

SECTION 1

Consolidated Financial Statements

CITY OF GREATER SUDBURY

Year ended December 31, 2005

Consolidated Financial Statements of

CITY OF GREATER SUDBURY

Year ended December 31, 2005

CITY OF GREATER SUDBURY

Financial Statements Index

(in thousands of dollars)
Year ended December 31, 2005

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AUDITORS' REPORT

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

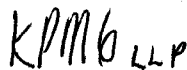
We have audited the consolidated statement of financial position of the **City of Greater Sudbury** as at December 31, 2005 and the consolidated statements of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



COLLINS BARROW, SUDBURY - NIPISSING LLP
Chartered Accountants



KPMG LLP
Chartered Accountants



FREELANDT CALDWELL REILLY LLP
Chartered Accountants

Sudbury, Canada
April 28, 2006

CITY OF GREATER SUDBURY

Consolidated Statement of Financial Position

(in thousands of dollars)

December 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Financial Assets		
Cash and short-term investments (note 2)	\$ 91,317	\$ 93,087
Taxes receivable	9,714	10,007
Accounts receivable	31,570	23,571
Long-term investments (note 3)	35,637	24,165
Other current assets	2,102	2,110
	<u>170,340</u>	<u>152,940</u>
Non-Financial Assets		
Inventory	596	830
Investment in government business enterprises (note 17(b))	79,461	78,366
	<u>80,057</u>	<u>79,196</u>
	<u>\$ 250,397</u>	<u>\$ 232,136</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 46,625	\$ 41,181
Employee benefit obligations (note 4)	38,973	37,493
Deferred revenue - other	1,586	5,341
Deferred revenue - obligatory reserve funds (note 5)	4,844	4,249
Solid waste management facility liability (note 6)	7,228	6,215
Net long-term liabilities (note 7)	51,996	54,069
	<u>151,252</u>	<u>148,548</u>
Municipal Position		
Fund Balances:		
Current (note 8)	121	116
Capital (note 8)	40,604	37,592
Reserves and reserve funds (note 8)	74,482	63,416
Equity in government business enterprises (note 17(b))	79,461	78,366
	<u>194,668</u>	<u>179,490</u>
Amounts to be recovered (note 9):		
From reserves and reserve funds on hand	(5,368)	(5,362)
From future revenues	(90,155)	(90,540)
	<u>(95,523)</u>	<u>(95,902)</u>
Municipal Position	99,145	83,588
Contractual obligations and commitments (note 11)		
	<u>\$ 250,397</u>	<u>\$ 232,136</u>

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

CITY OF GREATER SUDBURY

Consolidated Statement of Financial Activities

(in thousands of dollars)

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenues:		
Transfer payments	\$ 189,416	\$ 176,449
Taxation	156,098	145,232
User charges	84,226	79,576
Investment	9,223	7,854
Fines and penalties	4,969	4,891
Other	8,973	9,933
Government business enterprises net earnings (loss) (note 17(b))	1,095	(139)
	<u>454,000</u>	<u>423,796</u>
Expenditures:		
Current:		
General government	14,663	16,087
Protection to persons and property	58,860	53,037
Transportation services	39,900	39,140
Environmental services	43,629	43,518
Health services	20,118	18,664
Social and family services	144,131	136,043
Social housing	26,366	25,604
Recreation and cultural services	26,109	26,058
Planning and development	9,756	8,644
	<u>383,532</u>	<u>366,795</u>
Capital:		
General government	3,783	2,746
Protection to persons and property	3,663	3,574
Transportation services	22,505	18,947
Environmental services	15,800	18,774
Health services	1,895	758
Social and family services	1,197	9,051
Social housing	2,304	2,310
Recreation and cultural services	2,006	1,656
Planning and development	1,758	2,622
	<u>54,911</u>	<u>60,438</u>
	<u>438,443</u>	<u>427,233</u>
Excess (deficiency) of revenues over expenditures	15,557	(3,437)
Debentures issued	-	11,950
Financial obligations	25	(1,000)
Debt principal repayments	(2,754)	(2,404)
Employee benefits and other liabilities	1,471	1,146
Solid waste management facility liability	1,013	2,571
Capital lease obligations	(134)	(313)
	<u>(379)</u>	<u>11,950</u>
Increase in fund balances	15,178	8,513
Fund balances, beginning of year	179,490	170,977
Fund balances, end of year	\$ 194,668	\$ 179,490

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

CITY OF GREATER SUDBURY

Consolidated Statement of Cash Flows

(in thousands of dollars)

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Cash flows from operating activities:		
Excess (deficiency) of revenues over expenditures	\$ 15,557	\$ (3,437)
Changes in non-cash working capital:		
Inventory	234	92
Deferred revenue - other	(3,755)	482
Deferred revenue - obligatory reserve funds	595	815
Accounts and taxes receivable	(7,707)	9,687
Employee benefit obligations	1,480	1,145
Other current assets	8	256
Accounts payable and accrued liabilities	5,444	(293)
Solid waste management facility liability	1,013	2,571
	<u>12,869</u>	<u>11,318</u>
Cash flows from financing activities:		
Debt principal repayments	(2,754)	(2,404)
Debt acquired	-	11,950
Financial obligations	25	(1,000)
Capital lease obligations	(134)	(313)
	<u>(2,863)</u>	<u>8,233</u>
Cash flows from investing activities:		
Long-term investments	(10,681)	(163)
Investment in government business enterprises	(1,095)	(1,256)
	<u>(11,776)</u>	<u>(1,419)</u>
Net increase (decrease) in cash	(1,770)	18,132
Cash and short-term investments, beginning of year	93,087	74,955
Cash and short-term investments, end of year	\$ 91,317	\$ 93,087

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

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2005

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

1. Significant accounting policies:

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

(a) Reporting entity:

(i) Consolidated Entities:

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

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

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2005

1. Significant accounting policies (continued):

(a) Reporting entity (continued):

(ii) Related Entities:

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

Nickel District Conservation Authority
Sudbury & District Health Unit

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

	2005	2004
Nickel District Conservation Authority	\$ 512	429
Sudbury & District Health Unit	6,066	5,969
	\$ 6,578	6,398

(iii) Equity Accounting:

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

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

(iv) Accounting for School Board Transactions:

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

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2005

1. Significant accounting policies (continued):

(b) Fund Accounting:

Funds within the consolidated financial statements consist of current, capital and reserve funds. Transfers among funds are recorded as adjustments to the appropriate municipal fund balance.

Trust funds and their related operations administered by the City are not included in these financial statements but are reported on separately on the Trust Funds financial statements.

(c) Basis of Accounting:

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

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

(d) Investments:

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

(e) Capital Assets:

The historical cost and accumulated depreciation of fixed assets are not reported for municipal purposes. Capital assets are reported as an expenditure on the consolidated statement of operations and fund balances in the year of acquisition.

(f) Inventory:

Inventory is valued at the lower of cost and replacement cost.

(g) Pensions and Employee Benefits:

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

Vacation entitlements are accrued for as entitlements are earned.

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

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

CITY OF GREATER SUBBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2005

1. Significant accounting policies (continued):

(h) Deferred Revenue - Obligatory Reserve Funds:

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

(i) Amounts to be Recovered:

Amounts to be recovered make up part of the Municipal position, which includes balances for accrued interest on long-term debt, outstanding long-term liabilities, liability for solid waste management facility liability and liabilities for employee benefits.

(j) Taxation and Related Revenues:

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

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

Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known.

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

(k) Use of Estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from these estimates.

CITY OF GREATER SUBBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2005

1. Significant accounting policies (continued):

(I) Accounting for Liabilities – Change in Accounting Policy:

During 2004 the Public Sector Accounting Board approved Section 3200 – Liabilities, which provides a detailed definition of liabilities for municipal governments for the first time. As a result of this standard, transactions previously recorded as commitments have been accrued in these consolidated financial statements on a retroactive basis.

This accounting change has resulted in an increase in long-term liabilities (as reflected in note 7) in the amount of \$18,700,000 and a corresponding increase in amounts to be recovered (as reflected in note 9).

2. Short-term investments:

The short-term investments consisting of cash, term deposits, bonds and treasury bills earn rates of return ranging from 2.3% to 6.8% per annum and amount to \$91,317 (2004 - \$93,087) which are recorded at cost adjusted for amortization of discount or premium, have a market value of \$91,502 (2004 - \$93,620) at the end of the year. Cash other than short-term investments earn a competitive rate of return while on deposit.

3. Long-term investments:

Details of the long-term investments are as follows:

	2005	2004
Term deposits and bonds	\$ 32,896	22,215
Loans receivable	1,741	1,350
Shares in private Ontario corporation	1,000	600
	\$ 35,637	24,165

The term deposits and bonds earn rates of return ranging from 3.0% to 5.1% per annum and are recorded at cost adjusted for amortization of discount or premium, have a market value of \$32,958 (2004 - \$23,000).

The loans receivable are due in annual instalments commencing 2008. One loan repayable in instalments of \$500, bears interest only in the event of default of the borrower and is secured by the general assets of borrower, subject to a postponement to a third party. Another loan, repayable in instalments of \$50, bears interest at 5% per annum and is secured by specified assets of the borrower, subject to postponement to a third party.

The shares consists of 1,000,000 (2004 - 600,000), Class A, non-voting, non-participating, redeemable, preferences shares and 2,000 Class C, non-voting participating shares that are recorded at cost.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2005

4. Employee benefit obligations:

Details of the obligations are as follows:

	2005	2004
Future payments required to WSIB	\$ 1,019	1,177
Accumulated sick leave benefit	7,982	7,854
Other post-employment benefits	19,835	19,145
Vacation pay	10,137	9,317
	\$ 38,973	37,493

The City has established reserve funds in the amount of \$5,368 to mitigate the future impact of these obligations.

- (i) The City has elected to be a Schedule 2 employer under the provisions of the Workplace Safety and Insurance Board Act, and as such, remits payments to the WSIB only as required to fund disability payments.
- (ii) Accumulated sick leave benefits accrue to certain employees of the City and are paid out either on approved retirement, or upon termination or death.
- (iii) Other post employment benefits represent the City's share of the cost to provide certain employees with extended benefits upon early retirement.
- (iv) The following table sets out the results as determined by the actuarial valuation completed in April 2006 for each of the plans, as at December 31, 2005.

	WSIB	Sick Leave	Other Post Employment Benefits	2005 Total	2004 Total
Accrued benefit liability, beginning of year	\$ 1,094	6,593	25,170	32,857	30,413
Benefit cost	459	249	764	1,472	1,587
Interest cost	67	364	1,353	1,784	1,808
Benefit payments	(663)	(369)	(1,877)	(2,909)	(2,735)
Actuarial loss	352	444	1,087	1,883	1,784
Accrued benefit liability, end of year	1,309	7,281	26,497	35,087	32,857
Unamortized gain (loss)	(290)	701	(6,662)	(6,251)	(4,682)
	\$ 1,019	7,982	19,835	28,836	28,175

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2005

4. Employee benefit obligations (continued):

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

	WSIB	Sick Leave	Other Post Employment Benefits
Expected inflation rate	3%	3%	3%
Expected level of salary increases	N/A	3%	3%
Interest discount rate	5.5%	5.5%	5.5%

5. Deferred revenue - obligatory reserve funds:

The balances in the obligatory reserve funds consists of:

	2005	2004
Sub-divider contributions	\$ 3,375	3,206
Recreational Land (The Planning Act)	568	704
Gasoline Tax - Province	901	339
	\$ 4,844	4,249

6. Solid waste management facility liability:

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

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

CITY OF GREATER SUBBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2005

6. Solid waste management facility liability (continued):

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Province of Ontario's average long-term borrowing rate of 3.82% (2004 - 3.95%) minus an inflation rate of 2.24% (2004 - 1.83%) (10-year average of CPI from 1995 to 2005). The estimated total landfill closure and post-closure care expenditures are calculated to be \$12,159 (2004 - \$10,679). The estimated liability for these expenditures is recognized as the landfill site's capacity is used. At December 31, 2005 an amount of \$7,228 (2004 - \$6,215) with respect to landfill closure and post-closure liabilities has been accrued.

The estimated remaining capacity of the Sudbury landfill site is 48% (3,766,000 cubic meters) of its total estimated capacity and its estimated remaining life is 48 years, after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Walden landfill site is 26% (113,000 cubic meters) of its total estimated capacity and its estimated remaining life is 11 years, after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Valley East landfill site is 45% (899,000 cubic meters) of its total estimated capacity and its estimated remaining life is 29 years, after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Rayside-Balfour landfill site is 54% (1,054,000 cubic meters) of its total estimated capacity and its estimated remaining life is 46 years, after which the period for post-closure care is estimated to be 25 years.

7. Long-term liabilities:

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

	2005	2004
Debentures	\$ 25,636	26,449
Capital lease obligations	637	771
Other loans	6,998	8,149
Accrued financial obligations (a)	18,725	18,700
	\$ 51,996	54,069

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2005

7. Long-term liabilities (continued):

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

	Last Year of Commitment	2005	2004
Sudbury Regional Hospital	2023	\$ 12,371	13,071
Northeastern Ontario Regional Cancer Centre	2023	5,329	5,629
Northern Ontario School of Medicine	2009	120	-
Dynamic Earth	2007	905	-
		\$ 18,725	18,700

The principal payments are due as follows:

	2006 to 2010	2011 to 2015	2016 and thereafter	2005 Total	2004 Total
From general municipal revenues	\$ 13,472	11,424	22,140	47,036	49,817
From benefiting landowners	2,219	-	-	2,219	2,303
From others	2,250	491	-	2,741	1,949
	\$ 17,941	11,915	22,140	51,996	54,069

8. Fund balances:

(a) Current fund:

The current fund balances are comprised of the following:

	2005	2004
- to be applied to the operations of the current fund (excluding local boards)	\$ -	-
- to be applied to operations of local boards and entities	121	116
	\$ 121	116

CITY OF GREATER SDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2005

8. Fund balances (continued):

(b) Capital fund:

The capital fund balance is comprised of the following:

	2005	2004
Funds available for capital projects not fully complete on December 31	\$ 45,359	49,296
Unfinanced capital outlay to be recovered through taxation or user charges	(4,755)	(11,704)
	\$ 40,604	37,592

The unfinanced capital outlay will be funded through general municipal revenues recovered within the term of Council in the amount of \$4,550 with the remainder, \$205, raised through taxation and user charges beyond the current term of Council over a five-year period 2007 to 2012.

(c) Reserves and reserve funds:

The reserves and reserve funds consist of:

	2005	2004
Reserves	\$ 7,717	3,946
Reserve funds	66,765	59,470
	\$ 74,482	63,416

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2005

9. Amounts to be recovered:

Amounts to be recovered represent liabilities established for accrual accounting purposes. In some cases, reserves and reserve funds have been established to fund these amounts. In other cases, the liabilities are to be funded from future years' budgetary allocations. Net decrease in amounts to be recovered is \$379 (2004 - net increase of \$9,728).

	2005	2004
Capital lease obligations	\$ 637	771
Long-term liabilities	32,634	34,598
Employee benefit obligations	38,973	37,492
Accrued interest payable on long-term liabilities	67	76
Solid waste management facility liability	7,228	6,215
Accrued financial obligations	18,725	18,700
	98,264	97,852
Less: long-term investments	(2,741)	(1,950)
	\$ 95,523	95,902

Reserves and reserve funds in the amount of \$5,368 (2004 - \$5,362) have been established to mitigate the impact of these future obligations.

10. Operations of school boards:

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

	2005	2004
Taxation	\$ 48,939	48,890
Payments in lieu of taxes	146	198
	\$ 49,085	49,088

11. Contractual obligations and commitments:

(a) Work in progress:

The balance of capital works uncompleted under contracts in progress at December 31, 2005 amounts to approximately \$31,046 (2004 - \$10,857). The proposed financing of these obligations is \$22,959 from contributions from own funds and \$8,087 from provincial grants.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2005

11. Contractual obligations and commitments (continued):

(b) Contracts for services:

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

2006	\$	8,966
2007		3,109
2008		2,299
2009		1,359
2010		1,202
	\$	16,935

(c) Contingent liabilities:

As at December 31, 2005, certain legal actions are pending against the City. An estimate of the contingency cannot be made since the outcome of these matters is indeterminate. Should any loss result from the resolution of these matters, such loss would be charged to operations in the year of disposition.

12. Pension agreement:

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

The amount contributed to OMERS in 2005 was \$7,072 (2004 - \$5,983).

13. Budget figures:

Budgets established for capital funds, reserves and reserve funds are based on a project-oriented basis, the costs of which may be carried out over several years. Current revenue fund budgets are affected on an ongoing basis, depending on when various government programs become available to the City. Accordingly, the budgets are not directly comparable with current year actual amounts and therefore, budgets have not been reflected on the consolidated statement of financial activities.

CITY OF GREATER SUBBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2005

14. Provincial offences administration (POA):

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

Balances arising from operation of the POA office have been consolidated with these financial statements.

15. Expenditures by object:

As required by Section 1700 of the Public Sector Accounting Board reporting requirements, these financial statements report on expenditures by functions. The City's expenditures by object are as follows:

	2005	2004
Current operations:		
Salaries, wages and benefits	\$ 152,571	143,033
Long-term debt charges	1,784	1,381
Materials, services, rents and financial items	123,054	121,289
Transfers to other governments and the public	106,123	101,092
	<hr/> 383,532	<hr/> 366,795
Capital:		
Materials, services, rents and financial items	54,911	60,438
	<hr/> \$ 438,443	<hr/> 427,233

16. Trust funds:

Trust funds amounting to \$8,285 (2004 - \$7,985) and their related operations administered by the City are not consolidated, but are reported separately on the Trust Funds balance sheet and Trust Funds statement of continuity.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2005

17. Investment in government business enterprises:

The Sudbury Airport Community Development Corporation ("SACDC"), Greater Sudbury Utilities Inc. ("GSU") and Sudbury Community Development Corporation ("SCDC") are owned and controlled by the City of Greater Sudbury. As these corporations are business enterprises of the City, they are accounted for on a modified equity basis in these consolidated financial statements.

(a) The following table provides condensed supplementary financial information for the year ending December 31, 2005:

	SACDC	GSU	SCDC	2005 Total	2004 Total
Financial Position					
Current assets	\$ 1,035	37,542	31	38,608	31,028
Capital assets	10,841	67,263	1,547	79,651	75,006
Other assets	8	5,385	–	5,393	3,450
Total assets	11,884	110,190	1,578	123,652	109,484
Current liabilities	792	21,949	106	22,847	14,897
Note payable to the City of Greater Sudbury	952	52,341	–	53,293	52,579
Other long-term liabilities	5,669	17,435	1,472	24,576	20,166
Total liabilities	7,413	91,725	1,578	100,716	87,642
Net assets	\$ 4,471	18,465	–	22,936	21,842
Results of operations:					
Revenue	\$ 3,023	91,813	537	95,373	83,076
Operating expenses	(2,799)	(87,137)	(537)	(90,473)	(79,403)
Interest paid to the City of Sudbury	(5)	(3,800)	–	(3,805)	(3,812)
Net income (loss)	\$ 219	876	–	1,095	(139)

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2005

17. Investment in government business enterprises (continued):

(b) The investment at December 31, 2005 consists of the following:

	SACDC	GSU	2005 Total	2004 Total
Balance, beginning of year	\$ 4,252	74,114	78,366	77,110
City's share of operating income (loss) for the year	219	876	1,095	(139)
Investment	—	—	—	1,395
	219	876	1,095	1,256
Balance, end of year	\$ 4,471	74,990	79,461	78,366

18. Comparative figures:

Certain 2004 comparative figures have been reclassified to conform with the presentation adopted in 2005.

CITY OF GREATER SUDBURY

Schedule of Current Fund Operations

(in thousands of dollars)

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenues:		
Taxation	\$ 156,098	\$ 145,232
Fines and penalties	4,969	4,891
User charges	84,226	79,576
Transfer payments	184,028	169,276
Investment	7,431	6,351
Other	7,802	8,413
	<u>444,554</u>	<u>413,739</u>
Expenditures:		
General government	14,663	16,087
Protection to persons and property	58,860	53,037
Transportation services	39,900	39,140
Environmental services	43,629	43,518
Health services	20,118	18,664
Social and family services	144,131	136,043
Social housing	26,366	25,604
Recreation and cultural services	26,109	26,058
Planning and development	9,756	8,644
	<u>383,532</u>	<u>366,795</u>
Net revenues	61,022	46,944
Transfers to other funds:		
Transfer to capital fund	(42,683)	(36,051)
Transfer to reserves and reserve funds	(18,089)	(9,785)
Transfer to government business enterprises	-	(1,395)
	<u>(60,772)</u>	<u>(47,231)</u>
Solid waste management facility liability	1,013	2,571
Employee benefits and other liabilities	1,471	1,146
Financial obligations	25	(1,000)
Debt principal repayments	(2,754)	(2,404)
	<u>(61,017)</u>	<u>(46,918)</u>
Increase in fund balance	5	26
Fund balance, beginning of year	116	90
Fund balance, end of year	\$ 121	\$ 116

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

CITY OF GREATER SUDBURY

Schedule of Capital Fund

(in thousands of dollars)

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenues:		
Transfer payments	\$ 5,388	\$ 7,173
Other	993	1,451
	<u>6,381</u>	<u>8,624</u>
Expenditures:		
General government	3,783	2,746
Protection to persons and property	3,663	3,574
Transportation services	22,505	18,947
Environmental services	15,800	18,774
Health services	1,895	758
Social and family services	1,197	9,051
Social housing	2,304	2,310
Recreation and cultural services	2,006	1,656
Planning and development	1,758	2,622
	<u>54,911</u>	<u>60,438</u>
Net expenditures	(48,530)	(51,814)
Transfers from other funds:		
Transfer from current fund	42,683	36,051
Transfer from reserves and reserve funds	8,992	8,566
	<u>51,675</u>	<u>44,617</u>
Capital lease obligations	(134)	(313)
Debentures issued and long-term financial obligation	-	11,950
	<u>51,541</u>	<u>56,254</u>
Increase in fund balance	3,011	4,440
Fund balance, beginning of year	37,593	33,153
Fund balance, end of year	\$ 40,604	\$ 37,593

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

CITY OF GREATER SUDBURY

Schedule of Reserves and Reserve Funds

(in thousands of dollars)

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenues:		
Investment	\$ 1,792	\$ 1,503
Other	177	69
	<u>1,969</u>	<u>1,572</u>
Transfers (to) from other funds:		
Transfers from current fund	18,089	9,785
Transfers to reserves and reserve funds	<u>(8,992)</u>	<u>(8,566)</u>
	9,097	1,219
Increase in fund balance	11,066	2,791
Balance, beginning of year	63,416	60,625
Balance, end of year	<u>\$ 74,482</u>	<u>\$ 63,416</u>

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