

SECTION 1

Consolidated Financial Statements

CITY OF GREATER SUDBURY

Year ended December 31, 2007

CITY OF GREATER SUDBURY

Financial Statements Index

(in thousands of dollars)
Year ended December 31, 2007

	Page
Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Financial Activities	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5 - 19
Schedules:	
Current Fund Operations	20
Capital Fund	21
Reserves and Reserve Funds	22

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, 2007 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 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, 2007 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

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Chartered Accountants, Licensed Public Accountants

Freelandt Caldwell Reilly LLP

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KPMG LLP

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Chartered Accountants, Licensed Public Accountants

Sudbury, Canada
May 7, 2008

CITY OF GREATER SADBURY

Consolidated Statement of Financial Position

(in thousands of dollars)

December 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Financial Assets		
Cash and short-term investments (note 2)	\$ 130,550	\$ 107,188
Taxes receivable	7,919	8,542
Accounts receivable	44,245	39,771
Long-term investments (note 3)	48,621	39,492
Other current assets	1,717	1,940
	<u>233,052</u>	<u>196,933</u>
Non-Financial Assets		
Inventory	769	918
Investment in government business enterprises (note 17(b))	80,786	82,139
	<u>81,555</u>	<u>83,057</u>
	<u>\$ 314,607</u>	<u>\$ 279,990</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 58,348	\$ 52,659
Employee benefit obligations (note 4)	42,008	40,706
Deferred revenue - other	4,353	1,618
Deferred revenue - obligatory reserve funds (note 5)	22,804	18,005
Solid waste management facility liability (note 6)	8,296	7,825
Long-term liabilities (note 7)	40,727	48,117
	<u>176,536</u>	<u>168,930</u>
Municipal Position		
Fund Balances:		
Current (note 8(a))	87	54
Capital (note 8(b))	48,148	34,619
Reserves and reserve funds (note 8(c))	100,127	88,212
Equity in government business enterprises (note 17(b))	80,786	82,139
	<u>229,148</u>	<u>205,024</u>
Amounts to be recovered (note 9):		
From reserves and reserve funds on hand	(4,547)	(5,325)
From future revenues	(86,530)	(88,639)
	<u>(91,077)</u>	<u>(93,964)</u>
Municipal Position	138,071	111,060
Contractual obligations and commitments (note 11)		
	<u>\$ 314,607</u>	<u>\$ 279,990</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, 2007, with comparative figures for 2006

	2007	2006
Revenues:		
Transfer payments	\$ 210,619	\$ 211,438
Taxation	174,610	164,244
User charges	94,356	88,315
Investment	13,123	11,407
Other	15,696	9,624
Fines and penalties	4,950	4,594
Government business enterprises net earnings (loss) (note 17(b))	(1,353)	2,678
	512,001	492,300
Expenditures:		
Current:		
General government	17,402	17,080
Protection to persons and property	63,710	63,163
Transportation services	43,868	44,240
Environmental services	48,789	43,453
Health services	16,903	20,034
Social and family services	153,340	147,648
Social housing	28,421	26,560
Recreation and cultural services	29,888	28,271
Planning and development	11,776	9,402
	414,097	399,851
Capital:		
General government	5,233	5,174
Protection to persons and property	2,608	4,583
Transportation services	28,489	34,682
Environmental services	25,494	17,329
Health services	2,019	5,005
Social and family services	490	1,592
Social housing	2,930	2,394
Recreation and cultural services	2,397	3,297
Planning and development	1,244	963
	70,904	75,019
	485,001	474,870
Excess of revenues over expenditures	27,000	17,430
Financial obligations	(1,389)	(1,576)
Debt principal repayments	(2,748)	(2,914)
Employee benefits and other liabilities	1,302	1,733
Solid waste management facility liability	471	596
Capital lease obligations	(512)	612
	(2,876)	(1,549)
Increase in fund balances	24,124	15,881
Fund balances, beginning of year	205,024	189,143
Fund balances, end of year	\$ 229,148	\$ 205,024

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, 2007, with comparative figures for 2006

	2007	2006
Cash flows from operating activities:		
Excess of revenues over expenditures	\$ 27,000	\$ 17,430
Changes in non-cash working capital:		
Inventory	149	(322)
Deferred revenue - other	2,735	32
Deferred revenue - obligatory reserve funds	4,799	7,636
Accounts and taxes receivable	(3,858)	(7,029)
Accounts receivable decrease due to change in control of GSCDC	7	-
Employee benefit obligations	1,302	1,733
Other current assets	223	162
Accounts payable and accrued liabilities	5,689	6,034
Solid waste management facility liability	471	597
	<u>38,517</u>	<u>26,273</u>
Cash flows from financing activities:		
Debt principal repayments	(2,748)	(2,914)
Reduction of long-term debt due to change in control of GSCDC	(2,741)	-
Financial obligations	(1,389)	(1,576)
Capital lease obligations	(512)	612
	<u>(7,390)</u>	<u>(3,878)</u>
Cash flows from investing activities:		
Long-term investments	(11,793)	(3,846)
Decrease in long-term investments due to change in control of GSCDC	2,675	-
Investment in government business enterprises	1,353	(2,678)
	<u>(7,765)</u>	<u>(6,524)</u>
Net increase in cash	23,362	15,871
Cash and short-term investments, beginning of year	107,188	91,317
Cash and short-term investments, end of year	\$ 130,550	\$ 107,188

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, 2007

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
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.

During the year, City Council approved a by-law which resulted in a change of control of the City of Greater Sudbury Community Development Corporation ("GSCDC"). As a result, at December 31, 2007 the GSCDC is no longer included in the reporting entity as it is neither owned nor controlled by the City.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2007

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
City of Greater Sudbury Community Development Corporation

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

	2007	2006
Nickel District Conservation Authority	\$ 403	520
Sudbury & District Health Unit	4,898	5,334
City of Greater Sudbury Community Development Corporation	589	—
	\$ 5,890	5,854

(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 method, 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, 2007

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 financial activities 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, 2007

1. Significant accounting policies (continued):

(g) Pensions and Employee Benefits (continued):

Actuarial gains (losses) on the accrued benefit obligation arise from the difference between actual and expected experiences and from changes in actuarial assumptions used to determine the accrued benefit obligation. These gains (losses) are amortized over the average remaining service period of active employees.

(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, 2007

2. Short-term investments:

The short-term investments consisting of cash, term deposits, bonds and treasury bills earn rates of return ranging from 3.2% to 4.9% per annum and amount to \$130,550 (2006 - \$107,188) which are recorded at cost adjusted for amortization of discount or premium, have a market value of \$131,261 (2006 - \$107,591) 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:

	2007	2006
Term deposits and bonds	\$ 48,621	36,816
Loans receivable	—	1,741
Shares in private Ontario corporation	—	935
	\$ 48,621	39,492

The term deposits and bonds earn rates of return ranging from 3.4% to 5.6% per annum and are recorded at cost adjusted for amortization of discount or premium and have a market value of \$49,206 (2006 - \$37,652).

4. Employee benefit obligations:

Details of the obligations are as follows:

	2007	2006
Future payments required to WSIB	\$ 736	961
Accumulated sick leave benefit	8,024	8,367
Other post-employment benefits	21,767	20,571
Vacation pay	11,481	10,807
	\$ 42,008	40,706

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2007

4. Employee benefit obligations (continued):

The City has established reserve funds in the amount of \$4,547 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 2008 for each of the plans, as at December 31, 2007.

	WSIB	Sick Leave	Other Post Employment Benefits	2007 Total	2006 Total
Accrued benefit liability, beginning of year	\$ 1,694	8,366	31,813	41,873	35,087
Benefit cost	501	493	977	1,971	1,980
Interest cost	88	419	1,553	2,060	1,572
Benefit payments	(875)	(1,151)	(2,094)	(4,120)	(2,946)
Actuarial loss	586	(1,062)	(544)	(1,020)	6,180
Accrued benefit liability, end of year	1,994	7,065	31,705	40,764	41,873
Unamortized gain (loss)	(1,258)	959	(9,938)	(10,237)	(11,974)
	\$ 736	8,024	21,767	30,527	29,899

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	5.15%	5.15%	5%

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2007

5. Deferred revenue - obligatory reserve funds:

The balances in the obligatory reserve funds consist of:

	2007	2006
Sub-divider contributions	\$ 5,050	4,828
Recreational Land (The Planning Act)	820	644
Gasoline Tax - Province	1,119	1,693
Gasoline Tax - Federal	4,862	3,270
Building Permit Revenues (Bill 124)	3,591	2,525
Regional Road 80	5,275	5,045
Canada Transit Funding (Bill C-48)	2,087	—
	\$ 22,804	18,005

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.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted using a 30 year Government Bond rate of 5.75% (2006 - 5.75%) minus an inflation rate of 2.12% (2006 - 2.07%) (10-year average of CPI from 1998 to 2007). The estimated total landfill closure and post-closure care expenditures are calculated to be \$13,730 (2006 - \$13,178). The estimated liability for these expenditures is recognized as the landfill site's capacity is used. At December 31, 2007 an amount of \$8,296 (2007 - \$7,825) with respect to landfill closure and post-closure liabilities has been accrued.

The estimated remaining capacity of the Sudbury landfill site is 46% (3,577,000 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.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2007

6. Solid waste management facility liability (continued):

The estimated remaining capacity of the Walden landfill site is 18% (76,000 cubic meters) of its total estimated capacity and its estimated remaining life is 9 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 46% (920,000 cubic meters) of its total estimated capacity and its estimated remaining life is 27 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 52% (1,007,000 cubic meters) of its total estimated capacity and its estimated remaining life is 44 years, after which the period for post-closure care is estimated to be 25 years.

7. Long-term liabilities:

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

	2007	2006
Debentures	\$ 23,869	24,777
Capital lease obligations	737	1,249
Other loans	361	4,942
Accrued financial obligations (b)	15,760	17,149
	\$ 40,727	48,117

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

	Last Year of Commitment	2007	2006
Sudbury Regional Hospital	2023	\$ 10,971	11,671
Northeastern Ontario Regional Cancer Centre	2023	4,729	5,029
Northern Ontario School of Medicine	2009	60	90
Dynamic Earth	2007	—	359
		\$ 15,760	17,149

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2007

7. Long-term liabilities (continued):

The principal payments are due as follows:

	2008 to 2012	2013 to 2017	2018 and thereafter	2007 Total	2006 Total
From general municipal revenues	\$ 9,377	11,241	16,982	37,600	41,960
From benefiting landowners	2,162	901	64	3,127	3,416
From others	-	-	-	-	2,741
	\$ 11,539	12,142	17,046	40,727	48,117

8. Fund balances:

(a) Current fund:

The current fund balances are comprised of the following:

	2007	2006
- to be applied to the operations of the current fund (excluding local boards)	\$ -	-
- to be applied to operations of local boards and entities	87	54
	\$ 87	54

(b) Capital fund:

The capital fund balance is comprised of the following:

	2007	2006
Funds available for capital projects not fully complete on December 31	\$ 58,192	44,565
Unfinanced capital outlay to be recovered through taxation or user charges	(10,044)	(9,946)
	\$ 48,148	34,619

The unfinanced capital outlay will be funded through general municipal revenues recovered within the term of Council in the amount of \$4,945 with the remainder, \$5,099 raised through taxation and user charges beyond the current term of Council.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2007

8. Fund balances (continued):

(c) Reserves and reserve funds:

The reserves and reserve funds consist of:

	2007	2006
Reserves	\$ 10,361	6,630
Reserve funds	89,766	81,582
	\$ 100,127	88,212

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 \$2,188 (2006 - net decrease of \$1,936).

	2007	2006
Capital lease obligations	\$ 737	1,249
Long-term liabilities	24,230	29,720
Employee benefit obligations	42,008	40,706
Accrued interest payable on long-term liabilities	46	56
Solid waste management facility liability	8,296	7,825
Accrued financial obligations	15,760	17,149
	91,077	96,705
Less: long-term investments	-	(2,741)
	\$ 91,077	93,964

Reserves and reserve funds in the amount of \$4,547 (2006 - \$5,325) have been established to mitigate the impact of these future obligations.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2007

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:

	2007	2006
Taxation	\$ 50,505	49,169
Payments in lieu of taxes	144	146
	\$ 50,649	49,315

11. Contractual obligations and commitments:

(a) Work-in-progress:

The balance of capital works uncompleted under contracts in progress at December 31, 2007 amounts to approximately \$30,488 (2006 - \$32,558). The proposed financing of these obligations is \$28,048 from contributions from own funds and \$2,440 from provincial grants.

(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:

2008	\$ 9,773
2009	5,527
2010	4,208
2011	2,953
2012	1,593
	\$ 24,054

(c) Contingent liabilities:

As at December 31, 2007, 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 2007 was \$8,419 (2006 - \$8,007).

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2007

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.

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:

	2007	2006
Current operations:		
Salaries, wages and benefits	\$ 173,388	158,468
Long-term debt charges	1,768	1,605
Materials, services, rents and financial items	137,487	136,009
Transfers to other governments and the public	101,454	103,769
	414,097	399,851
Capital:		
Materials, services, rents and financial items	70,904	75,019
	\$ 485,001	474,870

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2007

16. Trust funds:

Trust funds amounting to \$9,158 (2006 - \$8,196) 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.

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, 2007:

	SACDC	GSU	SCDC	2007 Total	2006 Total
Financial Position					
Current assets	\$ 1,325	33,382	15	34,722	38,094
Capital assets	11,336	73,873	623	85,832	80,388
Other assets	—	6,933	—	6,933	5,065
Total assets	12,661	114,188	638	127,487	123,547
Current liabilities	519	15,005	90	15,614	20,000
Note payable to the City of Greater Sudbury	117	52,341	—	52,458	53,304
Other long-term liabilities	6,543	28,062	548	35,153	24,728
Total liabilities	7,179	95,408	638	103,225	98,032
Net assets	\$ 5,482	18,780	—	24,262	25,515
Results of operations:					
Revenue	\$ 4,168	103,085	407	107,660	102,712
Expenses	(3,463)	(101,244)	(358)	(105,065)	(96,204)
Loss on sale of assets	—	—	(49)	(49)	—
Interest paid to the City of Greater Sudbury	(5)	(3,795)	—	(3,800)	(3,830)
Net income (loss)	\$ 700	(1,954)	—	(1,254)	2,678

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2007

17. Investment in government business enterprises (continued):

(b) The investment at December 31, 2007 consists of the following:

	SACDC	GSU	2007 Total	2006 Total
Balance, beginning of year	\$ 4,881	77,258	82,139	79,461
City's share of operating income (loss) for the year	601	(1,954)	(1,353)	2,678
Balance, end of year	\$ 5,482	75,304	80,786	82,139

The financial statements of the SACDC reflected a prior period adjustment relating to employee future benefits in the amount of \$99. This adjustment was accounted for prospectively by the City of Greater Sudbury.

18. Tangible capital assets:

Tangible capital assets are reported as an expenditure in the consolidated statement of operations in the year of acquisition. Effective for the fiscal year beginning January 1, 2009, the City of Greater Sudbury along with all other local governments, will be required to recognize tangible capital assets in the consolidated statement of financial position and any amortization, gains or losses on disposal and impairments on the consolidated statement of operations. This change in accounting standards will require recognition of tangible capital assets on the consolidated statement of financial position.

The City is undertaking an inventory of all its tangible capital assets and has identified the following major asset classes within each category (General or Infrastructure):

- Land
- Land Improvements
- Buildings and Building Improvements
- Leasehold Improvements
- Vehicles
- Machinery and Equipment
- Linear Assets

The City has prepared draft accounting policies for tangible capital assets and is in the process of reviewing and approving these policies. Development of tangible capital asset inventories including valuation and amortization of the City's tangible capital assets is currently underway. The approval and implementation of these accounting policies will be completed in adequate time to allow for recognition of the City's tangible capital assets on the consolidated statement of financial position for the year ending December 31, 2009.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2007

19. Comparative figures:

Certain 2006 comparative figures have been reclassified to conform with the presentation adopted in 2007.

CITY OF GREATER SUDBURY

Schedule of Current Fund Operations

(in thousands of dollars)

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Revenues:		
Transfer payments	\$ 190,840	\$ 189,787
Taxation	174,610	164,244
User charges	94,356	88,315
Other	13,239	8,412
Investment	9,234	8,739
Fines and penalties	4,950	4,594
	<u>487,229</u>	<u>464,091</u>
Expenditures:		
General government	17,402	17,080
Protection to persons and property	63,710	63,163
Transportation services	43,868	44,240
Environmental services	48,789	43,453
Health services	16,903	20,034
Social and family services	153,340	147,648
Social housing	28,421	26,560
Recreation and cultural services	29,888	28,271
Planning and development	11,776	9,402
	<u>414,097</u>	<u>399,851</u>
Net revenues	<u>73,132</u>	<u>64,240</u>
Transfers to other funds:		
Transfer to capital fund	(52,824)	(47,030)
Transfer to reserves and reserve funds	(17,911)	(15,116)
	<u>(70,735)</u>	<u>(62,146)</u>
Solid waste management facility liability	471	596
Employee benefits and other liabilities	1,302	1,733
Financial obligations	(1,389)	(1,576)
Debt principal repayments	(2,748)	(2,914)
	<u>(73,099)</u>	<u>(64,307)</u>
Increase (decrease) in fund balance	<u>33</u>	<u>(67)</u>
Fund balance, beginning of year	54	121
Fund balance, end of year	<u>\$ 87</u>	<u>\$ 54</u>

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, 2007, with comparative figures for 2006

	2007	2006
Revenues:		
Transfer payments	\$ 19,779	\$ 21,651
Other	2,403	1,192
	<u>22,182</u>	<u>22,843</u>
Expenditures:		
General government	5,233	5,174
Protection to persons and property	2,608	4,583
Transportation services	28,489	34,682
Environmental services	25,494	17,329
Health services	2,019	5,005
Social and family services	490	1,592
Social housing	2,930	2,394
Recreation and cultural services	2,397	3,297
Planning and development	1,244	963
	<u>70,904</u>	<u>75,019</u>
Net expenditures	(48,722)	(52,176)
Transfers from (to) other funds:		
Transfer from current fund	52,824	47,030
Transfer from (to) reserves and reserve funds	9,939	(1,451)
	<u>62,763</u>	<u>45,579</u>
Capital lease obligations	(512)	612
	<u>62,251</u>	<u>46,191</u>
Increase (decrease) in fund balance	13,529	(5,985)
Fund balance, beginning of year	34,619	40,604
Fund balance, end of year	\$ 48,148	\$ 34,619

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, 2007, with comparative figures for 2006

	2007	2006
Revenues:		
Investment	\$ 3,889	\$ 2,668
Contributions from developers	40	20
Other	14	-
	<u>3,943</u>	<u>2,688</u>
Transfers (to) from other funds:		
Transfers from current fund	17,911	15,116
Transfers from (to) capital fund	(9,939)	1,451
	<u>7,972</u>	<u>16,567</u>
Increase in fund balance	11,915	19,255
Balance, beginning of year	88,212	68,957
Balance, end of year	<u>\$ 100,127</u>	<u>\$ 88,212</u>

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