



Financial Statements of

**THE CORPORATION OF
THE CITY OF WINDSOR**

December 31, 2004

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Consolidated Financial Statements of

**THE CORPORATION OF
THE CITY OF WINDSOR**

December 31, 2004



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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, 2004 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, 2004 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

June 24, 2005

THE CORPORATION OF THE CITY OF WINDSOR

Consolidated Statement of Financial Position

December 31, 2004, with comparative figures for 2003

(\$000's)

	2004	2003
	\$	\$
Financial assets		
Cash and temporary investments	59,910	89,992
Taxes and grants-in-lieu receivable	28,992	24,399
Trade and other receivables	59,083	33,423
Prepaid expenses	5,480	5,155
Promissory note receivable [note 4 (b)]	14,567	17,017
Total financial assets	168,032	169,986
Investment in government business enterprises [note 4 (a)]	179,196	181,109
Total assets	347,228	351,095
Liabilities		
Accounts payable	53,051	55,362
Accrued interest on long term debt	3,033	3,229
Net long-term liabilities [note 5 (a)]	149,885	168,822
Employee future benefit obligations [note 6 (b)]	206,108	175,669
Deferred revenue [note 7 (d)]	9,992	11,078
Total liabilities	422,069	414,160
Municipal position		
Operating fund [note 7 (a)]	(1,674)	(1,314)
Capital fund [note 7 (b)]	3,706	(9,492)
Reserves and reserve funds [note 7 (c)]	92,272	100,844
Fund balances	94,304	90,038
Equity in government business enterprises [note 4 (a)]	179,196	181,109
Amounts to be recovered in future years [note 7 (e)]	(348,341)	(334,212)
Net municipal position	(74,841)	(63,065)
Total liabilities and municipal position	347,228	351,095

Commitments and contingencies [notes 3, 5, 8, 11 and 13]

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

THE CORPORATION OF THE CITY OF WINDSOR

Consolidated Statement of Financial Activities

Year ended December 31, 2004, with comparative figures for the year ended 2003

(\$000's)

	2004 \$	2003 \$
Revenues		
Property taxes and grants-in-lieu	277,087	252,165
User charges	152,780	143,892
Provincial and federal transfers	117,604	101,350
Revenue from other municipalities	27,690	26,266
Other	47,404	41,722
Change in equity in government business enterprises	(1,913)	4,427
Total revenues	620,652	569,822
Expenditures		
Operating [note 9]		
General government	39,391	42,080
Protection to persons and property	120,640	101,419
Transportation services	56,459	51,925
Environmental services	47,302	39,196
Health services	13,084	11,765
Social and family services	191,596	180,623
Recreation and culture	41,470	41,041
Planning and development	10,669	9,364
Total operating	520,611	477,413
Capital [note 9]		
General government	7,600	6,927
Protection to persons and property	10,884	7,689
Transportation services	30,766	21,007
Environmental services	23,623	14,854
Social and family services	23,528	6,290
Recreation and culture	7,872	8,681
Planning and development	7,544	7,431
Total capital	111,817	72,879
Total expenditures	632,428	550,292
Net revenues (expenditures)	(11,776)	19,530
Debt principal repayments	(18,937)	(23,025)
Change in employee future benefit obligations [note 6 (b)]	30,439	8,858
Other items affecting amounts to be recovered	2,627	1,851
Increase (decrease) in amounts to be recovered in future years	14,129	(12,316)
Transfer of expenditure (revenue) from government business enterprises	1,913	(4,427)
Change in fund balances	4,266	2,787

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

THE CORPORATION OF THE CITY OF WINDSOR

Consolidated Statement of Cash Flows

Year ended December 31, 2004, with comparative figures for the year ended 2003

(\$000's)

	2004	2003
	\$	\$
Cash provided by (used in)		
Operating activities:		
Net revenues (expenditures)	(11,776)	19,530
Change in non-cash items:		
Decrease (increase) in taxes and grants-in-lieu receivable	(4,593)	303
Decrease (increase) in trade and other receivables	(25,660)	2,019
Decrease (increase) in prepaid expenses	(325)	5,859
Increase (decrease) in accounts payable	(2,311)	9,154
Decrease in deferred revenue	(1,086)	(500)
Decrease in accrued interest on long term debt	(196)	(411)
Increase in employee future benefits obligations	30,439	8,858
Net cash provided by (used in) operating activities	(15,508)	44,812
Financing activities		
Long term debt repaid	(18,937)	(23,025)
Net cash used in financing activities	(18,937)	(23,025)
Investing activities		
Decrease (increase) in investment in government business enterprises	1,913	(4,427)
Decrease in promissory note receivable	2,450	2,314
Net cash provided by (used in) investment activities	4,363	(2,113)
Net increase (decrease) in cash and temporary investments	(30,082)	19,674
Cash and temporary investments, beginning of year	89,992	70,318
Cash and temporary investments, end of year	59,910	89,992

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

THE CORPORATION OF THE CITY OF WINDSOR

Notes to Consolidated Financial Statements

Year ended December 31, 2004

(\$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 ("the City").

(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
- Pillette 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
Year ended December 31, 2004
(\$000's)

1. Summary of significant accounting policies and reporting practices (continued)

(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 City 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
Year ended December 31, 2004
(\$000's)

1. Summary of significant accounting policies and reporting practices (continued)

(ii) Fund accounting

In accordance with practices common to Ontario municipalities, the City 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 City 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.

(iii) Accrual basis of accounting

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.

(iv) 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.

(v) Accounts receivable

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

(vi) Inventories

Inventories held by the City 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
Year ended December 31, 2004
(\$000's)

1. **Summary of significant accounting policies and reporting practices (continued)**

(vii) **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.

(viii) **Employee future benefit obligations**

The City 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 of mortality and termination rates, retirement age and expected inflation rate.

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. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

(ix) **Provincial Offences Act**

The City of Windsor under the authority of Part X of the Provincial Offences Act ("POA"), provides for and administers the POA courts in the Windsor/Esex 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.

(x) **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
Year ended December 31, 2004
(\$000's)

2. Operations of school boards

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

	2004	2003
	\$	\$
Taxation received or receivable	98,770	98,546
Requisitions	97,585	97,593
<u>Amount due to school boards</u>	<u>1,185</u>	<u>953</u>

3. Contribution to non-consolidated joint board

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

	2004	2003
	\$	\$
Windsor-Essex County Health Unit	3,083	3,004

The City is contingently liable for its share, which is approximately 56%, of any deficits which may arise. The Windsor-Essex County Health Unit incurred a surplus in 2004 of \$8 (2003 - \$24 deficit).

The City 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 \$6,964, the City is also contingently liable for insurance, taxes and utilities related to the leased premises. It is considered unlikely that the City will be called upon to take over these lease payments.

4. Government Business Enterprises ("GBE")

The consolidated financial statements of the City 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
Year ended December 31, 2004
(\$000's)

4. **Government Business Enterprises (continued)**

Windsor Utilities Commission ("WUC")

WUC is a wholly owned commission of the City 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 City which provides low income senior housing on a non-profit basis.

(a) **Investment in GBE**

The City of Windsor has investments in GBE totalling \$179,196 (2003 - \$181,109) which is comprised of the following:

	2004	2003
	\$	\$
WCUL	77,142	82,246
WUC	98,708	95,896
CWHCL	3,346	2,967
	<u>179,196</u>	<u>181,109</u>

A continuity of the investment in GBE is as follows:

	WCUL	WUC	CWHCL	2004 Total	2003 Total
	\$	\$	\$	\$	\$
Opening investment	82,246	95,896	2,967	181,109	176,682
Capital contribution (repayment) (1,100)		2,530	-	1,430	2,765
Change in reserve fund balance	-	-	665	665	(1,260)
Current income (loss)	(4,004)	282	(286)	(4,008)	2,922
Closing investment	<u>77,142</u>	<u>98,708</u>	<u>3,346</u>	<u>179,196</u>	<u>181,109</u>

(b) **Promissory note receivable**

A promissory note dated December 20, 2001 in the principal sum of \$21,520 was issued to the City 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, 2004 the principal sum of the promissory note is \$14,567 (2003 - \$17,017).

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2004
(\$000's)

4. **Government Business Enterprises (continued)**

The principal repayments on the promissory note are as follows:

	\$
2005	2,591
2006	2,743
2007	2,904
2008	3,073
2009	3,256
	<u>14,567</u>

(c) **Supplementary information of GBE**

(i) **WCUL**

	2004 \$	2003 \$
Financial position		
Current assets	39,019	34,380
Capital assets	186,514	191,867
Work in progress and other assets	15,797	26,532
Total assets	<u>241,330</u>	<u>252,779</u>
Current liabilities	69,346	73,792
Long term liabilities	94,842	96,741
Total liabilities	<u>164,188</u>	<u>170,533</u>
Shareholders' equity	77,142	82,246
Total liabilities and equity	<u>241,330</u>	<u>252,779</u>
Results of operations		
Revenue from distribution of electricity	218,774	221,281
Services provided to Windsor Utilities Commission	6,651	6,953
Other revenue	8,257	6,954
Total revenue	<u>233,682</u>	<u>235,188</u>
Cost of electrical energy	182,449	183,604
Operating expenses	30,090	28,094
Other net expenses	25,147	20,779
Total expenses	<u>237,686</u>	<u>232,477</u>
Net income (loss)	<u>(4,004)</u>	<u>2,711</u>

THE CORPORATION OF THE CITY OF WINDSOR

Notes to Consolidated Financial Statements

Year ended December 31, 2004

(\$000's)

4. Government Business Enterprises (continued)

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, 2004 was \$1,754 (2003 - \$1,139).
- 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 \$3,515 (2003 - \$2,381).
- The amounts due to related parties which are included in current liabilities consist of:

	2004	2003
	\$	\$
Due to Windsor Utilities Commission	2,224	4,301
Due to the Corporation of the City of Windsor	4,615	2,381
Due to Windsor Utilities Commission – Maxess Network	-	4,145
	<u>6,839</u>	<u>10,827</u>

(ii) WUC	2004	2003
	\$	\$
Financial position		
Current assets	11,871	13,258
Capital assets	135,363	129,095
Total assets	147,234	142,353
Current liabilities	6,935	4,672
Long term liabilities	41,591	41,785
Total liabilities	48,526	46,457
Accumulated surplus	98,708	95,896
Total liabilities and surplus	<u>147,234</u>	<u>142,353</u>
Results of operations		
Retail water sales	27,737	26,338
Other revenues	8,603	8,852
Total revenues	36,340	35,190
Cost of production	12,888	13,377
Operating expenses	16,217	15,435
Other net expenses	6,953	6,424
Total expenses	36,058	35,236
Net income (loss)	<u>282</u>	<u>(46)</u>

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2004
(\$000's)

4. **Government Business Enterprises (continued)**

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, 2004 is \$6,651 (2003 - \$6,953) 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, 2004 was \$1,322 (2003 - \$1,239) which is included above in other revenue.
- At year end, there is an amount owing from Enwin Utilities Ltd. totalling \$2,224 (2003 -\$4,301) with no specified repayment terms which is included above in current assets.

(iii) **CWHCL**

	2004	2003
	\$	\$
Financial position		
Current assets	2,074	2,068
Capital assets	6,809	6,905
Total assets	8,883	8,973
Current liabilities	393	766
Long term liabilities	5,144	5,240
Total liabilities	5,537	6,006
Shareholders' equity	3,346	2,967
Total liabilities and equity	8,883	8,973
Results of operations		
Tenant rental revenue	3,352	3,290
Provincial rent supplement	197	188
Other revenues	124	160
Total revenues	3,673	3,638
General expenses	3,959	3,381
Net income (loss)	(286)	257

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2004
(\$000's)

4. **Government Business Enterprises (continued)**

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 \$220 (2003 - \$219). Additionally CWHCL paid fees to the City of Windsor for grass cutting and vehicle leases totalling \$43 (2003 - \$35).

5. **Net long-term liabilities**

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

	2004	2003
	\$	\$
Total long term liabilities incurred by the City including those incurred on behalf of GBE which are outstanding at the end of the year amount to	185,261	205,275
Of the long term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed by WUC	(35,108)	(35,965)
Of the long term liabilities shown above, the Corporation of the City of Windsor has purchased the following amounts as long term investments	(268)	(488)
Net long term liabilities at the end of the year	149,885	168,822
Less amount repayable from user fees	(86,833)	(96,230)
<u>Net amount repayable from general taxation</u>	<u>63,052</u>	<u>72,592</u>

The Windsor Tunnel Commission has established a reserve fund to help pay for the balloon payment of \$14,882 made June 15, 2005 on the debentures issued on behalf of the Commission. At December 31, 2004, the balance in this reserve fund is \$12,298 (2003 - \$10,249).

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2004
(\$000's)

5. **Net long-term liabilities (continued)**

The amount repayable from user fees is comprised of:

	2004	2003
	\$	\$
Parking facilities fund	6,458	6,674
Windsor Canada Utilities Ltd.	13,099	17,796
Windsor Tunnel Commission	14,822	15,608
Sanitary Sewer Surcharge	460	2,896
Roseland Golf & Curling Club	381	740
Essex-Windsor Solid Waste Authority	14,600	14,600
Windsor Non-Profit Housing Corporation	37,012	37,916
	<u>86,832</u>	<u>96,230</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 City specifically to retire the related debt assumed from Windsor Canada Utilities Ltd.

EWSWA is a Joint Board of Management created by the Corporation of the County of Essex (the "County") and 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 EWSWA 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 EWSWA 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 EWSWA's financial statements.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2004
(\$000's)

5. Net long-term liabilities (continued)

EWSWA, 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 EWSWA's statements of financial activities under the heading "Regional Landfill Rental Payments". For 2004, it has been estimated that a portion of the rental payments will be attributable to the principal amount. However, as more fully described below, as a result of a dispute that has arisen amongst the parties to these agreements, administration is unable to determine with certainty the allocation of the current year's rent payments between principal and interest. Once a final repayment debt schedule is established, net long-term liability and amounts to be recovered, both currently recorded at \$14,600, will be adjusted accordingly.

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 EWSWA 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 EWSWA 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 EWSWA (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 proceeding 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 EWSWA'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 EWSWA'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 City has assumed no debt from other municipalities.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2004
(\$000's)

5. **Net long-term liabilities (continued)**

- (b) Of the net long term liabilities in (a) of this note and amounts held as long term investments, \$74,150 in principal payments are repayable from 2005 to 2009 and \$62,638 from 2010 to 2014 and \$13,097 thereafter.

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

	2005-2009	2010-2014	Thereafter	Total
	\$	\$		\$
From general municipal revenues	23,571	25,881	13,097	62,549
From benefiting landowners	504	-	-	504
	24,075	25,881	13,097	63,053
From user fees	50,075	36,757	-	86,832
	74,150	62,638	13,097	149,885

Resulting from a legal action against MFP Financial Services Limited as identified in note 5(a), the City's share of principal repayment from user fees relating to the Essex Windsor Solid Waste Authority have conservatively been recorded in the repayment period 2005 - 2009 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 City.
- (d) The City is contingently liable for long term liabilities for which the responsibility for the payment of principal and interest has been assumed by GBE amounting to \$35,108 (2003 - \$35,965).
- (e) Total interest expenditures for the year for net long term liabilities which are reported on the statement of financial activities are as follows:

	2004	2003
	\$	\$
Interest funded from general property taxes	3,875	3,891
Interest funded from user fees	5,665	6,867
	9,540	10,758

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
Year ended December 31, 2004
(\$000's)

6. **Employee benefits**

(a) **Pension agreements**

The City 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 amount contributed to OMERS for current service for 2004 was \$10,883 (2003 - \$3,235).

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 City to its employees and retirees for benefits earned but not taken as at December 31, 2004 and consist of the following:

	2004	2003
	\$	\$
Post retirement benefits	160,939	152,771
WSIB future benefits	25,262	-
Accrued vested sick leave	13,757	14,284
Vacation and vested banked overtime	2,265	2,193
<u>Transit Windsor pension liability</u>	<u>3,885</u>	<u>6,421</u>
	<u>206,108</u>	<u>175,669</u>

(i) **Post retirement benefits**

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

- Discount Rate 6.00% (6.25% in 2003)
- Health Care Trend Rate: 12% for 2004 grading to 5% per annum in 2018
- Dental and other Medical: 5% per annum
- Nursing Home 2% per annum

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2004
(\$000's)

6. Employee benefits (continued)

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

	2004	2003
	\$	\$
Accrued benefit obligations at the beginning of the year	152,771	143,854
Current service cost	3,642	3,365
Interest	10,211	9,791
Amortization of actuarial gains/losses	141	-
<u>Benefits paid</u>	<u>(5,826)</u>	<u>(4,239)</u>
<u>Accrued benefit obligations at the end of the year</u>	<u>160,939</u>	<u>152,771</u>

The measurement date of the employee future benefits obligation coincides with the City's fiscal year. The most recent actuarial valuation was as of December 31, 2004 and the next required valuation will be as of December 31, 2006.

(ii) Liability for Workplace Safety and Insurance ("WSIB")

The Workplace Safety and Insurance Board (WSIB) estimates the undiscounted future benefit costs and administrative downloading for the City as a Schedule II employer at December 31, 2004 in the amount of \$25,262. These post employment benefit costs have been reported prospectively for 2004 in compliance with section 3255 of the CICA Handbook and have been reflected as expenditures on the Consolidated Statement of Financial Activities.

(iii) Accrued vested sick leave

Accrued vested sick leave refers to the balance of unused sick leave credits which is payable to eligible employees of the City 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 City's employment. An amount of \$811 (2003 - \$781) has been paid out in the current year and is reported as an expenditure on the consolidated statement of financial activities.

(iv) 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.

(v) 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, 2004. 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, 2004 of \$3,885 (2003 - \$6,421) which has been reflected on the consolidated statement of financial position.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2004
(\$000's)

7. Municipal position

(a) Operating fund

The consolidated statement of financial position reflects an operating fund deficit of \$1,674 (2003 - \$1,314). Any deficit is funded in the following year as a first charge to that budget.

(b) Capital fund

The consolidated statement of financial position reflects a balance of unexpended capital financing (capital operations not permanently financed) of \$3,706 [2003 - (\$9,492)]. This outstanding balance will be expended in future years.

(c) Reserves and reserve funds

The consolidated statement of financial position reflects a balance of reserves and reserve funds of \$92,272 (2003 - \$100,844) and are detailed as follows:

	2004	2003
	\$	\$
Reserves set aside for specific purpose by Council:		
Working funds	967	967
Encumbrances	3,850	1,981
Future planning	755	423
Post retirement death benefit	29	(25)
Recreation services	1,129	660
Police services	23	312
Fire services	87	83
Transit services	518	75
Winter control	78	78
Environmental services	4,299	3,593
Total reserves	11,735	8,147
Reserve funds set aside for specific purpose by Council:		
Replacement of equipment	19,851	20,738
Capital expenditures	15,067	33,529
Tunnel improvements	8,186	13,096
Insurance	957	767
Health benefits rate stabilization	1,831	1,136
Sanitary sewer expenditures	1,910	(1,521)
Tunnel debt repayment	12,298	10,249
Budget stabilization	15,378	11,257
Children's fund	382	270
Environmental services	-	325
Social Housing	2,983	2,851
Corporate stability	1,694	-
Total reserve funds	80,537	92,697
Total reserves and reserve funds	92,272	100,844

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2004
(\$000's)

7. **Municipal position (continued)**

(d) **Deferred revenue**

The following funds totalling \$9,213 (2003, \$10,826) relate to inflows which have statutory restrictions and as such, are classified as deferred revenue on the consolidated statement of financial position:

	Beginning balance 2003 \$	2004 Inflows \$	2004 Outflows \$	Balance at Dec 31 2004 \$
Parking facilities fund	(1,004)	558	1,713	(2,159)
Park purposes fund	1,652	1,227	1,728	1,151
Development charges fund	8,683	8,335	8,574	8,444
Landfill post closure fund	1,495	282	-	1,777
	10,826	10,402	12,015	9,213
Other deferred revenues	252	527	-	779
Total deferred revenues	11,078	10,929	12,015	9,992

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 City should the Regional Landfill cease receiving waste on December 31, 2004.

(e) **Amounts to be recovered in future years**

The consolidated statement of financial position reflects a balance of \$348,341 (2003 - \$334,212) 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:

	2004 \$	2003 \$
Employee future benefit obligations	206,108	175,669
Long term debt outstanding, including amounts held in own debentures net of promissory note receivable	135,586	152,293
Inventories	3,094	2,670
Accrued interest on long term debt	3,033	3,229
Deferred expenses	520	351
	348,341	334,212

THE CORPORATION OF THE CITY OF WINDSOR

Notes to Consolidated Financial Statements

Year ended December 31, 2004

(\$000's)

8. Commitments

As at December 31, 2004, the City is committed to making the following payments:

- (a) Contracts for various capital construction projects, at a cost approximating \$14,069 (2003 - \$7,497) in the aggregate, to be financed generally by reserves.
- (b) Payments for various operating leases over the following year approximating \$3,788 (2003 - \$4,198).
- (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) Contributions of \$2,000 in 2005 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 2004, \$2,000 was levied and paid to the hospitals.
- (e) The City owns the Canadian half of the Detroit-Windsor 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), between the WTC, the City of Windsor and DCTC and its affiliates, among other things, provides for the operation of the Canadian portion of the tunnel. DCTC provides the day-to-day operation of the tunnel for the cities of Windsor and Detroit.

WTC is committed to several major undertakings for rehabilitation of the tunnel. Two significant projects are the Ventilation System Upgrade and improvements to the Windsor Tunnel Plaza, including the implementation of an expanded NEXUS program.

The Ventilation System Upgrade commenced in 2003 and is expected to be completed in 2006. The JOA provides that all such projects will be cost shared on a 50/50 basis with DCTC and will be charged to 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 for this matter reached on September 25, 2003.

On March 11, 2004 the Federal and Provincial governments and the City of Windsor made a joint announcement and signed a supporting Memorandum of Understanding, identifying five project investments under Phase I of the Border Infrastructure Improvement program known as the "Let's Get Windsor-Essex Moving" strategy. One of the approved projects will provide improvements to the Windsor-Detroit Tunnel Plaza to facilitate more effective traffic management, including the implementation of an expanded NEXUS program.

The plaza improvements are to be funded by contributions of up to \$10 million each from the Federal and Provincial governments and the City of Windsor, subject to WTC, Council, and Federal and Provincial government approval. The City of Windsor has deemed that the Windsor plaza improvements will be managed by, and the City's share of costs funded,

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2004
(\$000's)

8. Commitments (continued)

through, the Windsor Tunnel Commission.

- (f) In 2004 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 \$111,500. The federal government is funding \$9,000 towards the project, the province is contributing \$19,000 and the Town of LaSalle is contributing \$25,000 for a total of \$53,000. The City's share of the cost is \$58,500 and is to be funded by debentures, development charges and sewer surcharge revenues. The project must expend eligible costs of \$58,500 by March 31, 2006 in order to receive the full funding allotment from the provincial and federal governments. The total value of outstanding contracts relating to this project at December 31, 2004 is \$46,400.
- (g) Construction of a new Huron Lodge Home for the Aged began in 2004. 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. The total cost of the project is \$41,200. The outstanding contract value for this project is \$23,000.
- (h) Construction of 400 City Hall Square began in 2003. The expected completion date for the project is the late summer 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. The outstanding contract value for this project is \$7,600.

9. Budget figures

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

Additionally, budgets relating to capital expenditures have been excluded on the consolidated statement of financial activities as they may not be comparable to actual results. The City'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.

10. Airport acquisition

On December 31, 1998, the City 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 City 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 sixth year of operation, 2004, the Windsor Airport has generated a profit of \$72 (2003 - \$2).

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2004
(\$000's)

10. Airport acquisition (continued)

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.

11. Public liability insurance

The City 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 City of Windsor is currently insured with the Ontario Municipal Insurance Exchange (OMEX). OMEX is a reciprocal, which means the City may be exposed to future costs should there be a retroactive assessment. As a member of a reciprocal, the City agrees to assume a certain percentage of the entire group's liabilities and losses for the period of time that the City was a member. In the event that an annual premium funding becomes insufficient to cover claims and claim reserves, the reciprocal has the ability to re-assess each member to appropriately fund the difference. The City has established a reserve fund for self insurance which as at December 31, 2004 amounted to \$957 (2003 - \$767). Since 1994, there have been no retro-assessments applied to its members.

The City 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.

12. 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 City 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.

13. Contingent liabilities

During the normal course of operations, the City 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 City.

14. Comparative figures

Certain 2003 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, 2004



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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, 2004 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, 2004 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.

KPMG LLP

Chartered Accountants

Windsor, Canada
June 24, 2005

THE CORPORATION OF THE CITY OF WINDSOR

Trust Funds

Statement of Financial Position

December 31, 2004

(\$000's)

	Huron Lodge			
	Residents' Comfort	Willistead Restoration	O.H.R.P. Regular	O.H.R.P. Rental
	\$	\$	\$	\$
Assets				
Current assets				
Cash and temporary investments	433	21	374	3
Accounts receivable:				
Repayable	-	-	39	-
Forgivable	-	-	7	-
Other	-	-	-	-
Total current assets	433	21	420	3
Long term assets (note 2):				
Investments	-	-	-	-
Total assets	433	21	420	3
Liabilities				
Accounts payable	4	-	253	2
Due to City of Windsor	-	-	-	-
Total liabilities	4	-	253	2
Fund balance	429	21	167	1
Total liabilities and fund balance	433	21	420	3

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

Windsor					
Municipal	Chimeczuk	Justice Facility	Heritage	Library	
Candidates	Bequest	Capital	Endowment	Board	Total
\$	\$	Maintenance	Fund	Donations	\$
\$	\$	\$	\$	\$	\$
3	1,879	2,658	-	8	5,379
-	-	-	-	-	39
-	-	-	-	-	7
-	-	2	-	-	2
3	1,879	2,660	-	8	5,427
-	635	-	435	-	1,070
3	2,514	2,660	435	8	6,497
-	-	21	-	-	280
-	-	243	-	-	243
-	-	264	-	-	523
3	2,514	2,396	435	8	5,974
3	2,514	2,660	435	8	6,497

THE CORPORATION OF THE CITY OF WINDSOR

Trust Funds

Statement of Financial Activities and Continuity of Fund Balances

Year ended December 31, 2004

(\$000's)

	Huron Lodge Residents' Comfort \$	Willistead Restoration \$	O.H.R.P. Regular \$	O.H.R.P. Rental \$
Balance at the beginning of the year	447	18	166	1
Revenues				
Residents' comfort	283	-	-	-
Interest earned	6	-	8	-
Contributions	-	3	-	-
Total revenues	289	3	8	-
Expenditures				
Payments to residents or estates	299	-	-	-
Purchases of furnishings and capital improvements	-	-	-	-
Transfers to the Province of Ontario	-	-	7	-
Other expenses	8	-	-	-
Total expenditures	307	-	7	-
Balance at the end of the year	429	21	167	1

Municipal Candidates	Chimeczuk Bequest	Windsor Justice Facility Capital Maintenance	Heritage Endowment Fund	Library Board Donations	Total
\$	\$	\$	\$	\$	\$
1	2,435	1,889	421	8	5,386
-	-	-	-	-	283
-	79	37	14	-	144
2	-	496	-	-	501
2	79	533	14	-	928
-	-	-	-	-	299
-	-	26	-	-	26
-	-	-	-	-	7
-	-	-	-	-	8
-	-	26	-	-	340
3	2,514	2,396	435	8	5,974

THE CORPORATION OF THE CITY OF WINDSOR

Notes to Trust Funds

December 31, 2004

(\$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 \$1,070 (2003 - \$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

The trust funds administered by the Corporation as of December 31, 2004 total \$5,974 (2003 - \$5,386) and are comprised of the following:

Huron Lodge Residents' Comfort Trust \$429 (2003 - \$447)

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

Willstead Restoration Trust Fund \$21 (\$2003 - \$18)

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

Ontario Home Renewal Program Trust (OHRP)

- **Regular \$167 (2003 - \$166)**
- **Rental \$1 (2003 - \$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 \$3 (2003 - \$1)

Administers unspent campaign donations of municipal election candidates.

THE CORPORATION OF THE CITY OF WINDSOR

Notes to Trust Funds

December 31, 2004

(\$000's)

Chimczuk Trust \$2,514 (2003 - \$2,435)

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

Joint Justice Facility Capital Maintenance Trust \$2,396 (2003 - \$1,889)

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 \$435 (2003 - \$421)

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

Library Board Trusts \$8 (2003 - \$8)

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, 2004



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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, 2004 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, 2004 in accordance with the provisions of the Municipal Act.

KPMG LLP

Chartered Accountants

Windsor, Canada
June 24, 2005

THE CORPORATION OF THE CITY OF WINDSOR

Sinking Fund By-Law 10742 Statement of Continuity and Fund Balance December 31, 2004 (Stated in thousands of dollars)

	2004	2003
	<u>\$</u>	<u>\$</u>
Actual balance at the beginning of the year	2,714	2,429
Annual levy	417	417
Investment income	177	178
Premium on investment purchases (see note 3)	—	<u>(310)</u>
Actual balance at the end of the year (see below)	3,308	2,714
Balance required at the end of the year	<u>3,658</u>	<u>3,079</u>
Shortfall	<u>(350)</u>	<u>(365)</u>

Actual balance (including accrued interest) consists of:

City of Windsor debenture, \$700, at 6% due November 1, 2005	700	700
One Fund – diversified short-term bonds	83	-
City of Toronto debenture, \$652 at 6.4% due July 26, 2011	652	652
City of Ottawa/Carlton debenture, \$655 at 10.75% due February 28, 2011	655	655
Accrued interest income	48	48
Cash in bank	<u>1,170</u>	<u>659</u>
Total	<u>3,308</u>	<u>2,714</u>

THE CORPORATION OF THE CITY OF WINDSOR

Notes to Sinking Fund Financial Statement

December 31, 2004

(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.

At December 31, 2004, the Sinking Fund reflects a shortfall of \$350 due to continued declining interest rates. On May 16, 2005 City Council approved an amendment to By-law 10742 increasing the annual levy to \$494 for the remainder of the period 2005-2011. As a result of the increase in annual funding, along with a guaranteed investment rate of 5.11% from a financial institution compounded quarterly, sufficient funds will be available to pay the lump sum payment due in August 2011.

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.