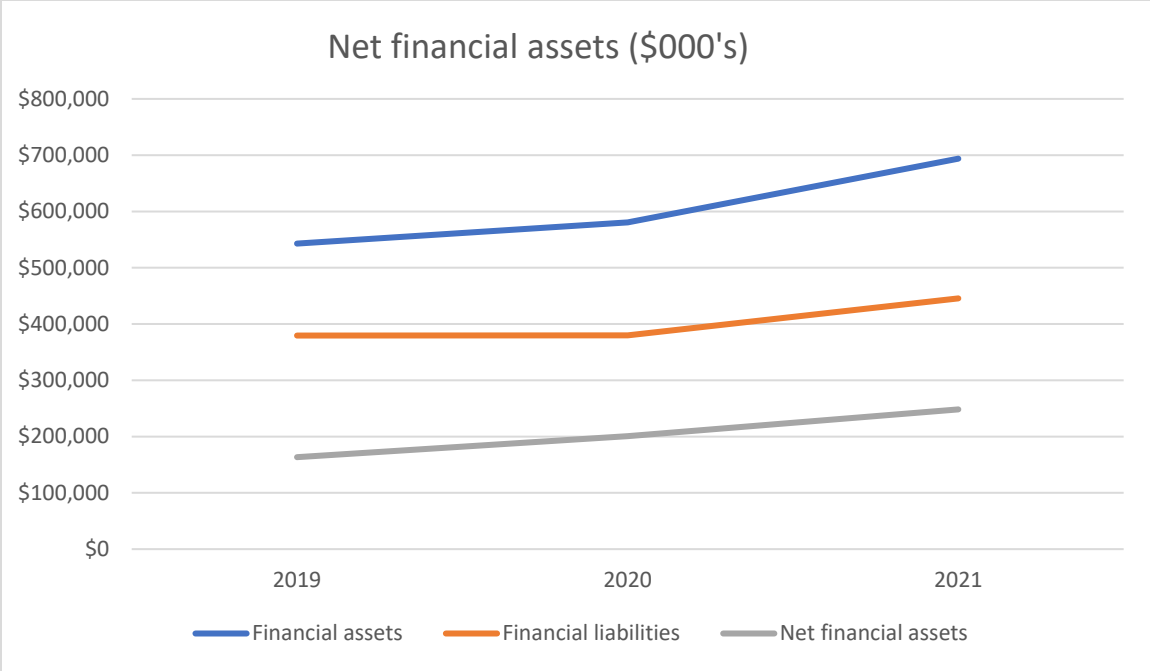
Sustainability

Some of the key sustainability measures are:

- Ratio of cash and investments to reserves and reserve funds
- Consolidated net financial assets
- Asset consumption ratio

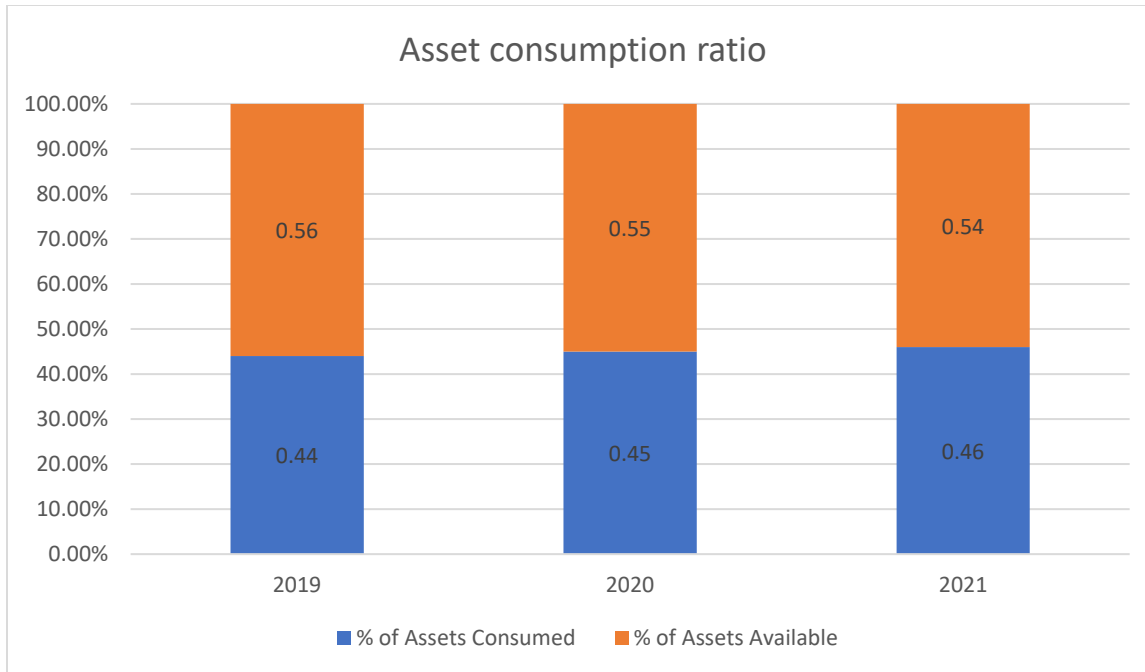


In 2021, the City's cash and investments to reserves and reserve funds ratio returned to 1.22 (the same as the 2019 ratio). The 2020 ratio was 1.16. The minimum target is 1:1. A larger space between the two lines indicates a higher ratio.



Net financial position is financial assets minus financial liabilities. Since the City’s financial assets exceed financial liabilities, the City has net financial assets (as opposed to net debt). In 2021, net financial assets increased by \$47.6 million, which is aligned with the City’s goals of saving to fund future capital requirements, but it is also connected to the City’s backlog of approved but not yet completed capital projects. As the backlogged capital projects are completed, the financial assets line will decrease over time, resulting in a lower overall net financial position as financial assets are converted to tangible capital assets.

The City issued debt in 2021 to fund the South End Community Centre and the Baker District redevelopment, two major upcoming capital projects which caused both the financial assets and the financial liabilities to increase.

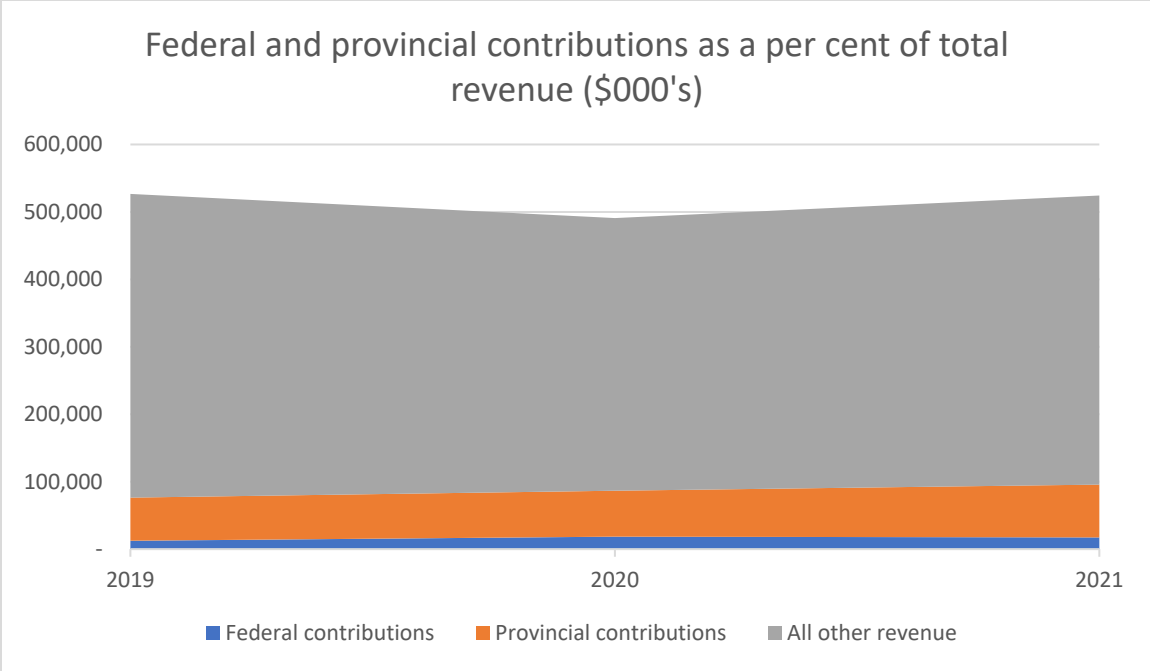


The asset consumption ratio is the accumulated amortization divided by the gross cost of capital assets and it gives insight into how old or used up the City’s assets are. In 2021 the City’s asset consumption ratio increased (0.46), which tells us that the tangible capital assets are older than they were at the end of 2020 (0.45), and 2019 (0.44). This is connected to the trend that we have seen over the past couple of years of Council setting aside capital funds to do the work, but organizationally not having the staff capacity to get it done.

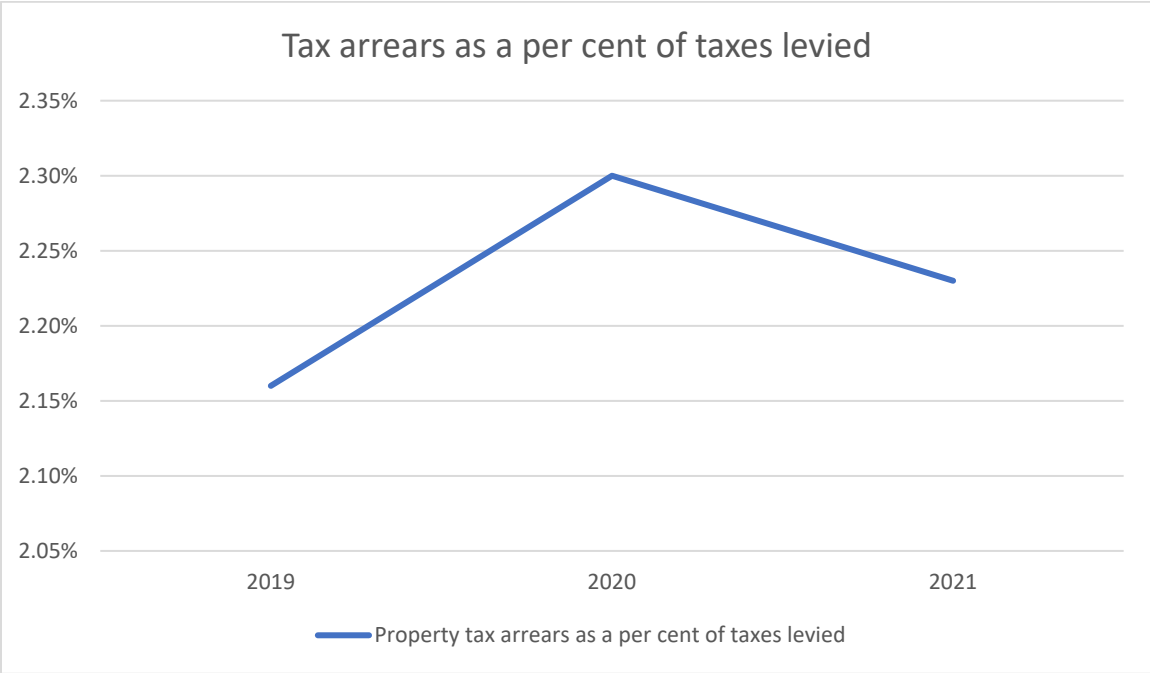
Vulnerability

Some key vulnerability measures are:

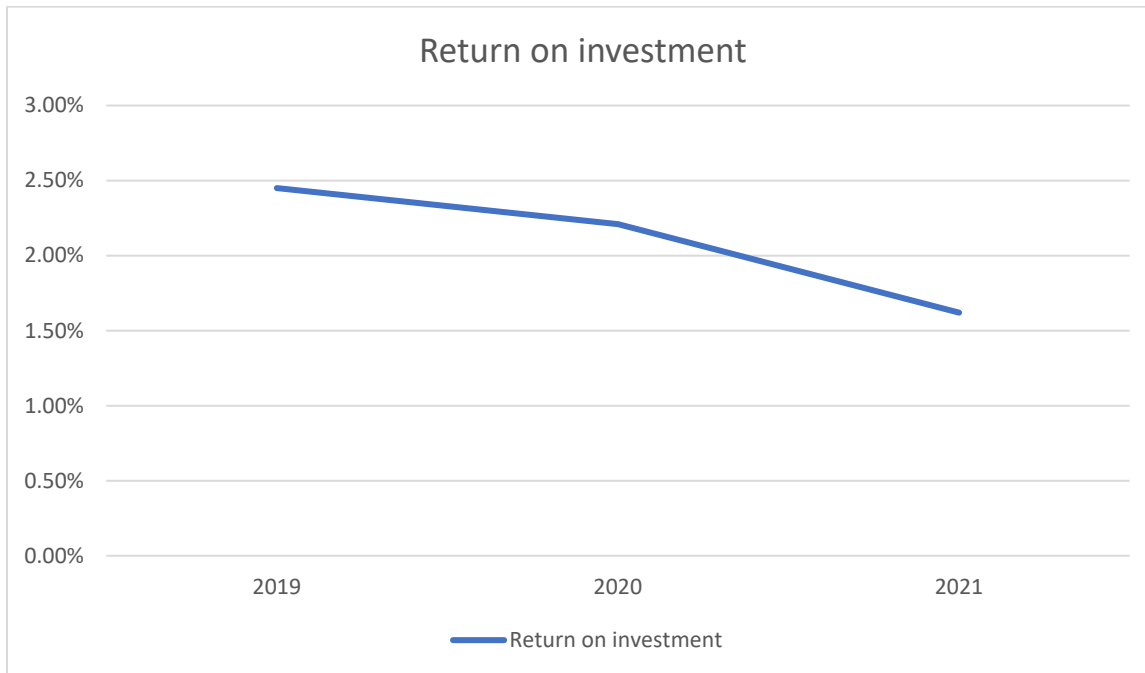
- Federal and provincial contributions as a per cent of total revenue
- Tax arrears as a per cent of taxes levied
- Return on investment



Federal and provincial contributions as a per cent of total revenue increased in 2021 to 18.3 per cent, following the trend from 2020 (2020 - 17.7 per cent, 2019 - 14.5 per cent) because of the decreases to user fees from COVID and the increase in federal and provincial funding through the Safe Restart grants. Federal and provincial grants help offset the municipal tax levy but monitoring reliance on them is important as well because it can represent a risk if stable sources of funding from other levels of government were to decrease or be discontinued.



Tax arrears as a per cent of taxes levied gives us insight into the percentage of property owners unable to pay their property taxes and is an important indicator of economic health. In 2021 the per cent of tax arrears decreased slightly to 2.23 per cent from 2.30 per cent in 2020. In 2019 tax arrears were 2.16 per cent of taxes levied. The City has experienced a consistent low level of tax arrears over the years, including through COVID, and even with a 19 per cent increase in the number of properties in the City from 2010 to 2021.



The City's return on investment decreased from 2.45 per cent in 2019 to 2.21 per cent in 2020 and decreased again in 2021 to 1.62 per cent because of the overall decline in interest rates. Investment income reduces the amount otherwise required from property taxation and user fees to finance City services, as well as increasing the value of reserve funds used to finance future expenditures. Investment market conditions were weak in 2021, however the proactive investment strategy and robust portfolio position puts the City in a good position to take advantage of rising interest rates as the investment market recovers in 2022.









Flexibility

Flexibility measures help us to understand the capacity of the City to respond to unexpected opportunities and threats. The City's reserve and debt positions are integral to its flexibility.

Reserves

Discretionary reserves and reserve funds provide the City with the flexibility to address operating requirements, prevent spikes in funding requirements for capital projects, allow time to access debt markets to take advantage of favourable

conditions, and fund one-time or short-term requirements without impacting tax rates, among many other benefits.

Category	2021 change from 2019	Comparison with targets
Tax supported reserves		
Tax supported reserve funds		
Non-tax supported reserves		
Non-tax supported reserve funds		

Guelph’s tax supported reserves consist of corporate contingency reserves, program specific reserves, and strategic reserves. Corporate contingency reserves were at 100 per cent of target in 2021, and program specific reserves were at 93 per cent. Strategic reserve targets are based on the underlying strategies being supported.

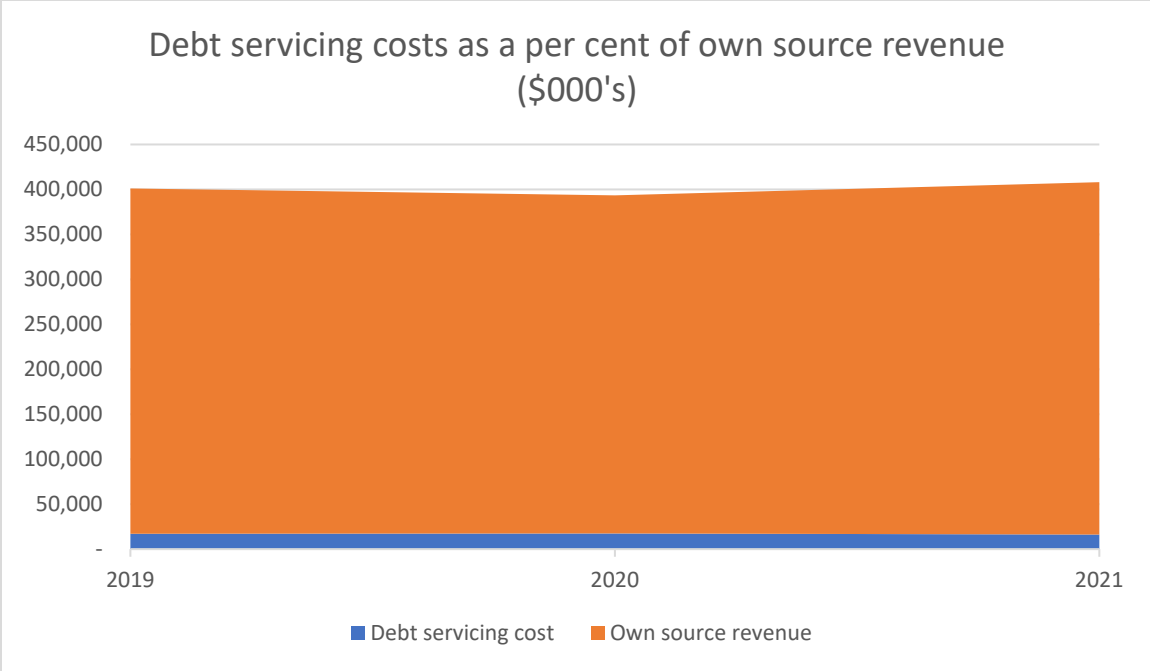
Tax supported reserve funds as a group increased over the 2020 year-end balances, however, corporate capital reserve funds which make up most of the tax reserve funds balance are collectively at 50 per cent of their target balance at the end of 2021.

Non-tax supported reserves are at 100 per cent of their target. Non-tax supported reserve funds are at 96 per cent of target as a group.

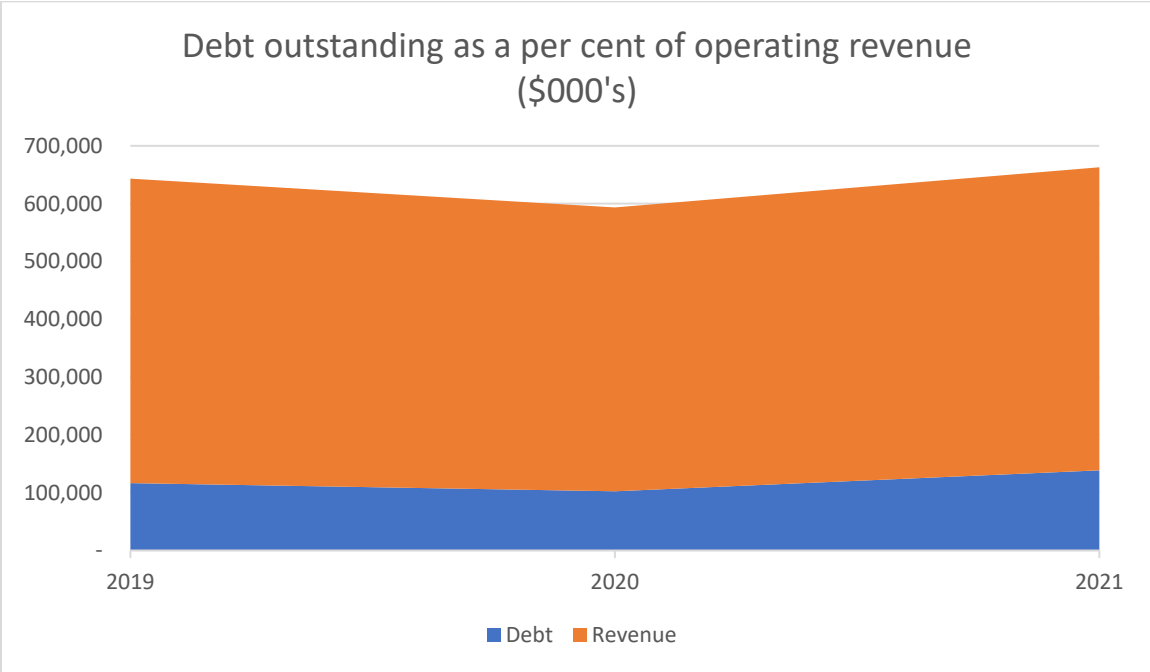
Debt

Low debt in comparison with established thresholds also provides the City with flexibility. There are three key thresholds for debt:

- The Ministry of Municipal Affairs and Housing requirement that no more than 25 per cent of total Own Source Revenue is used to service debt (principal and interest).
- The City of Guelph’s policy limit which requires outstanding debt to be less than 55 per cent of operating revenue; and
- The S&P recommendation that outstanding debt be less than 30 per cent of operating revenue.



The City's debt servicing costs as a per cent of own source revenue in 2021 declined to 4.1 per cent from 4.6 per cent in 2020 (2019 – 4.5 per cent). This is significantly lower than the Ministry of Municipal Affairs and Housing requirement of a maximum of 25 per cent.



The City's consolidated debt outstanding as a per cent of operating revenue increased in 2021 to 26.5 per cent (2020 – 20.9 per cent, 2019 – 22.1 per cent) with the debt issue of \$49.1 million in the spring. Additional debt issues are planned to fund capital requirements and are expected to push the City over the S&P

recommendation of less than 30 per cent of operating revenue, however the City will stay within its internal policy limit of 55 per cent of operating revenue.