



Financial Statements of

**THE CORPORATION OF
THE CITY OF WINDSOR**

December 31, 2003

INDEX

	<u>Section</u>
Consolidated Financial Statements	1
Trust Funds Financial Statements	2
Sinking Fund Financial Statement	3



Consolidated Financial Statements of

**THE CORPORATION OF
THE CITY OF WINDSOR**

December 31, 2003



KPMG LLP
Chartered Accountants
618 Greenwood Centre
3200 Deziel Drive
Windsor ON N8W 5K8

Telephone (519) 251-3500
Fax (519) 251-3530
(519) 251-3540
Internet www.kpmg.ca

AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers
of The Corporation of the City of Windsor

We have audited the consolidated statement of financial position of The Corporation of the City of Windsor as at December 31, 2003 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 Corporation of the City of Windsor as at December 31, 2003 and the results of its financial activities and its cash flows for the year then ended in accordance with the accounting principles prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

KPMG LLP

Chartered Accountants

Windsor, Canada

October 22, 2004

THE CORPORATION OF THE CITY OF WINDSOR
Consolidated Statement of Financial Position
December 31, 2003, with comparative figures for 2002
(\$000's)

	2003 \$	2002 \$
Financial assets		
Cash and temporary investments	89,992	70,318
Taxes and grants-in-lieu receivable [note 1 (b) (iii)]	24,399	24,702
Trade and other receivables [1 (b) (iv)]	33,423	35,442
Prepaid expenses	5,155	11,014
Promissory note receivable [note 4 (b)]	17,017	19,331
Total financial assets	169,986	160,807
Investment in government business enterprises [note 4 (a)]	181,109	176,682
Total assets	351,095	337,489
Liabilities		
Accounts payable	55,362	46,208
Deferred revenue [note 7 (d)]	11,078	11,578
Accrued interest on long term debt	3,229	3,640
Long term debt [note 5 (a)]	168,822	191,847
Employee future benefit obligations [note 6 (b)]	175,669	166,811
Total liabilities	414,160	420,084
Municipal position		
Operating fund [note 7 (a)]	(1,314)	(548)
Capital fund [note 7 (b)]	(9,492)	(13,948)
Reserves and reserve funds [note 7 (c)]	100,844	101,747
Fund balances	90,038	87,251
Equity in government business enterprises [note 4 (a)]	181,109	176,682
Amounts to be recovered in future years [note 7 (e)]	(334,212)	(346,528)
Net municipal position	(63,065)	(82,595)
Total liabilities and municipal position	351,095	337,489

Commitments and contingencies [notes 3, 5, 8 and 14]

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

THE CORPORATION OF THE CITY OF WINDSOR

Consolidated Statement of Financial Activities

Year ended December 31, 2003, with comparative figures for 2002

(\$000's)

	Budget \$ (unaudited)	2003 \$	2002 \$
Revenues			
Property taxes and grants-in-lieu	245,482	252,165	227,900
User charges	153,286	152,191	143,399
Provincial and federal transfers	102,375	101,350	95,386
Revenue from other municipalities	26,362	26,266	19,340
Other	33,901	36,703	34,201
Change in equity in government business enterprises	-	4,427	(299)
Total revenues	561,406	573,102	519,927
Expenditures			
Operating			
General government	40,958	45,360	39,559
Protection to persons and property	98,120	101,419	94,756
Transportation services	51,698	51,925	53,028
Environmental services	38,375	39,196	38,146
Health services	12,051	11,765	10,248
Social and family services	175,569	180,623	171,381
Recreation and culture	38,976	41,041	37,154
Planning and development	8,245	9,364	6,157
Total operating	463,992	480,693	450,429
Capital [note 10]			
General government	4,931	6,927	4,002
Protection to persons and property	17,063	7,689	3,218
Transportation services	21,473	21,007	23,335
Environmental services	12,673	14,854	16,692
Social and family services	713	6,290	2,105
Recreation and culture	8,988	8,681	6,435
Planning and development	6,516	7,431	20,136
Total capital	72,357	72,879	75,923
Total expenditures	536,349	553,572	526,352
Net revenue (expenditures)	25,057	19,530	(6,425)
New debt issued	6,269	-	36,000
Debt principal repayments	(23,025)	(23,025)	(23,667)
Change in employee future benefit obligations	-	8,858	9,197
Other items affecting amounts to be recovered	-	1,851	2,533
Increase (decrease) in amounts to be recovered in future years	(16,756)	(12,316)	24,063
Transfer of expenditure (revenue) from government business enterprises	-	(4,427)	299
Change in fund balances	8,301	2,787	17,937

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

THE CORPORATION OF THE CITY OF WINDSOR
Consolidated Statement of Cash Flows
Year ended December 31, 2003, with comparative figures for 2002
(\$000's)

	2003 \$	2002 \$
Cash provided by (used in)		
Operating activities:		
Net revenue (expenditures)	19,530	(6,425)
Change in non-cash items:		
Decrease (increase) in taxes and grants in lieu receivable	303	(102)
Decrease in trade and other receivables	2,019	6,573
Decrease (increase) in prepaid expenses	5,859	(6,027)
Increase (decrease) in accounts payable	9,154	(5,900)
Increase (decrease) in deferred revenue	(500)	1,448
Increase (decrease) in accrued interest on long term debt	(411)	286
Increase in employee future benefits obligations	8,858	9,197
Net cash provided by (used in) operating activities	44,812	(950)
Financing activities		
Long term debt issued	-	36,000
Long term debt repaid	(23,025)	(22,870)
Net cash provided by (used in) financing activities	(23,025)	13,130
Investing activities		
Decrease (increase) in investment in government business enterprises	(4,427)	299
Decrease in promissory note receivable	2,314	2,189
Net cash provided (used in) by investment activities	(2,113)	2,488
Net increase in cash and temporary investments	19,674	14,668
Cash and temporary investments, beginning of year	70,318	55,650
Cash and temporary investments, end of year	89,992	70,318

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

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2003
(\$000's)

1. Summary of significant accounting policies and reporting practices:

(a) Reporting entity:

These consolidated statements reflect the assets, liabilities, revenues, expenditures and changes in fund balance and in financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to City Council and which are owned or controlled by the City of Windsor.

(i) Consolidated entities:

In addition to the general City of Windsor departments, the reporting entity includes the following where deemed material:

Cleary International Centre
Windsor Police Services
Roseland Golf and Curling Club Limited
Transit Windsor
Windsor Chartabus Limited
The Corporation of the City of Windsor Public Library Board
Windsor-Essex County Housing Corporation
The City of Windsor Non-Profit Housing Corporation
Windsor Tunnel Commission
City Centre Business Improvement Area
Ford City Business Improvement Area
Erie Street Business Improvement Area
Ottawa Street Business Improvement Area
Olde Riverside Business Improvement Area
Historic Olde Walkerville Business Improvement Area
Wyandotte Towne Centre Business Improvement Area
Olde Sandwich Towne Business Improvement Area
Pilette Village Business Improvement Area

The Essex-Windsor Solid Waste Authority, a joint partnership with the County of Essex, is consolidated on the basis of one half of the total operations, financial position and changes in financial position of the total entity.

All interfund assets and liabilities and revenues and expenditures have been eliminated.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

(ii) **Entities included on a modified equity basis:**

Certain subsidiary corporations are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for a Government Business Enterprise ("GBE"). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. Under the modified equity basis of accounting, the carrying value of the investment in subsidiaries is adjusted to reflect the City's share of the earnings of the investee. The entities accounted for under this method are:

Windsor Canada Utilities Ltd. ("WCUL")
Windsor Utilities Commission ("WUC")
City of Windsor Housing Co. Ltd. ("CWHCL")

(iii) **Non-consolidated entity:**

The following joint local board and municipal enterprise is not consolidated:

Windsor-Essex County Health Unit

(iv) **Accounting for school board transactions:**

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards, are not reflected in these financial statements. Amounts due to/from school boards are reported on the statement of financial position as accounts payable/accounts receivable.

(v) **Trust funds:**

Trust funds and their related operations administered by the Corporation are not consolidated, but are reported separately on the trust funds' statement of continuity and statement of financial position.

(b) **Basis of accounting:**

(i) **PSAB recommendations:**

These financial statements have been prepared in accordance with the standards established by the Public Sector Accounting Board "PSAB" of the Canadian Institute of Chartered Accountants which are applicable to municipalities.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

(ii) **Fund accounting:**

In accordance with practices common to Ontario municipalities, the Corporation follows the fund basis of accounting. The capital fund is used principally to account for assets acquired or obligations incurred which are to be financed from the future revenue of the Corporation and it is the annual interest cost of this financing that is paid from current (operating fund) operations. Reserve funds are generally created, pursuant to applicable statutes, by appropriations from current (operating fund) operations. The uses of these funds are restricted to the purposes for which the reserve funds are created. Those reserve funds which have statutory restrictions have been classified as deferred revenue for financial reporting purposes. Within the framework of the fund basis of accounting, these financial statements have been prepared on an accrual basis except for Provincial Offences Administration. Under this basis, revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Expenditures are accounted for in the period the goods and services are acquired.

(iii) **Taxes receivable and related revenues:**

Property tax billings are prepared by the City based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by 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. Taxes receivable are reported net of any allowance for doubtful accounts.

(iv) **Accounts receivable:**

Accounts receivable are reported net of any allowance for doubtful accounts.

(v) **Inventories:**

Inventories held by the Corporation are not viewed as financial assets and have therefore been included as expenditures in the period they are acquired on the consolidated statement of financial activities.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

(vi) Fixed assets:

The historical cost and accumulated depreciation of fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the consolidated statement of financial activities in the year of acquisition. The amount of these expenditures which is financed from long term debt which remains outstanding is included in the amounts to be recovered in future years on the consolidated statement of financial position.

(vii) Employee future benefit obligations:

The Corporation has adopted the accrual method of accounting for employee future benefits as required by the Canadian Institute of Chartered Accountants. The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and assumptions with respect to mortality and termination rates, retirement age and expected inflation rate with respect to employee benefit costs.

The estimated cost of these benefit obligations already earned by the employees at the date of implementation of this policy (the transitional benefit obligation) was recognized as employee future benefit obligations and amounts to be recovered in future years.

(viii) Provincial Offences Act

The City of Windsor (the "City") under the authority of Part X of the Provincial Offences Act ("POA"), provides for and administers the POA courts in the Windsor/Essex Court Service Area, arranges for court support, has carriage of Part 1 prosecutions and associated appeals, and is responsible for the collection of related fines and fees. In accordance with policies adopted by other Provincial Offences offices and as a result of the nature of business activities, revenue is recognized on a cash basis.

(ix) Use of estimates:

The preparation of the financial statements in conformity with 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 dates of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

2. School boards:

The taxation and requisitions of the school boards are comprised of the following:

	2003	2002
	\$	\$
Taxation received or receivable	98,546	96,977
Requisitions	97,593	96,954
<u>Amount due to school boards</u>	<u>953</u>	<u>23</u>

3. Contribution to non-consolidated joint board:

The following contribution was made by the Corporation to this non-consolidated joint board:

	2003	2002
	\$	\$
Windsor-Essex County Health Unit	3,004	2,801

The Corporation is contingently liable for its share, which is approximately 56%, of any deficits which may arise. The Windsor-Essex County Health Unit incurred a deficit in 2003 of \$24 (2002 - \$nil).

The Corporation is also contingently liable for its share of the costs pertaining to a lease agreement of the Windsor-Essex County Health Unit which expires on December 31, 2018. In addition to future rental payments totalling approximately \$7,500, the Corporation is also contingently liable for insurance, taxes and utilities related to the leased premises. It is considered unlikely that the Corporation will be called upon to take over these lease payments.

4. Government Business Enterprises ("GBE"):

The consolidated financial statements of the Corporation include, on a modified equity basis, the following GBE:

Windsor Canada Utilities Ltd. ("WCUL")

WCUL is a 100% owned subsidiary of the City of Windsor. WCUL is a holding company which wholly owns three subsidiaries: Enwin Utilities Ltd., Enwin Powerlines Ltd., and Enwin Energy Ltd. Through these subsidiaries, WCUL is responsible for the transmission and distribution of electricity, maintenance of the area's powerlines, as well as the marketing of retail and wholesale utility services and products.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

Windsor Utilities Commission ("WUC")

WUC is a wholly owned commission of the Corporation engaged largely in the treatment and distribution of the area's potable water.

City of Windsor Housing Company Ltd. ("CWHCL")

CWHCL is a 100% owned subsidiary of the Corporation which provides low income senior housing on a non-profit basis.

(a) Investment and Equity in GBE:

The City of Windsor has investments in GBE totalling \$181,109 (2002 - \$176,682) which is comprised of the following:

	2003	2002
	\$	\$
WCUL	82,246	79,535
WUC	95,896	93,177
CWHCL	2,967	3,970
	<u>181,109</u>	<u>176,682</u>

A continuity of the investment in GBE is as follows:

	WCUL	WUC	CWHCL	2003 Total	2002 Total
	\$	\$	\$	\$	\$
Opening investment	79,535	93,177	3,970	176,682	176,981
Capital contribution	-	2,765	-	2,765	1,690
Change in reserve fund balance	-	-	(1,260)	(1,260)	-
Current income (loss)	2,711	(46)	257	2,922	(1,989)
Closing investment	<u>82,246</u>	<u>95,896</u>	<u>2,967</u>	<u>181,109</u>	<u>176,682</u>

(b) Promissory note receivable:

A promissory note dated December 20, 2001 in the principal sum of \$21,520 was issued to the Corporation by Windsor Canada Utilities Ltd. (WCUL). This note is unsecured, due on demand and bears interest at 6% per annum payable quarterly. As at December 31, 2003 the principal sum of the promissory note is \$17,017 (2002 - \$19,331).

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

The principal repayments on the promissory note are as follows:

	\$
2004	2,450
2005	2,591
2006	2,743
2007	2,904
2008	3,073
Thereafter	3,256
	<u>17,017</u>

(c) **Supplementary information of GBE:**

(i) **WCUL**

	2003	2002
	\$	\$
Financial position		
Current assets	34,380	51,604
Capital assets	191,867	194,269
Work in progress and other assets	26,532	29,526
Total assets	<u>252,779</u>	<u>275,399</u>
Current liabilities	73,792	98,393
Long term liabilities	96,741	97,471
Total liabilities	170,533	195,864
Shareholders' equity	82,246	79,535
Total liabilities and equity	<u>252,779</u>	<u>275,399</u>
Results of operations		
Revenue from distribution of electricity	221,281	257,152
Services provided to Windsor Utilities Commission	6,953	8,558
Other revenue	6,954	7,103
Total revenue	<u>235,188</u>	<u>272,813</u>
Cost of electrical energy	183,604	222,213
Operating expenses	28,094	31,791
Other net expenses	20,779	20,465
Total expenses	<u>232,477</u>	<u>274,469</u>
Net income (loss)	<u>2,711</u>	<u>(1,656)</u>

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

Related party transactions:

The following transactions are in the normal course of operations and are measured at the exchange amount which is the cost of consideration established and agreed to by the related parties:

- Under a Management Services Agreement effective January 1, 2000, Enwin Utilities Ltd. provides certain finance, administration, human resource, management and other support services to the Windsor Utilities Commission.
- Enwin Utilities Ltd. provides sewer surcharge billing and collecting and street lighting for the City of Windsor. The total amount charged to the City of Windsor and included in other revenue for the year ended December 31, 2003 was \$1,139 (2002 - \$1,570).
- Enwin Utilities Ltd. collects and remits the sewer surcharge on behalf of the City of Windsor. The total amount owing to the City of Windsor at year end relating to sewer surcharge was \$2,381 (2002 - \$1,680).
- The amounts due to related parties which are included in current liabilities consist of:

	2003	2002
	\$	\$
Due to Windsor Utilities Commission	4,301	1,645
Due to the Corporation of the City of Windsor	2,381	1,680
Due to Windsor Utilities Commission – Maxess Networx	4,145	4,145
	<u>10,827</u>	<u>7,470</u>

(ii) WUC	2003	2002
	\$	\$
Financial position		
Current assets	13,258	20,130
Capital assets	129,095	120,902
Total assets	142,353	141,032
Current liabilities	4,672	5,943
Long term liabilities	41,785	41,912
Total liabilities	46,457	47,855
Accumulated surplus	95,896	93,177
Total liabilities and surplus	<u>142,353</u>	<u>141,032</u>
Results of operations		
Retail water sales	27,070	27,469
Other revenues	8,852	9,328
Total revenues	<u>35,922</u>	<u>36,797</u>
Cost of production	12,818	15,264
Operating expenses	16,726	16,096
Other net expenses	6,424	6,106
Total expenses	<u>35,968</u>	<u>37,466</u>
Net loss	<u>(46)</u>	<u>(669)</u>

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

Related party transactions:

The following transactions are in the normal course of operations and are measured at the exchange amount which is the cost of consideration established and agreed to by the related parties:

- Under a Management Services Agreement effective January 1, 2000, Enwin Utilities Ltd. provides certain finance, administration, human resources and other support services to the Commission. The total amount charged to the Commission for the year ended December 31, 2003 is \$6,953 (2002 – \$8,621) which is included above under operating expenses.
- In addition, the Commission provides sewer surcharge billing, collecting and fire protection maintenance for the City of Windsor. The total amount charged to the City of Windsor for the year ended December 31, 2003 was \$733 (2002 - \$733) which is included above in other revenue.
- At year end, there is an amount owing from Enwin Utilities Ltd. totalling \$4,301 (2002 - \$1,645) with no specified repayment terms which is included above in current assets.

(iii) CWHCL

	2003	2002
	\$	\$
Financial position:		
Current assets	2,068	2,864
Capital assets	6,905	6,995
Total assets	8,973	9,859
Current liabilities	766	559
Long term liabilities	5,240	5,330
Total liabilities	6,006	5,889
Shareholders' equity	2,967	3,970
Total liabilities and equity	8,973	9,859
Results of operations:		
Tenant rental revenue	3,290	3,130
Provincial rent supplement	188	148
Other revenues	160	136
Total revenues	3,638	3,414
General expenses	3,381	3,078
Net income	257	336

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

Related party transaction:

The following transaction is in the normal course of operations and is measured at the exchange amount which is the cost of consideration established and agreed to by the related parties:

- The City of Windsor provides administrative services to the CWHCL for which it receives a management fee in the amount of \$219 (2002 - \$201). Additionally CWHCL paid fees to the City of Windsor for grass cutting and vehicle leases totalling \$35 (2002 - \$27).

5. Long term debt:

- (a) The balance of the net long term liabilities reported on the consolidated statement of financial position is made up of the following:

	2003	2002
	\$	\$
Total long term liabilities incurred by the Corporation including those incurred on behalf of school boards, other municipalities and GBE which are outstanding at the end of the year amount to	205,275	229,859
Of the long term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed by:		
- WUC	(35,965)	(37,006)
- school boards	-	(435)
- other municipalities	-	(83)
Of the long term liabilities shown above, the Corporation of the City of Windsor has purchased the following amounts as long term investments	(488)	(488)
Net long term liabilities at the end of the year	168,822	191,847
Less amount repayable from user fees	(96,230)	(102,214)
<u>Net amount repayable from general taxation</u>	<u>72,592</u>	<u>89,633</u>

The Windsor Tunnel Commission has established a reserve fund to help pay for the balloon payment of \$14,882 due June 15, 2005 on the debentures issued on behalf of the Commission. At December 31, 2003, the balance in this reserve fund is \$10,249 (2002 - \$8,401).

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

The amount repayable from user fees is comprised of:

	2003	2002
	\$	\$
Parking facilities fund	6,674	6,883
Windsor Canada Utilities Ltd.	17,796	20,271
Windsor Tunnel Commission	15,608	16,331
Sanitary Sewer Surcharge	2,896	4,299
Roseland Golf & Curling Club	740	1,079
Essex-Windsor Solid Waste Authority	14,600	14,600
<u>Windsor Non-Profit Housing Corporation</u>	<u>37,916</u>	<u>38,751</u>
	<u>96,230</u>	<u>102,214</u>

WCUL assumed certain assets and liabilities of WUC in connection with the transfer by-law enacted pursuant to section 142 of the Electricity Act. The promissory note in note 4(b) will be used by the Corporation specifically to retire the related debt assumed from Windsor Canada Utilities Ltd.

The EWSWA is a Joint Board of Management created by the Corporation of the County of Essex (the "County") and the Corporation of the City of Windsor (the "City") pursuant to an Agreement dated May 18, 1994, (the "EWSWA Agreement") to establish, operate and manage, among other things, the Regional Landfill (the "Landfill"). The County holds title to the Landfill in accordance with the provisions of the EWSWA Agreement. The Authority in carrying out its mandate incurred costs of approximately \$26,700 over the period 1990-1997 in connection with the acquisition, approval and development of the Landfill.

By lease dated as of October 30, 1997, (the "Head Lease"), the County leased the Landfill to Leasing-Infrastructure Financing Trust 1 (LIFT) for a term of approximately 34 years ending on December 1, 2031. The rent payable by LIFT under the Head Lease was intended to be a loan to finance the costs incurred by the Authority to develop the Landfill and to pay the costs of future Landfill expansions. Upon completion of the Head Lease, LIFT prepaid \$26,700 of the rent payable thereunder.

Contemporaneously with the completion of the Head Lease, by sublease dated as of October 30, 1997, (the "Sublease") LIFT subleased the Landfill to the County for a term of approximately 34 years ending on November 30, 2031. The rent payable under the Sublease amortized the amounts paid and to be paid under the Head Lease together with interest thereon over the term. This financing transaction has been accounted for as a capital lease and represents the net long-term liability recorded in the Authority's financial statements.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

The Authority, on behalf of the County and the City, is responsible, pursuant to the EWSWA Agreement, to prepare budgets for the Landfill and to pay the rent payable under the Sublease. The rent payments made pursuant to the Sublease for the 5 year period ending December 31, 2003, were recorded as interest payments in the Authority's statements of financial activities under the heading "Regional Landfill Rental Payments".

By Agreement dated as of April 28, 2000, (the "Amending Agreement") made among the County, City and LIFT, the Head Lease and Sublease were amended to finance the costs incurred by the Authority during the years 1998 and 1999 to acquire additional equipment for the Landfill and to further develop the Landfill in the approximate amount of \$2,500. LIFT financed such costs and the Amending Agreement extended the term of the Sublease in respect of certain equipment an additional 10 years to November 30, 2041, to repay LIFT the amount it financed.

The County, City and Authority subsequently discovered that the effective rate of interest payable as a result of the transaction was greater than had been agreed upon and on December 28, 2001, the County, City and Authority (the "Plaintiffs") commenced a legal action in the Ontario Superior Court of Justice against MFP Financial Services Limited, LIFT and others asserting, among other things, that certain of the defendants had fraudulently and negligently misrepresented the rate of interest payable by the Plaintiffs under the Head Lease and Sublease and seeking rescission or rectification thereof so that the effective rate of interest payable thereunder is 4.12%. The action is being defended and certain defendants have made counterclaims against the Plaintiffs claiming, among other things, a declaration that the Head Lease and Sublease are enforceable, and an injunction requiring the Plaintiffs to make the payments under the Sublease and damages. The action is in its early stages and no provision has been made in the financial statements to provide for the outcome thereof.

Management estimates that LIFT advanced \$29,200 pursuant to the Head Lease and has recorded in the financial statements the Authority's long term liability under the Sublease in respect thereof in that amount. The Head Lease also obligates LIFT to advance further amounts over the term and the Sublease provides for repayment of the amounts advanced and to be advanced. The loan is being repaid from the Authority's general revenues and until the legal action described in the preceding paragraph is resolved the amount of the payments cannot be determined.

On September 22, 2004, MFP Financial Services Ltd. filed Articles of Amendment to change its name to Clearlink Capital. The lawsuit against MFP Financial Services Ltd. will be continued against Clearlink Capital.

The Corporation has assumed no debt from other municipalities.

- (b) Of the net long term liabilities in (a) of this note and amounts held as long term investments, \$86,648 in principal payments are repayable from 2004 to 2008 and \$68,117 from 2009 to 2013 and \$14,545 thereafter.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

These amounts will require funding in those periods and are summarized as follows:

	2004-2008	2009-2013	Thereafter	Total
	\$	\$		\$
From general municipal revenues	31,373	26,437	14,545	72,355
From benefiting landowners	725	-	-	725
	32,098	26,437	14,545	73,080
From user fees	54,550	41,680	-	96,230
	<u>86,648</u>	<u>68,117</u>	<u>14,545</u>	<u>169,310</u>

Resulting from a legal action against MFP Financial Services Limited as identified in note 5(a), the Corporation's share of principal repayment from user fees relating to the Essex Windsor Solid Waste Authority have conservatively been recorded in the repayment period 2004 - 2008 above.

- (c) Approval of the Ontario Municipal Board or Treasurer's Certificate has been obtained for the long term liabilities in (a) issued in the name of the Corporation.
- (d) The Corporation is contingently liable for long term liabilities for which the responsibility for the payment of principal and interest has been assumed by other municipalities, GBE's, and school boards amounting to \$35,965 (2002 - \$37,524).
- (e) Total interest expenditures for the year for net long term liabilities which are reported on the statement of financial activities are as follows:

	2003	2002
	\$	\$
Interest funded from general property taxes	3,891	2,279
Interest funded from user fees	6,867	7,164
	<u>10,758</u>	<u>9,443</u>

The charges for long term liabilities assumed by non-consolidated entities are not reflected in these statements.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

6. Employee benefits:

(a) Pension agreements:

The Corporation makes contributions to the Ontario Municipal Employees Retirement System (OMERS), on behalf of members of its staff. The plan is a multi-employer defined-benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The multi-employer plan is valued on a current market basis for all plan assets.

The contribution holiday which was instituted beginning in August 1998 for all members and employees ceased at December 31, 2002. The amount contributed to OMERS for current service for 2003 was \$3,235 (2002 - \$NIL).

The Transit Windsor contributory pension plan covering substantially all of its employees, was frozen effective December 31, 1999 with pension benefits for service on and after January 1, 2000 being covered by OMERS.

(b) Employee future benefit obligations:

Employee future benefit obligations are future liabilities of the Corporation to its employees and retirees for benefits earned but not taken as at December 31, 2003 and consist of the following:

	2003	2002
	\$	\$
Post retirement benefits	152,771	143,854
Accrued vested sick leave	14,284	13,793
Vacation and vested banked overtime	2,193	2,120
<u>Transit Windsor pension liability</u>	<u>6,421</u>	<u>7,044</u>
	<u>175,669</u>	<u>166,811</u>

(i) Post retirement benefits:

The post retirement benefit liability is based on an actuarial valuation performed by the Corporation's actuaries. The significant actuarial assumptions adopted in estimating the Corporation's liability are as follows:

- Discount Rate 6.25%
- Health Care Trend Rate: 12% for 2004 grading to 5% per annum in 2018
- Dental and other Medical: 5% per annum

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

Information about the Corporation's future obligations with respect to these costs are as follows:

	2003 \$	2002 \$
Accrued benefit obligations at the beginning of the year	143,854	137,206
Annual expense	13,156	12,391
Benefits paid	(4,239)	(5,743)
<u>Accrued benefit obligations at the end of the year</u>	<u>152,771</u>	<u>143,854</u>

(ii) **Accrued vested sick leave:**

Accrued vested sick leave refers to the balance of unused sick leave credits which is payable to certain eligible employees of the Corporation upon their retirement. Under the sick leave plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment upon leaving the Corporation's employment. An amount of \$781 (2002 - \$1,251) has been paid out in the current year and is reported as an expenditure on the consolidated statement of financial activities.

(iii) **Vacation and vested banked overtime:**

Vacation pay and vested banked overtime reflects the value of vacation and banked overtime earned during the year but not taken as at the year end.

(iv) **Transit Windsor pension liability:**

An actuarial valuation of the frozen former contributory pension plan of Transit Windsor identified plan solvency and going concern deficiencies as at December 31, 2003. Special contributions pursuant to the current and previous actuarial reports have been identified through to 2017. These future contributions have been discounted resulting in a future benefit obligation at December 31, 2003 of \$6,421 (2002 - \$7,044) which has been reflected on the consolidated statement of financial position.

7. **Municipal position:**

(a) **Operating fund:**

The consolidated statement of financial position reflects an operating fund deficit of \$1,314 (2002 - \$548). Any deficit is funded in the following year as a first charge to that budget.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

(b) Capital fund:

The consolidated statement of financial position reflects a balance of capital operations not permanently financed of \$9,492 (2002 - \$13,948). This outstanding balance will be financed in future years from a combination of transfer from reserves and reserve funds, and direct transfers from the operating fund.

(c) Reserves and reserve funds:

The consolidated statement of financial position reflects a balance of reserves and reserve funds of \$100,844 (2002 - \$101,747) and are detailed as follows:

	2003	2002
	\$	\$
Reserves set aside for specific purpose by Council:		
Working funds	967	1,141
Encumbrances	1,981	1,972
Future planning	423	288
Post retirement death benefit	(25)	90
Recreation services	660	632
Police services	312	138
Fire services	83	68
Transit services	75	135
Winter control	78	78
Environmental services	3,593	3,202
Total reserves	8,147	7,744
Reserve funds set aside for specific purpose by Council:		
Replacement of equipment	20,738	17,578
Capital expenditures	33,529	34,436
Tunnel improvements	13,096	18,071
Insurance	767	443
Health benefits rate stabilization	1,136	381
Sanitary sewer expenditures	(1,521)	1,509
Tunnel debt repayment	10,249	8,401
Budget stabilization	11,257	4,652
Children's fund	270	234
Environmental services	325	325
Social Housing	2,851	5,010
Long-term disability	-	2,963
Total reserve funds	92,697	94,003
Total reserves and reserve funds	100,844	101,747

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

(d) Deferred Revenue

The following funds totalling \$10,826 (2002, \$11,151) relate to inflows which have statutory restrictions and as such, are classified as deferred revenue on the consolidated statement of financial position:

	Beginning balance 2002 \$	2003 Inflows \$	2003 Outflows \$	Balance at Dec 31 2003 \$
Parking facilities fund	109	160	1,273	(1,004)
Park purposes fund	740	1,376	464	1,652
Development charges fund	9,092	5,887	6,296	8,683
Landfill post closure fund	1,210	285	-	1,495
	11,151	7,708	8,033	10,826
Other deferred revenues	427	-	175	252
Total deferred revenues	11,578	7,708	8,208	11,078

The parking facilities fund is utilized to fund expenditures which relate to offstreet parking facilities. The parks purposes fund is utilized to fund purchases of parkland. The development charges fund is utilized to fund growth related capital works. Landfill post closure fund reflects the estimated liability of the Corporation should the Regional Landfill cease receiving waste on December 31, 2003.

(e) Amounts to be recovered in future years:

The consolidated statement of financial position reflects a balance of \$334,212 (2002 - \$346,528) for amounts to be recovered in future years. This amount reflects liabilities which will need to be budgeted and fully funded in future periods as these liabilities are retired. Additionally, certain assets such as inventories and some deferred expenses are not considered to be financial assets and as such, are also included in the amounts to be recovered in future years. This balance is comprised of the following items:

	2003 \$	2002 \$
Employee future benefit obligations	175,669	166,811
Long term debt outstanding, including amounts held in own debentures net of promissory note receivable	152,293	173,004
Inventories	2,670	2,818
Accrued interest on long term debt	3,229	3,640
Deferred expenses	351	255
	334,212	346,528

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

8. Commitments:

As at December 31, 2003, the Corporation is committed to making the following payments:

- (a) Contracts for various capital construction projects, at a cost approximating \$7,497 (2002 - \$3,332) in the aggregate, to be financed generally by reserves.
- (b) Payments for various operating leases over the following year approximating \$4,198 (2002 - \$6,694).
- (c) Funding for its share of the perpetual care costs of the now closed Landfill #3. This commitment is expected to require a payment to the Essex-Windsor Solid Waste Authority of \$400 per year for the foreseeable future.
- (d) Grants to the University of Windsor amounting to \$178 in 2004 (2003 - \$178).
- (e) Contributions of \$2,000 in each of the next two years to the Windsor-Essex County Hospitals Foundation's "Together in Caring" Campaign. Funding for this contribution will be obtained annually through a special tax levy. In 2003, \$2,000 was levied and paid to the hospitals.
- (f) The City owns the Canadian Tunnel and it is managed by the Windsor Tunnel Commission (WTC) for the City. The City of Detroit owns the portion of the Windsor-Detroit Tunnel situated in the U.S.A. (the "Detroit Tunnel") and it is leased to the Detroit & Canada Tunnel Corporation (DCTC) for a term that expires in 2020. The Joint Operating Agreement (JOA), made between the WTC and the City and DCTC and its affiliates, among other things, provide for the operation of the Canadian Tunnel and the Detroit Tunnel as a unitary tunnel, the repair and maintenance of the tunnel and DCTC provides the day to day operation of the Canadian Tunnel for WTC and the City.

WTC is committed to several capital works undertakings as part of the joint tunnel rehabilitation with DCTC. The most significant project WTC is committed to is the Ventilation System Upgrade which commenced in 2003 and is expected to be completed in 2005. The value of tendered contracts as at December 31, 2003 total \$17,536. The Joint Operating Agreement provides that all such projects will be cost shared on a 50/50 basis with DCTC and will be charged to the WTC's Capital Rehabilitation and Improvement Reserve Fund in the fiscal year they are incurred; however, costs for the Ventilation System Upgrade engineering and construction will be addressed in accordance with the agreement settling the arbitration reached on September 25, 2003.

Under the agreement settling the arbitration WTC will proceed with the Ventilation System Upgrade in the Windsor portion of the Tunnel and DCTC will proceed with the Ventilation System Upgrade in the U.S. portion of the Tunnel in accordance with their respective plans and specifications and each party shall pay their own capital costs. The third party has been mutually engaged to oversee supervision of both projects and fees will be allocated to each party. JOA amendments are pending to reflect that effective January 1, 2004 WTC and DCC shall each pay their own operating, repair and maintenance costs for their respective

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

ventilation systems. Also, WTC is pursuing a Mutual Release Agreement to release WTC and DCTC from the existing contract for the joint upgrade. DCTC is to pay WTC \$35 and \$200 for costs/claims under the contract and consultants' fees respectively.

- (g) Subsequent to the year end, the City of Windsor entered into the Ontario's Millennium Partnerships Initiative Funding Agreement for Infrastructure Projects relative to the Lou Romano Reclamation Plant Capacity Expansion & Upgrade project. The total cost of the project is \$110,000. The federal government is funding \$9,000 towards the project while the province is contributing \$19,000 for a total of \$28,000. The City's share of the cost is \$57,000 and is to be funded by debentures, development charges and sewer surcharge revenues. The project must expend \$58,530 by March 31, 2006 of eligible costs, in order to receive the full funding allotment. The majority of the expenses will be generated by the first five of seven general construction contracts. Contract No. 1 for the site preparation has been awarded at a total cost of \$5,950. The remaining \$25,000 is being funded through a cost sharing agreement with a neighbouring municipality.
- (h) Subsequent to the year end, City Council approved entering into a contract for the construction of a new Huron Lodge Home for the Aged at a cost of \$29,478 plus applicable taxes. The project is expected to be completed by spring 2006 in compliance with Ministry of Health requirements and is to be funded from contributions from the operating fund related to the debt reduction initiative approved by Council in the 2004 Operating Budget. The total cost of the project is \$41,200.
- (i) Construction of the Income Security Building began in 2003. The expected completion date for the project is the spring of 2005. City Council approved the total project cost of \$29,312 including taxes to be funded from contributions from the operating fund related to the debt reduction initiative approved by Council in the 2004 Operating Budget.

9. Public Private Limited Partnership:

In 2001 the Windsor Tunnel Commission funded a capital expenditure investment in a public-private limited partnership between MDC Madison Developments Ltd. (general partner) and the City (limited partner). The parties agreed to form a limited partnership for the purpose of erecting a parking facility ("Park 'N' Go") which would be managed by the general partner with the intention of earning a profit. Windsor Tunnel Commission's additional parking requirements and the need for additional public parking within the downtown area resulted in the City entering into this arrangement whereby the City receives an 80% equity interest in the partnership. All partnership profits are shared on an 80/20 basis and the City's pro-rata portion will be recorded in Windsor Tunnel Commission's Capital Rehabilitation and Improvement Reserve Fund at the time of receipt. Any losses of the partnership are borne by the general partner. The partnership incurred a loss in 2003 and 2002.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

10. Budget Figures:

Budget figures included on the Consolidated Statement of Financial Activities may not be directly comparable to the actual figures due to the requirement to accrue certain expenditures in accordance with PSAB reporting requirements. The corporation does not, in many cases, include these amounts in the annual budget as they do not require immediate funding.

Additionally, budgets which have been included for the capital expenditures on the consolidated statement of financial activities may not be comparable to actual as the Corporation's capital budget is approved on a project basis and some projects may span more than one year. The actual expenditures reflect the current year's costs incurred in the capital fund, some of which may relate to prior years' capital budget approvals.

11. Airport acquisition:

On December 31, 1998, the Corporation acquired title to the Windsor Airport from Transport Canada for nominal consideration and agreed to operate the Airport for a period of at least fifty-eight years. This transaction is governed by a master agreement and is subject to a number of restrictions and conditions. The Corporation contracted with SERCO Aviation Services Inc. to operate the Airport on its behalf for a ten year period. It is anticipated that the Airport operation will be self-sustaining. In its fifth year of operation, 2003, the Windsor Airport has generated a profit of \$2 (2002, loss of \$454). Over the term of the contract, SERCO Aviation Services Inc. has guaranteed a return in operating profits to the City subject to certain terms and conditions.

12. Public liability insurance:

The Corporation is self-insured for public liability claims up to \$25 for any individual claim. Outside coverage is in place for claims in excess of this amount.

The Corporation has established a reserve fund for self insurance which as at December 31, 2003 amounted to \$767 (2002 - \$443) and is reported on the consolidated statement of financial position under reserve funds. The Corporation budgets each year for premiums and claims. Any budget excess is credited to the reserve fund. Payment of claims is shown as an expenditure on the statement of financial activities.

13. Social Housing Administration

In accordance with the Social Housing Reform Act, 2000 the net assets previously owned by the Ontario Housing Corporation were transferred to the Windsor-Essex County Housing Corporation effective January 1, 2001. The value of the net assets transferred was \$nil. The income producing properties held by the Ontario Housing Corporation were transferred to the Corporation at \$nil value. The outstanding obligations with respect to the debentures remains with the Ontario Housing Corporation. Accordingly, neither the value of the income producing properties nor the outstanding debt have been recorded in these financial statements.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2003
(\$000's)

14. Contingent liabilities:

During the normal course of operations, the Corporation is subject to various legal actions. The settlement of these actions is not expected to have a material effect on the financial statements of the Corporation.

15. Comparative figures:

Certain 2002 comparative figures have been reclassified to conform with the presentation adopted for the current year.



Trust Funds Financial Statements of

**THE CORPORATION OF
THE CITY OF WINDSOR**

December 31, 2003



KPMG LLP
Chartered Accountants
618 Greenwood Centre
3200 Deziel Drive
Windsor ON N8W 5K8

Telephone (519) 251-3500
Fax (519) 251-3530
(519) 251-3540
Internet www.kpmg.ca

AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the City of Windsor

We have audited the statement of financial position of the trust funds of The Corporation of the City of Windsor as at December 31, 2003 and the statement of financial activities and changes in fund balance 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.

Except as explained in the following paragraph, 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.

The trust fund for the residents of Huron Lodge derive receipts from the residents, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these receipts was limited to the amounts recorded in the records of the trust fund and we were unable to determine whether any adjustments for unrecorded receipts might be necessary to the residents' comfort accounts and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to the completeness of receipts for the Huron Lodge residents' comfort accounts described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the trust funds of The Corporation of the City of Windsor as at December 31, 2003 and the results of its financial activities and changes in fund balances of the trust funds for the year then ended in accordance with the accounting principles prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Chartered Accountants

Windsor, Canada
October 22, 2004

THE CORPORATION OF THE CITY OF WINDSOR

Trust Funds

Statement of Financial Position

December 31, 2003

(\$000's)

	Huron Lodge Residents' Comfort \$	Willistead Restoration \$
Assets:		
Cash and Temporary Investments	465	18
Receivables:		
Repayable	-	-
Forgivable	-	-
Other	-	-
Due from Current Fund City of Windsor	-	-
Total Current Assets	<u>465</u>	<u>18</u>
Long Term Assets (Note 2):		
City of Windsor Municipal Debentures	-	-
Investments	-	-
Total Long Term Assets	<u>-</u>	<u>-</u>
Total Assets	<u><u>465</u></u>	<u><u>18</u></u>
Liabilities:		
Accounts Payable	18	-
Total Liabilities	<u>18</u>	<u>-</u>
Fund Balance	447	18
Total Liabilities and Fund Balance	<u><u>465</u></u>	<u><u>18</u></u>

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

O.H.R.P. Regular \$	O.H.R.P. Rental \$	Municipal Candidates \$	Chimczuk Bequest \$	Windsor Justice Facility Capital Maintenance \$	Heritage Endowment Fund \$	Library Board Donations \$	Total \$
385	2	(1)	59	1,889	22	8	2,847
45	-	-	-	-	-	-	45
7	-	-	-	-	-	-	7
-	-	-	31	-	-	-	31
-	-	2	-	-	-	-	2
437	2	1	90	1,889	22	8	2,932
-	-	-	499	-	-	-	499
-	-	-	1,846	-	399	-	2,245
-	-	-	2,345	-	399	-	2,744
437	2	1	2,435	1,889	421	8	5,676
271	1	-	-	-	-	-	290
271	1	-	-	-	-	-	290
166	1	1	2,435	1,889	421	8	5,386
437	2	1	2,435	1,889	421	8	5,676

THE CORPORATION OF THE CITY OF WINDSOR

Trust Funds

Statement of Financial Activities and Continuity of Fund Balances

Year ended December 31, 2003

(\$000's)

	Huron Lodge Residents' Comfort \$	Willistead Restoration \$
Balance at the beginning of the year	625	15
Revenues:		
Residents' comfort	318	-
Interest earned	16	1
Contributions	-	3
Total Revenues	<u>334</u>	<u>4</u>
Expenditures:		
Payments to residents or estates	512	-
Purchases of furnishings and capital improvements	-	1
Administrative charges and other expenses	-	-
Transfers to the Province of Ontario	-	-
Total Expenditures	<u>512</u>	<u>1</u>
Balance at the end of the year	<u><u>447</u></u>	<u><u>18</u></u>

O.H.R.P. Regular \$	O.H.R.P. Rental \$	Municipal Candidates \$	Chimczuk Bequest \$	Windsor Justice Facility Capital Maintenance \$	Heritage Endowment Fund \$	Library Board Donations \$	Total \$
174	1	5	2,308	1,334	404	7	4,873
-	-	-	-	-	-	-	318
18	-	-	127	58	17	1	238
-	-	-	-	501	-	-	504
18	-	-	127	559	17	1	1,060
-	-	-	-	-	-	-	512
-	-	-	-	4	-	-	5
1	-	4	-	-	-	-	5
25	-	-	-	-	-	-	25
26	-	4	-	4	-	-	547
166	1	1	2,435	1,889	421	8	5,386

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Trust Funds
December 31, 2003, with comparative figures for 2002
(\$000's)

1. ACCOUNTING POLICIES

Basis of Accounting

Revenue and expenditures are reported on the accrual basis of accounting except for interest revenue on certain investments which is reported on the cash basis.

2. LONG TERM ASSETS

Long term assets include total investments of \$2,744 reported on the statement of financial position at cost, which approximates market value at the end of the year.

3. ONTARIO HOME RENEWAL PROGRAM (O.H.R.P.)

In 1995, the Province of Ontario discontinued this program for all but special circumstances. The municipalities will continue to act as agents on behalf of the Province with respect to the collection of outstanding receivables.

4. TRUST FUNDS

Trust funds and their related operations administered by the Corporation are not consolidated, but are reported separately on the financial statements of the trust funds.

The trust funds administered by the Corporation as of December 31, 2003 total \$5,386 (2002 - \$4,873) and are comprised of the following:

Huron Lodge Comfort Trust \$447 (2002 - \$625)

Administers the Home for the Aged residents' monthly spending allowance.

Willistead Restoration Trust Fund \$18 (2002 - \$15)

Receives various donations which are utilized to fund furnishings for the City owned heritage facility.

Ontario Home Renewal Program Trust (OHRP)

- **Regular \$166 (2002 - \$174)**
- **Rental \$1 (2002 - \$1)**

These trust funds represent funds contributed by the Province of Ontario which are loaned to qualifying individuals to be used to make needed repairs to personal residences or rental housing.

Municipal Candidates Trust \$1 (2002 - \$5)

Administers unspent campaign donations of municipal election candidates.

THE CORPORATION OF THE CITY OF WINDSOR

Notes to Trust Funds

December 31, 2003, with comparative figures for 2002

(\$000's)

Chimczuk Trust \$2,435 (2002 - \$2,308)

Administers a bequest from Mr. Joseph Chimczuk intended to be used to fund a cultural museum.

Joint Justice Facility Capital Maintenance Trust \$1,889 (2002 - \$1,334)

Administers joint contributions from the City of Windsor and Ontario Realty Corporation to be used for capital maintenance of the Joint Justice Facility.

Heritage Endowment Fund \$421 (2002 - \$404)

This is a fund which derives income for the purpose of capital funding costs associated with conserving eligible Heritage properties.

Library Board Trusts \$8 (2002 - \$7)

Administers various bequests and donations made to the Windsor Public Library.



Sinking Fund Financial Statement of

**THE CORPORATION OF
THE CITY OF WINDSOR**

December 31, 2003



KPMG LLP
Chartered Accountants
618 Greenwood Centre
3200 Deziel Drive
Windsor ON N8W 5K8

Telephone (519) 251-3500
Fax (519) 251-3530
(519) 251-3540
Internet www.kpmg.ca

AUDITORS' REPORT

To the Mayor, Members of Council, Inhabitants and Ratepayers
of The Corporation of the City of Windsor

We have examined the financial statement of the Sinking Fund By-Law 10742 including all related amendments as at December 31, 2003 as required by the Municipal Act. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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, this financial statement presents fairly, the balance of the Sinking Fund By-Law 10742 including all related amendments as at December 31, 2003 in accordance with the provisions of the Municipal Act.

Chartered Accountants

Windsor, Canada
October 22, 2004

THE CORPORATION OF THE CITY OF WINDSOR

Sinking Fund By-Law 10742 Statement of Continuity and Fund Balance December 31, 2003 (Stated in thousands of dollars)

	2003	2002
	<u>\$</u>	<u>\$</u>
Actual balance at the beginning of the year	2,429	1,878
Annual levy	417	417
Investment income	178	134
Premium on investment purchases (note 3)	<u>(310)</u>	<u>-</u>
Actual balance at the end of the year (see below)	2,714	2,429
Balance expected at the end of the year	<u>3,079</u>	<u>2,536</u>
Shortfall	<u>(365)</u>	<u>(107)</u>

Actual balance consists of:

City of Windsor debenture, \$700, at 6% due November 1, 2005	700	742
City of Windsor debenture, \$15, at 5.5% due November 1, 2003	-	15
City of Toronto debenture, \$652 at 6.4% due July 26, 2011	652	714
City of Ottawa/Carlton debenture, \$655 at 10.75% due February 28, 2011	655	903
Accrued interest income	48	-
Cash in bank	<u>659</u>	<u>55</u>
Total	<u>2,714</u>	<u>2,429</u>

THE CORPORATION OF THE CITY OF WINDSOR

Notes to Sinking Fund Financial Statement December 31, 2003 (stated in thousands of dollars)

1. Accounting Policy

Investment income is reported on the accrual basis.

Investments are reported at redemption value, any premium or discount associated with the purchase/sale of an investment is recognized at the time of purchase/sale.

2. Details of Sinking Fund

The sinking fund was established to fund the Windsor Utilities Commission's expansion of its water treatment plant in connection with By-law 10742 passed in 1997 which originally approved the debenture issue. The By-law required annual contributions to the sinking fund in the amount of \$331 for years 1997 to 2011 in order to fund the retirement of \$9,000 due in 2011.

Given prevailing interest rates, the annual levy was revised in 2001 by By-law to \$417 for the remainder of the period, 2002-2011, in order to provide a sufficient balance for the maturity value in 2011. The fund's performance will continue to be monitored and, if required, amendments to the annual levy will be recommended.

3. Premium on Investment Purchases

The premiums of \$62 for the City of Toronto debenture and \$248 for the City of Ottawa debenture purchased in 2002, were recorded in 2003 in order to reflect the debentures at their redemption value in the Fund. This conservative treatment has resulted in a cumulative shortfall in 2003 which will be reduced by the inflow of interest revenues over the life of these investments.