

SECTION 1

Consolidated Financial Statements

CITY OF GREATER SUDBURY

Year ended December 31, 2006

CITY OF GREATER SUDBURY

Financial Statements Index

(in thousands of dollars)

Year ended December 31, 2006

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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, 2006 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.

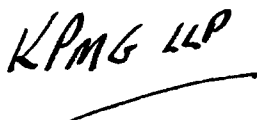
In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



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Chartered Accountants, Licensed Public Accountants



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Chartered Accountants, Licensed Public Accountants



KPMG LLP
Chartered Accountants, Licensed Public Accountants

Sudbury, Canada
May 4, 2007

CITY OF GREATER SUDBURY

Consolidated Statement of Financial Position

(in thousands of dollars)

December 31, 2006, with comparative figures for 2005

	2006	2005 (restated)
Assets		
Financial Assets		
Cash and short-term investments (note 2)	\$ 107,188	\$ 91,317
Taxes receivable	8,542	9,714
Accounts receivable	39,771	31,570
Long-term investments (note 3)	39,492	35,637
Other current assets	1,940	2,102
	<u>196,933</u>	<u>170,340</u>
Non-Financial Assets		
Inventory	918	596
Investment in government business enterprises (note 17(b))	82,139	79,461
	<u>83,057</u>	<u>80,057</u>
	<u>\$ 279,990</u>	<u>\$ 250,397</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 52,659	\$ 46,625
Employee benefit obligations (note 4)	40,706	38,973
Deferred revenue - other	1,618	1,586
Deferred revenue - obligatory reserve funds (note 5)	17,408	9,800
Solid waste management facility liability (note 6)	7,825	7,228
Net long-term liabilities (note 7)	48,117	51,996
	<u>168,333</u>	<u>156,208</u>
Municipal Position		
Fund Balances:		
Current (note 8(a))	54	121
Capital (note 8(b))	34,619	40,604
Reserves and reserve funds (note 8(c))	88,809	69,526
Equity in government business enterprises (note 17(b))	82,139	79,461
	<u>205,621</u>	<u>189,712</u>
Amounts to be recovered (note 9):		
From reserves and reserve funds on hand	(5,325)	(5,368)
From future revenues	(88,639)	(90,155)
	<u>(93,964)</u>	<u>(95,523)</u>
Municipal Position	111,657	94,189
Contractual obligations and commitments (note 11)		
	<u>\$ 279,990</u>	<u>\$ 250,397</u>

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

CITY OF GREATER SADBURY

Consolidated Statement of Financial Activities

(in thousands of dollars)

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005 (restated)
Revenues:		
Transfer payments	\$ 211,438	\$ 189,416
Taxation	164,244	156,098
User charges	88,315	84,226
Investment	11,431	9,083
Fines and penalties	4,594	4,969
Other	9,628	8,989
Government business enterprises net earnings (note 17(b))	2,678	1,095
	<u>492,328</u>	<u>453,876</u>
Expenditures:		
Current:		
General government	17,080	14,663
Protection to persons and property	63,163	58,860
Transportation services	44,240	39,900
Environmental services	43,453	43,629
Health services	20,034	20,118
Social and family services	147,648	144,131
Social housing	26,560	26,366
Recreation and cultural services	28,271	26,109
Planning and development	9,402	9,756
	<u>399,851</u>	<u>383,532</u>
Capital:		
General government	5,174	3,783
Protection to persons and property	4,583	3,663
Transportation services	34,682	22,505
Environmental services	17,329	15,800
Health services	5,005	1,895
Social and family services	1,592	1,197
Social housing	2,394	2,304
Recreation and cultural services	3,297	2,006
Planning and development	963	1,758
	<u>75,019</u>	<u>54,911</u>
	<u>474,870</u>	<u>438,443</u>
Excess of revenues over expenditures	17,458	15,433
Financial obligations	(1,576)	25
Debt principal repayments	(2,914)	(2,754)
Employee benefits and other liabilities	1,733	1,471
Solid waste management facility liability	596	1,013
Capital lease obligations	612	(134)
	<u>(1,549)</u>	<u>(379)</u>
Increase in fund balances	15,909	15,054
Fund balances, beginning of year	189,712	174,658
Fund balances, end of year	\$ 205,621	\$ 189,712

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, 2006, with comparative figures for 2005

	2006	2005 (restated)
Cash flows from operating activities:		
Excess of revenues over expenditures	\$ 17,458	\$ 15,433
Changes in non-cash working capital:		
Inventory	(322)	234
Deferred revenue - other	32	(3,755)
Deferred revenue - obligatory reserve funds	7,608	719
Accounts and taxes receivable	(7,029)	(7,707)
Employee benefit obligations	1,733	1,480
Other current assets	162	8
Accounts payable and accrued liabilities	6,034	5,444
Solid waste management facility liability	597	1,013
	<u>26,273</u>	<u>12,869</u>
Cash flows from financing activities:		
Debt principal repayments	(2,914)	(2,754)
Financial obligations	(1,576)	25
Capital lease obligations	612	(134)
	<u>(3,878)</u>	<u>(2,863)</u>
Cash flows from investing activities:		
Long-term investments	(3,846)	(10,681)
Investment in government business enterprises	(2,678)	(1,095)
	<u>(6,524)</u>	<u>(11,776)</u>
Net increase (decrease) in cash	15,871	(1,770)
Cash and short-term investments, beginning of year	91,317	93,087
Cash and short-term investments, end of year	\$ 107,188	\$ 91,317

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, 2006

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 adopted 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, 2006

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:

	2006	2005
Nickel District Conservation Authority	\$ 520	512
Sudbury & District Health Unit	5334	6,066
	\$ 5854	6,578

(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, 2006

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 capital 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 SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2006

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 SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2006

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 \$107,188 (2005 - \$91,317) which are recorded at cost adjusted for amortization of discount or premium, have a market value of \$107,591 (2005 - \$91,502) 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:

	2006	2005
Term deposits and bonds	\$ 36,816	32,896
Loans receivable	1,741	1,741
Shares in private Ontario corporation	935	1,000
	\$ 39,492	35,637

The term deposits and bonds earn rates of return ranging from 3.2% to 4.6% per annum and are recorded at cost adjusted for amortization of discount or premium, have a market value of \$37,652 (2005 - \$32,958).

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 935 (2005 - 1,000), Class A, non-voting, non-participating, redeemable, preferences shares and 2 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, 2006

4. Employee benefit obligations:

Details of the obligations are as follows:

	2006	2005
Future payments required to WSIB	\$ 961	1,019
Accumulated sick leave benefit	8,367	7,982
Other post-employment benefits	20,571	19,835
Vacation pay	10,807	10,137
	\$ 40,706	38,973

The City has established reserve funds in the amount of \$5,325 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 March 2007 for each of the plans, as at December 31, 2006.

	WSIB	Sick Leave	Other Post Employment Benefits	2006 Total	2005 Total
Accrued benefit liability, beginning of year	\$ 1,309	7,281	26,497	35,087	32,857
Benefit cost	472	613	895	1,980	1,472
Interest cost	66	334	1,172	1,572	1,784
Benefit payments	(611)	(480)	(1,855)	(2,946)	(2,909)
Actuarial loss	458	618	5,104	6,180	1,883
Accrued benefit liability, end of year	1,694	8,366	31,813	41,873	35,087
Unamortized gain (loss)	(733)	1	(11,242)	(11,974)	(6,251)
	\$ 961	8,367	20,571	29,899	28,836

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2006

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	4.5%	4.5%	4.5%

5. Deferred revenue - obligatory reserve funds:

The balances in the obligatory reserve funds consist of:

	2006	2005 (restated)
Sub-divider contributions	\$ 4,230	3,375
Recreational Land (The Planning Act)	644	568
Gasoline Tax - Province	1,693	901
Gasoline Tax - Federal	3,270	-
Building Permit Revenues (Bill 124)	2,525	384
Regional Road 80	5,046	4,572
	\$ 17,408	9,800

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 SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2006

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 3.68% (2005 - 3.82%) minus an inflation rate of 2% (2005 - 2.24%) (10-year average of CPI from 1995 to 2005). The estimated total landfill closure and post-closure care expenditures are calculated to be \$13,178 (2005 - \$12,159). The estimated liability for these expenditures is recognized as the landfill site's capacity is used. At December 31, 2006 an amount of \$7,825 (2006 - \$7,228) with respect to landfill closure and post-closure liabilities has been accrued.

The estimated remaining capacity of the Sudbury landfill site is 47% (3,688,000 cubic meters) of its total estimated capacity and its estimated remaining life is 47 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 21% (89,000 cubic meters) of its total estimated capacity and its estimated remaining life is 10 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 47% (943,000 cubic meters) of its total estimated capacity and its estimated remaining life is 28 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 53% (1,031,000 cubic meters) of its total estimated capacity and its estimated remaining life is 45 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:

	2006	2005
Debentures	\$ 24,777	25,636
Capital lease obligations	1,249	637
Other loans	4,942	6,998
Accrued financial obligations (a)	17,149	18,725
	\$ 48,117	51,996

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2006

7. Long-term liabilities (continued):

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

	Last Year of Commitment	2006	2005
Sudbury Regional Hospital	2023	\$ 11,671	12,371
Northeastern Ontario Regional Cancer Centre	2023	5,029	5,329
Northern Ontario School of Medicine	2009	90	120
Dynamic Earth	2007	359	905
		\$ 17,149	18,725

The principal payments are due as follows:

	2007 to 2011	2012 to 2016	2017 and thereafter	2006 Total	2005 Total
From general municipal revenues	\$ 12,124	10,285	19,551	41,960	47,036
From benefiting landowners	2,192	1,139	85	3,416	2,219
From others	2,741	—	—	2,741	2,741
	\$ 17,057	11,424	19,636	48,117	51,996

8. Fund balances:

(a) Current fund:

The current fund balances are comprised of the following:

	2006	2005
- to be applied to the operations of the current fund (excluding local boards)	\$ —	—
- to be applied to operations of local boards and entities	54	121
	\$ 54	121

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2006

8. Fund balances (continued):

(b) Capital fund:

The capital fund balance is comprised of the following:

	2006	2005
Funds available for capital projects not fully complete on December 31	\$ 44,565	45,359
Unfinanced capital outlay to be recovered through taxation or user charges	(9,946)	(4,755)
	\$ 34,619	40,604

The unfinanced capital outlay will be funded through general municipal revenues recovered within the term of Council in the amount of \$8,984 with the remainder, \$962, 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:

	2006	2005
		(restated)
Reserves	\$ 6,631	7,717
Reserve funds	82,178	61,809
	\$ 88,809	69,526

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2006

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 \$1,936 (2005 - net decrease of \$379).

	2006	2005
Capital lease obligations	\$ 1,249	637
Long-term liabilities	29,720	32,634
Employee benefit obligations	40,706	38,973
Accrued interest payable on long-term liabilities	56	67
Solid waste management facility liability	7,825	7,228
Accrued financial obligations	17,149	18,725
	96,705	98,264
Less: long-term investments	(2,741)	(2,741)
	\$ 93,964	95,523

Reserves and reserve funds in the amount of \$5,325 (2005 - \$5,368) 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:

	2006	2005
Taxation	\$ 49,169	48,939
Payments in lieu of taxes	146	146
	\$ 49,315	49,085

11. Contractual obligations and commitments:

(a) Work in progress:

The balance of capital works uncompleted under contracts in progress at December 31, 2006 amounts to approximately \$32,558 (2005 - \$31,046). The proposed financing of these obligations is \$21,361 from contributions from own funds and \$11,197 from provincial grants.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2006

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:

2007	\$	7,136
2008		2,716
2009		2,007
2010		1,813
2011		1,813
	\$	15,485

(c) Contingent liabilities:

As at December 31, 2006, 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 2006 was \$8,007 (2005 - \$7,072).

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 SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2006

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:

	2006	2005
Current operations:		
Salaries, wages and benefits	\$ 158,468	152,571
Long-term debt charges	1,605	1,784
Materials, services, rents and financial items	136,009	123,054
Transfers to other governments and the public	103,769	106,123
	399,851	383,532
Capital:		
Materials, services, rents and financial items	75,019	54,911
	\$ 474,870	438,443

16. Trust funds:

Trust funds amounting to \$8,196 (2005 - \$8,285) 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 SADBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2006

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, 2006:

	SACDC	GSU	SCDC	2006 Total	2005 Total
Financial Position					
Current assets	\$ 1,349	36,719	26	38,094	38,608
Capital assets	10,982	68,387	1,019	80,388	79,651
Other assets	–	5,065	–	5,065	5,393
Total assets	12,331	110,171	1,045	123,547	123,652
Current liabilities	745	19,153	102	20,000	22,847
Note payable to the City of Greater Sudbury	963	52,341	–	53,304	53,293
Other long-term liabilities	5,742	17,944	943	24,629	24,576
Total liabilities	7,450	89,438	1,045	97,933	100,716
Net assets	\$ 4,881	20,733	–	25,614	22,936
Results of operations:					
Revenue	\$ 3,446	98,716	550	102,712	95,373
Operating expenses	(3,006)	(92,648)	(550)	(96,204)	(90,473)
Interest paid to the City of Sudbury	(30)	(3,800)	–	(3,830)	(3,805)
Net income	\$ 410	2,268	–	2,678	1,095

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2006

17. Investment in government business enterprises (continued):

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

	SACDC	GSU	2006 Total	2005 Total
Balance, beginning of year	\$ 4,471	74,990	79,461	78,366
City's share of operating income for the year	410	2,268	2,678	1,095
Balance, end of year	\$ 4,881	77,258	82,139	79,461

18. Comparative figures:

Certain 2005 comparative figures have been reclassified to conform with the presentation adopted in 2006.

CITY OF GREATER SUDBURY

Schedule of Current Fund Operations

(in thousands of dollars)

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005 (restated)
Revenues:		
Taxation	\$ 164,244	\$ 156,098
Fines and penalties	4,594	4,969
User charges	88,315	84,226
Transfer payments	192,964	184,028
Investment	8,739	7,431
Other	8,412	7,818
	<u>467,268</u>	<u>444,570</u>
Expenditures:		
General government	17,080	14,663
Protection to persons and property	63,163	58,860
Transportation services	44,240	39,900
Environmental services	43,453	43,629
Health services	20,034	20,118
Social and family services	147,648	144,131
Social housing	26,560	26,366
Recreation and cultural services	28,271	26,109
Planning and development	9,402	9,756
	<u>399,851</u>	<u>383,532</u>
Net revenues	67,417	61,038
Transfers to other funds:		
Transfer to capital fund	(50,207)	(43,083)
Transfer to reserves and reserve funds	(15,116)	(17,705)
	<u>(65,323)</u>	<u>(60,788)</u>
Solid waste management facility liability	596	1,013
Employee benefits and other liabilities	1,733	1,471
Financial obligations	(1,576)	25
Debt principal repayments	(2,914)	(2,754)
	<u>(67,484)</u>	<u>(61,033)</u>
Increase (decrease) in fund balance	(67)	5
Fund balance, beginning of year	121	116
Fund balance, end of year	\$ 54	\$ 121

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, 2006, with comparative figures for 2005

	2006	2005
		(restated)
Revenues:		
Transfer payments	\$ 18,474	\$ 5,388
Other	1,192	993
	<u>19,666</u>	<u>6,381</u>
Expenditures:		
General government	5,174	3,783
Protection to persons and property	4,583	3,663
Transportation services	34,682	22,505
Environmental services	17,329	15,800
Health services	5,005	1,895
Social and family services	1,592	1,197
Social housing	2,394	2,304
Recreation and cultural services	3,297	2,006
Planning and development	963	1,758
	<u>75,019</u>	<u>54,911</u>
Net expenditures	(55,353)	(48,530)
Transfers from other funds:		
Transfer from current fund	50,207	43,083
Transfer from reserves and reserve funds	(1,451)	8,592
	<u>48,756</u>	<u>51,675</u>
Capital lease obligations	612	(134)
	<u>49,368</u>	<u>51,541</u>
Increase (decrease) in fund balance	(5,985)	3,011
Fund balance, beginning of year	40,604	37,593
Fund balance, end of year	\$ 34,619	\$ 40,604

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, 2006, with comparative figures for 2005

	2006	2005
		(restated)
Revenues:		
Investment	\$ 2,692	\$ 1,652
Contributions from developers	24	-
Other	-	177
	<u>2,716</u>	<u>1,829</u>
Transfers (to) from other funds:		
Transfers from current fund	15,116	17,705
Transfers to capital fund	1,451	(8,592)
	<u>16,567</u>	<u>9,113</u>
Increase in fund balance	19,283	10,942
Balance, beginning of year	69,526	58,584
Balance, end of year	\$ 88,809	\$ 69,526

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