



Financial Statements of

**THE CORPORATION OF
THE CITY OF WINDSOR**

December 31, 2005



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Consolidated Financial Statements of

**THE CORPORATION OF
THE CITY OF WINDSOR**

December 31, 2005



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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, 2005 and the consolidated statements of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2005 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

May 19, 2006

THE CORPORATION OF THE CITY OF WINDSOR
Consolidated Statement of Financial Position
December 31, 2005, with comparative figures for 2004
(\$000's)

| | 2005 | 2004 |
|--|------------------|-----------------|
| | \$ | \$ |
| Financial assets | | |
| Cash and temporary investments | 22,722 | 59,910 |
| Taxes and grants-in-lieu receivable | 28,649 | 28,992 |
| Trade and other receivables | 57,210 | 59,083 |
| Prepaid expenses | 6,985 | 5,480 |
| Promissory note receivable [note 4 (b)] | 11,976 | 14,567 |
| Total financial assets | 127,542 | 168,032 |
| Investment in government business enterprises [note 4 (a)] | 181,623 | 179,196 |
| Total assets | 309,165 | 347,228 |
| Liabilities | | |
| Accounts payable | 68,284 | 53,051 |
| Accrued interest on long term debt | 2,749 | 3,033 |
| Net long-term liabilities [note 5 (a)] | 138,000 | 149,885 |
| Employee future benefit obligations [note 6 (b)] | 214,807 | 206,108 |
| Deferred revenue [note 7 (d)] | 3,943 | 9,992 |
| Total liabilities | 427,783 | 422,069 |
| Municipal position | | |
| Operating fund [note 7 (a)] | (2,557) | (1,674) |
| Capital fund [note 7 (b)] | (26,221) | 3,706 |
| Reserves and reserve funds [note 7 (c)] | 75,546 | 92,272 |
| Fund balances | 46,768 | 94,304 |
| Equity in government business enterprises [note 4 (a)] | 181,623 | 179,196 |
| Amounts to be recovered in future years [note 7 (e)] | (347,009) | (348,341) |
| Net municipal position | (118,618) | (74,841) |
| Total liabilities and municipal position | 309,165 | 347,228 |

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, 2005, with comparative figures for the year ended 2004

(\$000's)

| | 2005 \$ | 2004 \$ |
|--|-----------------|-----------------|
| Revenues | | |
| Property taxes and grants-in-lieu | 289,605 | 277,087 |
| User charges | 156,866 | 152,780 |
| Provincial and federal transfers | 122,140 | 117,604 |
| Revenue from other municipalities | 26,025 | 27,690 |
| Other [note 5] | 69,523 | 47,404 |
| Change in equity in government business enterprises [note 4(a)] | 2,427 | (1,913) |
| Total revenues | 666,586 | 620,652 |
| Expenditures | | |
| Operating [note 9] | | |
| General government | 46,304 | 39,391 |
| Protection to persons and property | 114,723 | 120,640 |
| Transportation services | 56,040 | 55,323 |
| Environmental services | 44,852 | 47,302 |
| Health services | 13,718 | 13,084 |
| Social and family services | 206,336 | 191,596 |
| Recreation and culture | 49,584 | 41,470 |
| Planning and development | 9,414 | 10,669 |
| Total operating | 540,971 | 519,475 |
| Capital [note 9] | | |
| General government | 10,405 | 7,600 |
| Protection to persons and property | 2,094 | 10,884 |
| Transportation services | 41,346 | 31,902 |
| Environmental services | 62,034 | 23,623 |
| Social and family services | 29,902 | 23,528 |
| Recreation and culture | 16,148 | 7,872 |
| Planning and development | 7,463 | 7,544 |
| Total capital | 169,392 | 112,953 |
| Total expenditures | 710,363 | 632,428 |
| Net revenues (expenditures) | (43,777) | (11,776) |
| New debt issued [note 5(a)] | 17,661 | - |
| Debt principal repayments | (29,546) | (18,937) |
| Change in employee future benefit obligations [note 6 (b)] | 8,699 | 30,439 |
| Other items affecting amounts to be recovered | 1,854 | 2,627 |
| Increase (decrease) in amounts to be recovered in future years | (1,332) | 14,129 |
| Transfer of expenditure (revenue) from government business enterprises | (2,427) | 1,913 |
| Change in fund balances | (47,536) | 4,266 |

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, 2005, with comparative figures for the year ended 2004

(\$000's)

| | 2005 | 2004 |
|--|-----------------|-----------------|
| | \$ | \$ |
| Cash provided by (used in) | | |
| Operating activities: | | |
| Net revenues (expenditures) | (43,777) | (11,776) |
| Change in non-cash items: | | |
| Decrease (increase) in taxes and grants-in-lieu receivable | 343 | (4,593) |
| Decrease (increase) in trade and other receivables | 1,873 | (25,660) |
| Increase in prepaid expenses | (1,505) | (325) |
| Increase (decrease) in accounts payable | 15,233 | (2,311) |
| Decrease in deferred revenue | (6,049) | (1,086) |
| Decrease in accrued interest on long-term debt | (284) | (196) |
| Increase in employee future benefits obligations | 8,699 | 30,439 |
| Net cash used in operating activities | (25,467) | (15,508) |
| Financing activities | | |
| Long-term debt issued | 17,661 | - |
| Long-term debt repaid | (29,546) | (18,937) |
| Net cash used in financing activities | (11,885) | (18,937) |
| Investing activities | | |
| Decrease (increase) in investment in government business enterprises | (2,427) | 1,913 |
| Decrease in promissory note receivable | 2,591 | 2,450 |
| Net cash provided by investment activities | 164 | 4,363 |
| Net decrease in cash and temporary investments | (37,188) | (30,082) |
| Cash and temporary investments, beginning of year | 59,910 | 89,992 |
| Cash and temporary investments, end of year | 22,722 | 59,910 |

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, 2005
(\$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
Pilette Village Business Improvement Area

The Essex-Windsor Solid Waste Authority ("EWSWA"), 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, 2005
(\$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, 2005
(\$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, 2005
(\$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. Part service costs from plan amendments, if any are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumption used to determine the accrued benefit obligation. The excess of the net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees, which is 14.9 years.

(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/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.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$000's)

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

(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. Significant items subject to such estimates and assumptions include valuation allowances for receivables, certain accrued liabilities and obligations related to employee future benefits. Actual results could differ from those estimates.

2. Operations of school boards

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

| | 2005 | 2004 |
|---|--------------|--------------|
| | \$ | \$ |
| Taxation received or receivable | 100,758 | 98,770 |
| Requisitions | 100,882 | 97,585 |
| <u>Amount due to (from) school boards</u> | <u>(124)</u> | <u>1,185</u> |

3. Contribution to non-consolidated joint board

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

| | 2005 | 2004 |
|----------------------------------|-------------|-------------|
| | \$ | \$ |
| Windsor-Essex County Health Unit | 3,152 | 3,083 |

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 2005 of \$23 (2004 - \$9 surplus).

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 \$6,507, 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.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$000's)

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.

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 \$181,623 (2004 - \$179,196), which is comprised of the following:

| | 2005 | 2004 |
|-------|----------------|----------------|
| | \$ | \$ |
| WCUL | 77,733 | 77,142 |
| WUC | 100,580 | 98,708 |
| CWHCL | 3,310 | 3,346 |
| | <u>181,623</u> | <u>179,196</u> |

A continuity of the investment in GBE is as follows:

| | WCUL | WUC | CWHCL | 2005 | 2004 |
|--------------------------------|---------------|----------------|--------------|----------------|----------------|
| | \$ | \$ | \$ | Total | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Opening investment | 77,142 | 98,708 | 3,346 | 179,196 | 181,109 |
| Capital contribution | - | 1,045 | - | 1,045 | 1,430 |
| Change in reserve fund balance | - | - | 262 | 262 | 665 |
| Dividends declared | (1,678) | - | - | (1,678) | - |
| Current income (loss) | 2,269 | 827 | (298) | 2,798 | (4,008) |
| Closing investment | <u>77,733</u> | <u>100,580</u> | <u>3,310</u> | <u>181,623</u> | <u>179,196</u> |

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$000's)

4. **Government Business Enterprises ("GBE")**

(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, 2005 the principal sum of the promissory note is \$11,976 (2004 - \$14,567).

The principal repayments on the promissory note are as follows:

| | \$ |
|------|---------------|
| 2006 | 2,743 |
| 2007 | 2,904 |
| 2008 | 3,073 |
| 2009 | 3,256 |
| | <u>11,976</u> |

(c) **Supplementary information of GBE**

(i) **WCUL**

| | 2005 | 2004 |
|---|----------------|----------------|
| | \$ | \$ |
| Financial position | | |
| Current assets | 44,371 | 39,019 |
| Capital assets | 181,813 | 186,514 |
| Work in progress and other assets | 10,367 | 15,797 |
| Total assets | <u>236,551</u> | <u>241,330</u> |
| Current liabilities | 63,409 | 69,346 |
| Long term liabilities | 95,409 | 94,842 |
| Total liabilities | 158,818 | 164,188 |
| Shareholders' equity | 77,733 | 77,142 |
| Total liabilities and equity | <u>236,551</u> | <u>241,330</u> |
| Results of operations | | |
| Revenue from distribution of electricity | 253,405 | 218,774 |
| Services provided to Windsor Utilities Commission | 8,239 | 6,651 |
| Other revenue | 9,342 | 8,257 |
| Total revenue | <u>270,986</u> | <u>233,682</u> |
| Cost of electrical energy | 216,831 | 182,449 |
| Operating expenses | 32,497 | 30,090 |
| Other net expenses | 19,389 | 25,147 |
| Total expenses | <u>268,717</u> | <u>237,686</u> |
| Net income (loss) | <u>2,269</u> | <u>(4,004)</u> |

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$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, 2005 was \$2,576 (2004 - \$1,564).
- 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 \$3,349 (2004 - \$3,515).
- The amounts due to related parties which are included in current liabilities consist of:

| | 2005 | 2004 |
|---|--------------|--------------|
| | \$ | \$ |
| Due to Windsor Utilities Commission | 1,238 | 2,224 |
| Due to the Corporation of the City of Windsor | 5,550 | 4,615 |
| | <u>6,788</u> | <u>6,839</u> |

| (ii) WUC | 2005 | 2004 |
|-------------------------------|----------------|----------------|
| | \$ | \$ |
| Financial position | | |
| Current assets | 8,249 | 11,871 |
| Capital assets | 141,107 | 135,363 |
| Total assets | 149,356 | 147,234 |
| Current liabilities | 7,913 | 6,935 |
| Long term liabilities | 40,863 | 41,591 |
| Total liabilities | 48,776 | 48,526 |
| Accumulated surplus | 100,580 | 98,708 |
| Total liabilities and surplus | <u>149,356</u> | <u>147,234</u> |
| Results of operations | | |
| Retail water sales | 29,144 | 27,737 |
| Other revenues | 9,277 | 8,603 |
| Total revenues | <u>38,421</u> | <u>36,340</u> |
| Cost of production | 13,456 | 12,888 |
| Operating expenses | 16,951 | 16,217 |
| Other net expenses | 7,187 | 6,953 |
| Total expenses | <u>37,594</u> | <u>36,058</u> |
| Net income (loss) | <u>827</u> | <u>282</u> |

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$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, 2005 is \$8,239 (2004 – \$6,651), which is included above under operating expenses.
- The Corporation of the City of Windsor provides support for capital water main projects and road repairs to the Commission. The total amount charged to the Commission for the year ending December 31, 2005 was \$3,576 (2004 - \$4,306)
- At year-end, there is an amount owing from Enwin Utilities Ltd. totalling \$1,238 (2004 - \$2,224) with no specified repayment terms, which is included above in current assets.
- The amounts due to related parties which are included in current liabilities consist of:

| | 2005 | 2004 |
|---|--------------|--------------|
| | \$ | \$ |
| Due to Enwin Powerlines Ltd. | 121 | - |
| Due to the Corporation of the City of Windsor | 1,916 | 1,616 |
| | <u>2,037</u> | <u>1,616</u> |

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$000's)

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

(iii) **CWHCL**

| | 2005 | 2004 |
|-------------------------------------|--------------|--------------|
| | \$ | \$ |
| Financial position | | |
| Current assets | 2,296 | 2,074 |
| Capital assets | 6,705 | 6,809 |
| Total assets | 9,001 | 8,883 |
| Current liabilities | 650 | 393 |
| Long term liabilities | 5,041 | 5,144 |
| Total liabilities | 5,691 | 5,537 |
| Shareholders' equity | 3,310 | 3,346 |
| Total liabilities and equity | 9,001 | 8,883 |
| Results of operations | | |
| Tenant rental revenue | 3,317 | 3,352 |
| Provincial rent supplement | 169 | 197 |
| Other revenues | 123 | 124 |
| Total revenues | 3,609 | 3,673 |
| General expenses | 3,907 | 3,959 |
| Net loss | (298) | (286) |

Related party transactions

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 \$318 (2004 - \$220). Additionally CWHCL paid fees to the City of Windsor vehicle leases totalling \$13 (2004 - \$11).

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$000's)

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:

| | 2005 | 2004 |
|---|---------------|---------------|
| | \$ | \$ |
| 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 | 172,221 | 185,261 |
| Of the long term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed by WUC | (34,221) | (35,108) |
| Of the long term liabilities shown above, the Corporation of the City of Windsor has purchased the following amounts as long term investments | - | (268) |
| Net long term liabilities at the end of the year | 138,000 | 149,885 |
| Less amount repayable from user fees | (87,438) | (89,387) |
| <u>Net amount repayable from general taxation</u> | <u>50,562</u> | <u>60,498</u> |

The amount repayable from user fees is comprised of:

| | 2005 | 2004 |
|--|---------------|---------------|
| | \$ | \$ |
| Parking facilities fund | 6,235 | 6,458 |
| Windsor Canada Utilities Ltd. | 12,459 | 15,194 |
| Windsor Tunnel Commission | - | 14,822 |
| Sanitary Sewer Surcharge | 460 | 920 |
| Roseland Golf & Curling Club | - | 381 |
| Essex-Windsor Solid Waste Authority | 32,261 | 14,600 |
| Windsor Non-Profit Housing Corporation | 36,023 | 37,012 |
| | <u>87,438</u> | <u>89,387</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 help retire the related debt assumed from Windsor Canada Utilities Ltd.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$000's)

5. Net long-term liabilities (Continued)

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 2005 net long-term liabilities for the EWSWA reflect a balance of \$64,522 (2004 - \$29,200).

In July 2005, the County, City and EWSWA (the "Plaintiff") settled a legal action commenced in the Ontario Superior Court of Justice against MFP Financial Services, Leasing-Infrastructure Financing Trust 1 ("LIFT") and others in which the Plaintiffs had alleged that certain of the defendants had fraudulently and negligently misrepresented the rate of interest payable by the Plaintiffs in respect of a head lease and sublease intended to be a loan to finance certain costs incurred by the Authority to develop the Regional Landfill and pay the costs of future landfill expansions.

Under the terms of the mediated and Court approved settlement, LIFT assigned its rights under the original head lease which the Court ruled was a loan from LIFT to the County and City, to Sun Life Assurance Company Limited ("Sun Life"). Sun Life restructured the loan, in favour of a debenture in the amount of \$62,808, bearing interest at 6.427% per annum, issued by the County, on behalf of the County and the City. The County and the City are jointly liable for the debenture, which provides for principal and interest payments on January 15 and July 15 of each year, commencing January 15, 2006 and maturing on July 31, 2031. Total interest over the term of the debenture will aggregate \$88,455. Other significant terms and conditions of the settlement are as follows:

- i. Cash proceeds of \$5,728 held by LIFT on account of a payment previously owing under the head lease were distributed to the County and City and used to retire certain indebtedness incurred in prior years by the Authority with respect to Regional Landfill expenditures.
- ii. Investments held by another defendant with a book value of \$10,196 at the date of settlement were distributed to the County and the City. At their respective maturity dates, these investments will be considered as further advances by LIFT as provided under the original head lease agreement.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$000's)

5. Net long-term liabilities (Continued)

- iii. Payment of \$7,147 by LIFT to the County and City, which will be used, along with interest earned thereon, towards payments otherwise due with respect to the Sun Life debenture during the period commencing January 15, 2006 and ending on January 15, 2008. These proceeds are intended to effectively reduce the original cost of borrowing included in the head lease and sub-lease during this period. As part of the agreement, no other payments with respect to the debenture are payable during this timeframe.

The investments noted in paragraph (ii) above and these monies are currently being held by the City in trust.

- iv. Payment of \$2,400 by MFP Financial Services Limited on account of costs of the legal action incurred by the Plaintiffs.

At December 31, 2005, the net long-term liability as reported on the financial statements of the EWSWA consists of:

| | |
|-------------------|---------------|
| Debenture payable | 62,808 |
| Accrued Interest | 1,714 |
| | <u>64,522</u> |

Under the terms of the debenture agreement, no principal repayments are required until July 2012. The net long-term liability recorded at December 31, 2004 related to the head lease and sublease, which under the terms of the settlement were terminated, and any remaining obligations related thereto were merged into the Sun Life debenture.

The City 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, \$33,341 in principal payments are repayable from 2006 to 2010 and \$60,629 from 2011 to 2015 and \$44,030 thereafter.

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

| | 2006-2010 | 2011-2015 | Thereafter | Total |
|---------------------------------|---------------|---------------|---------------|----------------|
| | \$ | \$ | | \$ |
| From general municipal revenues | 13,337 | 25,275 | 11,556 | 50,168 |
| From benefiting landowners | 375 | 19 | - | 394 |
| | 13,712 | 25,294 | 11,556 | 50,562 |
| From user fees | 19,629 | 35,335 | 32,474 | 87,438 |
| | <u>33,341</u> | <u>60,629</u> | <u>44,030</u> | <u>138,000</u> |

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$000's)

5. Net long-term liabilities (Continued)

- (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 \$34,221 (2004 - \$35,108).
- (e) Total interest expenditures for the year for net long term liabilities which are reported on the statement of financial activities are as follows:

| | 2005 | 2004 |
|---|--------------|--------------|
| | \$ | \$ |
| Interest funded from general property taxes | 2,172 | 2,914 |
| <u>Interest funded from user fees</u> | <u>5,721</u> | <u>6,588</u> |
| | <u>7,893</u> | <u>9,502</u> |

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

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 2005 was \$11,632 (2004 - \$10,883).

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.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$000's)

6. **Employee benefits (continued)**

(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, 2005 and consist of the following:

| | 2005 \$ | 2004 \$ |
|-------------------------------------|----------------|----------------|
| Post retirement benefits | 169,575 | 160,939 |
| WSIB future benefits | 25,240 | 25,262 |
| Accrued vested sick leave | 15,146 | 13,757 |
| Vacation and vested banked overtime | 2,750 | 2,265 |
| Transit Windsor pension liability | 2,096 | 3,885 |
| | <u>214,807</u> | <u>206,108</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 5.25% (6.00% in 2004)
- Health Care Trend Rate: 11.5% for 2005 grading to
5% per annum in 2018
- Dental and other Medical: 5% per annum
- Nursing Home 2% per annum

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

| | 2005 \$ | 2004 \$ |
|--|----------------|----------------|
| Accrued benefit liability at the beginning of the year | 160,939 | 152,771 |
| Current service cost | 3,918 | 3,642 |
| Interest | 10,704 | 10,211 |
| Amortization of actuarial gains/losses | 201 | 141 |
| Benefits paid | (6,187) | (5,826) |
| Accrued benefit liability at the end of the year | 169,575 | 160,939 |
| Unamortized net actuarial losses | 41,200 | 16,757 |
| Accrued benefit obligations at the end of the year | <u>210,775</u> | <u>177,696</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.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$000's)

6. Employee benefits (continued)

Subsequent to yearend, on May 15, 2006 City Council approved the limitation of Post Retirement benefit coverage to age 65 for all Non Union employees hired on or after May 16, 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, 2005 in the amount of \$25,240.

(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 \$1,090 (2004 - \$811) 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, 2005. 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, 2005 of \$2,096 (2004 - \$3,885), 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 \$2,557 (2004 - \$1,674). 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 (\$26,221) [2004 - \$3,706]. This outstanding balance at December 31, 2005 will be financed in future years.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$000's)

7. **Municipal position (continued)**

(c) **Reserves and reserve funds**

The consolidated statement of financial position reflects a balance of reserves and reserve funds of \$75,546 (2004 - \$92,272) and are detailed as follows:

| | 2005 | 2004 |
|--|---------------|---------------|
| | \$ | \$ |
| Reserves set aside for specific purpose by Council: | | |
| Working funds | 946 | 967 |
| Encumbrances | 2,233 | 3,850 |
| Future planning | 805 | 755 |
| Post retirement death benefit | (53) | 29 |
| Recreation services | 1,274 | 1,129 |
| Police services | 1 | 23 |
| Fire services | 371 | 87 |
| Transit services | - | 518 |
| Winter control | 78 | 78 |
| <u>Environmental services</u> | <u>16,930</u> | <u>4,299</u> |
| <u>Total reserves</u> | <u>22,585</u> | <u>11,735</u> |
| Reserve funds set aside for specific purpose by Council: | | |
| Replacement of equipment | 24,204 | 19,851 |
| Capital expenditures | 4,395 | 15,067 |
| Tunnel improvements | (1,549) | 8,186 |
| Insurance | 1,163 | 957 |
| Health benefits rate stabilization | 1,880 | 1,831 |
| Sanitary sewer expenditures | 2,677 | 1,910 |
| Tunnel debt repayment | - | 12,298 |
| Budget stabilization | 15,929 | 15,378 |
| Children's fund | 366 | 382 |
| Social Housing | 3,074 | 2,983 |
| <u>Corporate stability</u> | <u>822</u> | <u>1,694</u> |
| <u>Total reserve funds</u> | <u>52,961</u> | <u>80,537</u> |
| <u>Total reserves and reserve funds</u> | <u>75,546</u> | <u>92,272</u> |

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$000's)

7. **Municipal position (continued)**

(d) **Deferred revenue**

The following funds totalling \$3,638 (2004, \$9,213) relate to inflows, which have statutory restrictions and as such, are classified as deferred revenue on the consolidated statement of financial position:

| | Beginning balance 2004 \$ | 2005 Inflows \$ | 2005 Outflows \$ | Balance at Dec 31 2005 \$ |
|---------------------------------|--|--------------------------------|---------------------------------|--|
| Parking facilities fund | (2,159) | 799 | 989 | (2,349) |
| Park purposes fund | 1,151 | 1,105 | 1,148 | 1,108 |
| Development charges fund | 8,444 | 5,037 | 13,799 | (318) |
| Federal/Provincial Gas Tax Fund | - | 5,342 | 1,165 | 4,177 |
| Landfill post closure fund | 1,777 | - | 757 | 1,020 |
| | 9,213 | 12,283 | 17,858 | 3,638 |
| Other deferred revenues | 779 | - | 474 | 305 |
| Total deferred revenues | 9,992 | 12,283 | 18,332 | 3,943 |

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. The Federal Gas Tax fund is utilized to fund Environmentally Sustainable municipal infrastructure projects. The Provincial Gas Tax fund is utilized to fund Public Transportation Programs. Landfill post closure fund reflects the estimated liability of the City should the Regional Landfill cease receiving waste on December 31, 2005.

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

The consolidated statement of financial position reflects a balance of \$347,009 (2004 - \$348,341) 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:

| | 2005 \$ | 2004 \$ |
|---|--------------------|--------------------|
| Employee future benefit obligations | 214,807 | 206,108 |
| Long-term debt outstanding, including amounts held in own debentures net of promissory note receivable | 126,292 | 135,586 |
| Inventories | 3,161 | 3,094 |
| Accrued interest on long term debt | 2,749 | 3,033 |
| Deferred expenses | - | 520 |
| | 347,009 | 348,341 |

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$000's)

8. Commitments

As at December 31, 2005, the City is committed to making the following payments:

- (a) Contracts for various capital construction projects, at a cost approximating \$17,169 (2004 - \$14,069) in the aggregate, to be financed generally by reserves.
- (b) Payments for various operating leases over the following year approximating \$3,545 (2004 - \$3,788).
- (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) 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. The JOA expires October 31, 2007. 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 formal Agreement between the City of Windsor and the Province of Ontario was signed on January 9, 2006.

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 through, the Windsor Tunnel Commission.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$000's)

8. Commitments (continued)

- (e) 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 expected to be \$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, 2008 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, 2005 is \$11,800. Project costs to December 31, 2005 total approximately \$35,488.
- (f) During 2004, the City of Windsor entered into various agreements with St. Clair College with the combined purpose of redeveloping the City's Huron Lodge Home for the Aged and establishing a long-term care education and training facility.

Construction of a new Huron Lodge Home for the Aged began in 2004. The project is expected to be completed by late summer/early fall 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 \$5,000. Project costs to December 31, 2005 total approximately \$21,454.

As a result of the transaction, St. Clair College received an interest in the property currently occupied by the existing Huron Lodge Municipal Home for the Aged, which has been independently appraised at a value of \$1,334. In the event that St. Clair College decides not to develop its interest in this property, and is unable to sell or lease the property by December 31, 2008, the City agrees to repurchase the property from St. Clair College for the amount of \$1,334.

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.

THE CORPORATION OF THE CITY OF WINDSOR

Notes to Consolidated Financial Statements

Year ended December 31, 2005

(\$000's)

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 seventh year of operation, 2005, the Windsor Airport has generated a profit of \$21 (2004 - \$72).

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, 2005 amounted to, \$1,163 (2004 - \$957).

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.

THE CORPORATION OF THE CITY OF WINDSOR
Notes to Consolidated Financial Statements
Year ended December 31, 2005
(\$000's)

14. **Comparative figures**

Certain 2004 comparative figures have been reclassified to conform to the presentation adopted for the current year.



Trust Funds Financial Statements of

**THE CORPORATION OF
THE CITY OF WINDSOR**

December 31, 2005



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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, 2005 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, 2005 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
May 19, 2006

THE CORPORATION OF THE CITY OF WINDSOR
Trust Funds
Statement of Financial Position
December 31, 2005
(\$000's)

| | Huron Lodge Residents' Comfort | | Willstead Restoration | | O.H.R.P. Regular | | O.H.R.P. Rental | | Municipal Candidates | | Total |
|---|--------------------------------|-----------|-----------------------|----------|------------------|--|-----------------|--|----------------------|--|---------------|
| | \$ | | \$ | | \$ | | \$ | | \$ | | |
| Assets | | | | | | | | | | | |
| Current assets | | | | | | | | | | | |
| Cash and temporary investments | 223 | 23 | 302 | 3 | 3 | | | | | | 3,516 |
| Accounts receivable: | | | | | | | | | | | |
| Repayable | - | - | 29 | - | - | | | | | | 29 |
| Forgivable | - | - | 7 | - | - | | | | | | 7 |
| Other | 228 | - | - | - | - | | | | | | 290 |
| Due from Current Fund City of Windsor | 1 | - | - | - | - | | | | | | 8 |
| Total current assets | 452 | 23 | 338 | 3 | 3 | | | | | | 3,850 |
| Long term assets (note 2): | | | | | | | | | | | |
| Investments | - | - | - | - | - | | | | | | 20,454 |
| Total assets | 452 | 23 | 338 | 3 | 3 | | | | | | 24,304 |
| Liabilities | | | | | | | | | | | |
| Accounts payable | 3 | - | 161 | 2 | - | | | | | | 175 |
| Due to City of Windsor | - | - | - | - | - | | | | | | 42 |
| Total liabilities | 3 | - | 161 | 2 | - | | | | | | 217 |
| Fund balance | 449 | 23 | 177 | 1 | 3 | | | | | | 24,087 |
| Total liabilities and fund balance | 452 | 23 | 338 | 3 | 3 | | | | | | 24,304 |

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

THE CORPORATION OF THE CITY OF WINDSOR
 Trust Funds
 Statement of Financial Activities and Continuity of Fund Balances
 Year ended December 31, 2005
 (\$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 | 429 | 21 | 167 | 1 |
| Revenues | | | | |
| Residents' comfort | 310 | - | - | - |
| Interest earned | 7 | 1 | 10 | - |
| Contributions | - | 1 | - | - |
| Total revenues | 317 | 2 | 10 | - |
| Expenditures | | | | |
| Payments to residents or estates | 297 | - | - | - |
| Purchases of furnishings and capital improvements | - | - | - | - |
| Other expenses | - | - | - | - |
| Total expenditures | 297 | - | - | - |
| Balance at the end of the year | 449 | 23 | 177 | 1 |

| Municipal Candidates | Chimczuk Bequest | Windsor Justice Facility Capital Maintenance | | Heritage Endowment Fund | EWSWA Landfill Holiday Fund Expansion | | EWSWA Landfill | Library Board Donations | Total |
|----------------------|------------------|--|-----|-------------------------|---------------------------------------|-----|----------------|-------------------------|--------|
| | | \$ | \$ | | \$ | \$ | | | |
| 3 | 2,514 | 2,396 | 435 | - | - | - | - | 8 | 5,974 |
| - | - | - | - | 7 | 124 | 286 | - | - | 310 |
| - | 97 | 65 | 7 | 7,147 | 9,910 | - | - | - | 597 |
| - | - | 496 | - | - | - | - | - | - | 17,554 |
| - | 97 | 561 | 7 | 7,271 | 10,196 | - | - | - | 18,461 |
| - | - | - | - | - | - | - | - | - | 297 |
| - | - | 10 | 32 | - | - | - | - | - | 42 |
| - | - | 9 | - | - | - | - | - | - | 9 |
| - | - | 19 | 32 | - | - | - | - | - | 348 |
| 3 | 2,611 | 2,938 | 410 | 7,271 | 10,196 | - | - | 8 | 24,087 |

THE CORPORATION OF THE CITY OF WINDSOR

Notes to Trust Funds

December 31, 2005

(\$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 \$20,454 (2004 - \$1,070) 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, 2005 total \$6,620 (2004 - \$5,974) and are comprised of the following:

Huron Lodge Residents' Comfort Trust \$449 (2004 - \$429)

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

Willistead Restoration Trust Fund \$23 (\$2004 - \$21)

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

Ontario Home Renewal Program Trust (OHRP)

- **Regular \$177 (2004 - \$167)**
- **Rental \$1 (2004 - \$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 (2004 - \$3)

Administers unspent campaign donations of municipal election candidates.

THE CORPORATION OF THE CITY OF WINDSOR

Notes to Trust Funds

December 31, 2005

(\$000's)

Chimczuk Trust \$2,611 (2004 - \$2,514)

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

Joint Justice Facility Capital Maintenance Trust \$2,938 (2004 - \$2,396)

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 \$410 (2004 - \$435)

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

Essex-Windsor Solid Waste Authority Landfill Holiday Fund \$7,271 (2004 - \$0)

This trust fund was established to hold funds paid by MFP Financial Services Limited to the County of Essex and the City in accordance with the settlement dated July 29, 2005. These funds will be utilized towards payments on the Restructured Loan during the period commencing January 15, 2006 and ending on January 15, 2008. Future payments related to the Restructured Loan are as follows: 2006 - \$3,069; 2007 - \$3,259; 2008 - \$1,240. The fund balance of the trust fund relates specifically to an amount payable to the Essex-Windsor Solid Waste Authority regarding the restructured loan payments.

Essex-Windsor Solid Waste Authority Landfill Expansion Fund \$10,196 (2004 - \$0)

This trust fund was established to hold funds paid by MFP Financial Services Limited to the County of Essex and the City in accordance with the settlement dated July 29, 2005. These funds will be utilized for ongoing cell expansions of the EWSWA consistent with the original loan with required payments in 2010, 2017 and 2025. The fund balance of the trust fund relates specifically to an amount payable to the Essex-Windsor Solid Waste Authority regarding ongoing future cell expansions.

Library Board Trusts \$8 (2004 - \$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, 2005



KPMG LLP
Chartered Accountants
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Windsor ON N8W 5K8

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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, 2005 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, 2005 in accordance with the provisions of the Municipal Act.

Chartered Accountants

Windsor, Canada
May 19, 2006

THE CORPORATION OF THE CITY OF WINDSOR

Sinking Fund By-Law 10742 Statement of Continuity and Fund Balance December 31, 2005 (Stated in thousands of dollars)

| | 2005 | 2004 |
|---|--------------|--------------|
| | <u>\$</u> | <u>\$</u> |
| Actual balance at the beginning of the year | 3,308 | 2,714 |
| Annual levy | 493 | 417 |
| Investment income | <u>217</u> | <u>177</u> |
| Actual balance at the end of the year (see below) | 4,018 | 3,308 |
| Balance required at the end of the year | <u>4,265</u> | <u>3,658</u> |
| Shortfall | <u>(247)</u> | <u>(350)</u> |

Actual balance (including accrued interest) consists of:

| | | |
|---|--------------|--------------|
| Windsor Family Credit Union term deposit @ 5.11% matures August 12, 2011 | 2,657 | - |
| City of Windsor debenture, \$700, at 6% due November 1, 2005 | - | 700 |
| One Fund | - | 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 | 54 | 48 |
| Cash in bank | <u>-</u> | <u>1,170</u> |
| Total | <u>4,018</u> | <u>3,308</u> |

THE CORPORATION OF THE CITY OF WINDSOR

Notes to Sinking Fund Financial Statement

December 31, 2005

(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. On May 16, 2005 City Council approved a further 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% compounded quarterly, sufficient funds will be available to pay the lump sum payment due in August 2011.