

**City of Orillia
Consolidated Financial Statements
December 31, 2005**

Grant Thornton 



Contents

	<u>Page</u>
Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Financial Activities	3
Consolidated Statement of Changes in Financial Position	4
Consolidated Statement of Current Fund Operations	5
Consolidated Statement of Capital Fund Operations	6
Consolidated Statement of Reserves and Reserve Funds	7
Notes to the Consolidated Financial Statements	8-17
Trust Fund	
Auditors' Report	18
Statement of Financial Position	19
Statement of Continuity	19
Notes to the Financial Statements	20

Auditors' Report

To the Members of Council, Inhabitants and
Ratepayers of the City of Orillia

We have audited the consolidated statement of financial position of the City of Orillia as at December 31, 2005 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2005 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Budget figures are provided for comparative purposes and have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

Grant Thornton LLP

Orillia, Canada
April 21, 2006

Chartered Accountants

City of Orillia

Consolidated Statement of Financial Position

December 31

2005

2004

Financial Assets

Cash and cash equivalents (Note 2)	\$ 15,861,402	\$ 23,860,289
Taxes receivable	3,847,037	3,843,964
Receivables	4,474,371	4,302,877
Other assets	383,241	373,242
Investment in Orillia Power Corporation (Note 3)	<u>30,396,000</u>	<u>32,104,000</u>
	\$ 54,962,051	\$ 64,484,372

Liabilities

Payables and accruals	\$ 6,583,211	\$ 7,902,523
Deferred revenue - obligatory reserves (Note 4)	1,811,962	685,898
Deferred revenue - other	712,524	351,981
Interest payable on debt	-	4,548
Municipal debt (Note 5)	-	107,000
Landfill closure and post-closure costs (Note 6)	804,700	68,000
Employee benefits payable (Note 7)	<u>1,028,025</u>	<u>737,988</u>
	<u>10,940,422</u>	<u>9,857,938</u>

Municipal Position

Operating fund	18,357	39,595
Capital fund	8,984,290	13,615,693
Reserves	6,455,707	9,784,682
Equity in Orillia Power Corporation (Note 3)	<u>30,396,000</u>	<u>32,104,000</u>
	45,854,354	55,543,970
Amounts to be recovered in future	<u>(1,832,725)</u>	<u>(917,536)</u>
	<u>44,021,629</u>	<u>54,626,434</u>
	\$ 54,962,051	\$ 64,484,372

Commitments and Contingencies (Notes 16 and 17)

See accompanying notes to the consolidated financial statements

City of Orillia

Consolidated Statement of Financial Activities

Year Ended December 31

2005

2004

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Taxation (Note 8)	\$ 31,343,842	\$ 31,247,022	\$ 28,670,248
Grants (Note 10)	2,048,003	4,442,485	3,981,609
User charges (Note 11)	10,050,442	9,934,209	9,409,926
Other revenue (Note 12)	43,960,746	4,976,444	6,385,502
From deferred revenue	1,664,000	1,327,408	978,764
Dividend from Orillia Power Corporation	1,200,000	3,500,000	3,700,000
	<u>90,267,033</u>	<u>55,427,568</u>	<u>53,126,049</u>
Expenditures			
Current			
General government	3,421,034	3,596,653	3,237,799
Protection to persons and property	8,272,088	7,953,346	8,275,410
Transportation services	3,992,760	4,217,795	3,941,388
Environmental services	5,877,407	5,804,479	5,553,872
Health services	1,450,789	1,345,726	1,369,003
Social and family services	7,492,000	7,290,753	7,054,060
Recreation and cultural services	6,025,375	6,038,098	6,085,891
Planning and development	1,205,247	1,204,902	1,062,173
Change in employment benefits payable	-	290,037	97,586
	<u>37,736,700</u>	<u>37,741,789</u>	<u>36,677,182</u>
Capital			
General government	355,000	376,808	301,075
Protection to persons and property	102,000	123,731	499,739
Transportation services	4,610,000	4,037,579	7,048,015
Environmental services	2,072,000	8,442,486	5,837,724
Health services	3,000,000	7,500,000	-
Recreation and cultural services	46,012,000	2,826,159	3,641,920
Planning and development	25,000	2,539,121	50,533
Change in landfill future liability	-	736,700	-
	<u>56,176,000</u>	<u>26,582,584</u>	<u>17,379,006</u>
	<u>93,912,700</u>	<u>64,324,373</u>	<u>54,056,188</u>
Net expenditures	<u>(3,645,667)</u>	<u>(8,896,805)</u>	<u>(930,139)</u>
Debt principal repayments	(107,000)	(107,000)	(71,000)
Debt interest to be recovered	-	(4,548)	(1,117)
Change in employee benefits payable	-	290,037	97,586
Change in landfill future liability	-	736,700	-
Increase (decrease) in amounts to be recovered	<u>(107,000)</u>	<u>915,189</u>	<u>25,469</u>
Change in equity (Note 3)	-	(1,708,000)	(936,000)
Change in fund balances	\$ <u>(3,752,667)</u>	\$ <u>(9,689,616)</u>	\$ <u>(1,840,670)</u>

See accompanying notes to the consolidated financial statements.

City of Orillia

Consolidated Statement of Changes in Financial Position

Year Ended December 31

2005

2004

Increase (decrease) in cash and cash equivalents

Operating activities

Net expenditures	\$ (8,896,805)	\$ (930,139)
(Increase) decrease in taxes receivable	(3,073)	577,425
Increase in receivables	(171,494)	(2,613,857)
Increase in other assets	(9,999)	(2,633)
(Decrease) increase in payables and accruals	(1,319,312)	3,978,123
Increase in deferred revenue	1,486,607	264,632
Decrease in interest payable on debt	(4,548)	(1,117)
Increase in employment benefits payable	290,037	97,586
Increase in landfill future liability	<u>736,700</u>	<u>-</u>
	<u>(7,891,887)</u>	<u>1,370,020</u>

Financing activities

Municipal debt repayment	<u>(107,000)</u>	<u>(71,000)</u>
--------------------------	------------------	-----------------

Net increase in cash and cash equivalents (7,998,887) 1,299,020

Cash and cash equivalents,

Beginning of year	<u>23,860,289</u>	<u>22,561,269</u>
End of year	<u>\$ 15,861,402</u>	<u>\$ 23,860,289</u>

See accompanying notes to the consolidated financial statements.

City of Orillia

Consolidated Statement of Current Fund Operations

Year Ended December 31

2005

2004

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Taxation (Note 8)	\$ 31,343,842	\$ 31,247,022	\$ 28,670,248
Grants (Note 10)	2,048,003	2,133,416	1,913,830
User charges (Note 11)	10,050,442	9,934,209	9,409,926
Other revenue (Note 12)	4,495,396	4,614,849	4,580,612
Dividend from Orillia Power Corporation	1,200,000	3,500,000	3,700,000
From (to) deferred revenue	-	(4,453)	-
	<u>49,137,683</u>	<u>51,425,043</u>	<u>48,274,616</u>
Expenditures			
General government	3,421,034	3,596,653	3,237,799
Protection to persons and property	8,272,088	7,953,346	8,275,410
Transportation services	3,992,760	4,217,795	3,941,388
Environmental services	5,877,407	5,804,479	5,553,872
Health services	1,450,789	1,345,726	1,369,003
Social and family services	7,492,000	7,290,753	7,054,060
Recreation and cultural services	6,025,375	6,038,098	6,085,891
Planning and development	1,205,247	1,204,902	1,062,173
Change in employee benefits payable	-	290,037	97,586
	<u>37,736,700</u>	<u>37,741,789</u>	<u>36,677,182</u>
Net revenue	<u>11,400,983</u>	<u>13,683,254</u>	<u>11,597,434</u>
Financing and transfers			
Debt principal repayments	(107,000)	(107,000)	(71,000)
Debt interest to be recovered	-	(4,548)	(1,117)
Transfers to reserves and reserve funds	(8,067,508)	(10,583,152)	(8,699,651)
Transfers to capital fund operations	(3,230,000)	(3,299,829)	(3,051,193)
Change in employee benefits payable	-	290,037	97,586
Net financing and transfers	<u>(11,404,508)</u>	<u>(13,704,492)</u>	<u>(11,725,375)</u>
Change in operating fund	(3,525)	(21,238)	(127,941)
Fund balance, beginning of year	<u>3,525</u>	<u>39,595</u>	<u>167,536</u>
Fund balance, end of year	\$ <u>-</u>	\$ <u>18,357</u>	\$ <u>39,595</u>

See accompanying notes to the consolidated financial statements.

City of Orillia

Consolidated Statement of Capital Fund Operations

Year Ended December 31

2005

2004

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Grants (Note 10)	\$ -	\$ 2,309,069	\$ 2,067,779
Other revenue (Note 12)	39,302,000	182,255	1,600,965
From deferred revenue	<u>1,664,000</u>	<u>1,331,861</u>	<u>978,764</u>
	<u>40,966,000</u>	<u>3,823,185</u>	<u>4,647,508</u>
Expenditures			
General government	355,000	376,808	301,075
Protection to persons and property	102,000	123,731	499,739
Transportation services	4,663,000	4,037,579	7,048,015
Environmental services	2,019,000	8,442,486	5,837,724
Health services	3,000,000	7,500,000	-
Recreation and cultural services	46,012,000	2,826,159	3,641,920
Planning and development	25,000	2,539,121	50,533
Landfill closure/post closure future liability	-	736,700	-
	<u>56,176,000</u>	<u>26,582,584</u>	<u>17,379,006</u>
Net expenditures	<u>(15,210,000)</u>	<u>(22,759,399)</u>	<u>(12,731,498)</u>
Financing and transfers			
Change in landfill future liability	-	736,700	-
Transfers from reserves and reserve funds	11,980,000	14,091,467	7,381,259
Transfers from current fund operations	<u>3,230,000</u>	<u>3,299,829</u>	<u>3,051,193</u>
Net financing and transfers	<u>15,210,000</u>	<u>18,127,996</u>	<u>10,432,452</u>
Change in capital fund	-	(4,631,403)	(2,299,046)
Fund balance, beginning of year	-	<u>13,615,693</u>	<u>15,914,739</u>
Fund balance, end of year	\$ -	\$ <u>8,984,290</u>	\$ <u>13,615,693</u>

See accompanying notes to the consolidated financial statements.

City of Orillia

Consolidated Statement of Reserves and Reserve Funds

Year Ended December 31

2005

2004

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Interest income (Note 12)	\$ 163,350	\$ 179,340	\$ 203,925
Net transfers from (to) other funds			
Transfers from current fund operations	8,067,508	10,583,152	8,699,651
Transfers to capital fund operations	<u>(11,980,000)</u>	<u>(14,091,467)</u>	<u>(7,381,259)</u>
	<u>(3,912,492)</u>	<u>(3,508,315)</u>	<u>1,318,392</u>
Change in reserves and reserve funds	(3,749,142)	(3,328,975)	1,522,317
Reserves and reserve funds,			
Beginning of year	<u>8,416,979</u>	<u>9,784,682</u>	<u>8,262,365</u>
End of year	\$ <u>4,667,837</u>	\$ <u>6,455,707</u>	\$ <u>9,784,682</u>

Analysed as follows:

Reserves set aside for specific purposes by council

Contingencies	\$ 481,105	\$ 994,485
Future capital purposes	2,018,800	674,202
Current purposes	<u>38,722</u>	<u>31,052</u>
	<u>2,538,627</u>	<u>1,699,739</u>

Reserve funds set aside for specific purposes by council

Insurance	572,456	646,314
Future capital purposes	3,210,214	7,320,911
Current purposes	<u>134,410</u>	<u>117,718</u>
	<u>3,917,080</u>	<u>8,084,943</u>
	\$ <u>6,455,707</u>	\$ <u>9,784,682</u>

See accompanying notes to the consolidated financial statements.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2005

1. Summary of significant accounting policies

The consolidated financial statements of the City of Orillia (the Municipality) are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue, expenditures and changes in fund balances and in financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality and which are owned or controlled by the Municipality. In addition to general government tax-supported operations, they include the following:

City of Orillia Police Services Board
Orillia Public Library Board
Orillia Downtown Management Board

A government partnership exists where the Municipality has shared control over the board or entity. The Municipality's pro-rata share of assets, liabilities, revenues and expenditures are reflected in the financial statements using the proportionate consolidation method. The Municipality's proportionate interest of the following government partnership is reflected in the consolidated financial statements:

Lake Simcoe Regional Airport Commission	16.32%
---	--------

Inter-departmental and organizational transactions and balances are eliminated.

Orillia Power Corporation is a wholly-owned subsidiary corporation of the Municipality and is accounted for on a modified equity basis, consistent with the Canadian generally accepted accounting treatment for government enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Municipality, and inter-organizational transactions and balances are not eliminated.

The statements exclude trust assets that are administered for the benefit of external parties (Note 14).

(b) Basis of accounting

The basis of accounting followed in the financial statement presentation includes revenue in the period in which the transactions or events occurred that gave rise to the revenue and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2005

1. Summary of significant accounting policies (Continued)

(c) Fund accounting

Funds within the consolidated financial statements consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(d) School board transactions

The taxation, other revenue, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements.

(e) Tangible capital assets

The historical cost and accumulated amortization for the tangible capital assets are not reported for municipal purposes. Tangible capital assets are reported as an expenditure on the consolidated statement of financial activities, in the year of acquisition.

(f) Deferred revenue for obligatory reserves

Receipts which are restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenue. When qualifying expenditures are incurred, restricted revenues are brought into revenue at equal amounts. Revenue received in advance of expenditures, which will be incurred in a later period, are deferred until they are earned by being matched against those expenditures.

(g) Reserves for future capital purposes

Certain amounts, as approved by Municipal Council, are set aside in reserves and reserve funds for future capital purposes. Transfers to and from reserves and reserve funds are reflected as an adjustment to the respective fund.

(h) Subdivision infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion they are turned over to the Municipality. The Municipality is not involved in the construction and does not budget for either the contribution from the developer or the capital expenditure.

(i) Local improvement

The Municipality records capital expenditures funded by local improvement agreements as they are incurred. Revenue is recognized over the term of the local improvement agreements, as they are collected.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2005

1. Summary of significant accounting policies (Continued)

(j) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

2. Cash and cash equivalents 2005 2004

Cash and cash equivalents are comprised of:

Cash on hand	\$ 5,851	\$ 5,820
Cash held in banks	<u>15,855,551</u>	<u>23,854,469</u>
	<u>\$ 15,861,402</u>	<u>\$ 23,860,289</u>

3. Investment in Orillia Power Corporation

Orillia Power Corporation, established by Municipal Council under Municipal By-Law 2000-155, is wholly owned by the City of Orillia and provides electric utility services.

The following table provides condensed supplementary financial information of Orillia Power Corporation.

	<u>2005</u>	<u>2004</u>
Financial position		
Current assets	\$ 15,838,000	\$ 15,721,000
Capital assets	21,932,000	21,928,000
Other assets	<u>2,739,000</u>	<u>3,521,000</u>
	<u>40,509,000</u>	<u>41,170,000</u>
Current liabilities	6,491,000	5,027,000
Non-current liabilities	<u>3,622,000</u>	<u>4,039,000</u>
	<u>10,113,000</u>	<u>9,066,000</u>
Net assets	<u>\$ 30,396,000</u>	<u>\$ 32,104,000</u>

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2005

3. Investment in Orillia Power Corporation (Continued)

	<u>2005</u>	<u>2004</u>
Results of operations		
Revenue	\$ 34,466,000	\$ 31,610,000
Operating expenses	(32,218,000)	(28,721,000)
Financing expenses	(1,110,000)	(1,110,000)
Other income	<u>609,000</u>	<u>617,000</u>
Net earnings	1,747,000	2,396,000
Dividends	(3,500,000)	(3,700,000)
Development charges	<u>45,000</u>	<u>368,000</u>
Change in equity	\$ <u>(1,708,000)</u>	\$ <u>(936,000)</u>

The above information is as reported by Orillia Power Corporation.

The following summarizes the Municipality's related party transactions with Orillia Power Corporation during the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties:

Electricity purchased	\$ 1,276,684	\$ 1,287,774
Other services purchased	73,443	76,501
Property taxes and other taxes	61,121	55,381
Interest received	1,109,700	1,109,700
Dividend received	3,500,000	3,700,000

The investment consists of:

Promissory note	\$ 14,796,000	\$ 14,796,000
Equity	<u>15,600,000</u>	<u>17,308,000</u>
	\$ <u>30,396,000</u>	\$ <u>32,104,000</u>

4. Deferred revenue – obligatory reserves

	<u>2005</u>	<u>2004</u>
Development charges	\$ 1,149,812	\$ 663,913
Lot levies and subdivider contributions	60,143	21,985
Provincial and federal gas tax revenue	<u>602,007</u>	<u>-</u>
	\$ <u>1,811,962</u>	\$ <u>685,898</u>

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2005

5. Municipal debt 2005 2004

The balance of Municipal debt reported on the consolidated statement of financial position is comprised of the following:

Sanitary sewers	\$ -	\$ 97,000
Waterworks	-	<u>10,000</u>
	<u>\$ -</u>	<u>\$ 107,000</u>

The Municipal debt matured in 2005.

The Municipality paid \$4,547 (2004 - \$15,138) interest on municipal debt during the year. The interest rates vary over the terms of the debentures, ranging from 6.87% to 8.5% per annum.

6. Landfill closure and post-closure costs

Solid waste landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance.

The liability for the landfill site is recorded at \$804,700 and represents the present value of closure and post-closure costs for 40% of the current sites total cells, using an estimated long term borrowing rate of 6%. The liability is recorded based on the capacity of the landfill used to date. The total estimated future expenditures representing the sum of the discounted future cash flows for closure and post-closure care are \$2,004,000 leaving an amount to be recognized of \$1,199,300. The estimated remaining capacity of the site's opened cells are approximately 778,000 cubic metres, which will be filled in 77 years. Post-closure care is estimated to continue for a period of 25 years.

The City has not made allocations to fund the liability at this time.

7. Employee benefits payable 2005 2004

The Municipality provides certain employee benefits which will require funding in future periods:

Dental, health, life, Workers Compensation, etc.	\$ <u>1,028,025</u>	\$ <u>737,988</u>
--	---------------------	-------------------

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2005

7. Employee benefits payable (Continued)

The Municipality pays certain life insurance, health and dental benefits on behalf of its retired employees. The Municipality recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability was determined by management using a discount rate of 6.0% (2004 – 6.0%).

	<u>2005</u>	<u>2004</u>
Accrued benefit liability, beginning of year	\$ 737,988	\$ 640,402
Expense for the period	316,290	120,249
Benefits paid	<u>(26,253)</u>	<u>(22,663)</u>
Accrued benefit liability, end of year	\$ <u>1,028,025</u>	\$ <u>737,988</u>

The main assumptions employed for the valuations are as follows:

(a) Salary levels

Future general salary and wage levels were assumed not to increase.

(b) Medical and dental costs

Medical and dental costs were assumed to increase at 5% per year.

8. Taxation	<u>2005</u>	<u>2004</u>
	<u>Budget</u>	<u>Actual</u>
Real property	\$ 40,140,384	\$ 40,285,586
Payments in lieu of taxes	<u>2,880,861</u>	<u>2,874,149</u>
	43,021,245	40,453,527
Less: taxes collected on behalf of school boards (Note 9)	<u>11,677,403</u>	<u>11,912,713</u>
Net taxes available for municipal purposes	\$ <u>31,343,842</u>	\$ <u>31,247,022</u>
Residential and farm	\$ 18,966,347	\$ 19,024,079
Multi-residential	2,218,251	2,218,251
Commercial	9,320,811	9,147,809
Industrial	<u>838,433</u>	<u>856,883</u>
Net taxes available for municipal purposes	\$ <u>31,343,842</u>	\$ <u>31,247,022</u>

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2005

9. Collection on behalf of school boards 2005 2004

Total taxes and development charges received or receivable on behalf of the school boards are as follows:

Taxes	\$ 11,912,713	\$ 11,783,279
Development charges	<u>159,109</u>	<u>149,611</u>
	<u>\$ 12,071,822</u>	<u>\$ 11,932,890</u>

The Municipality is required to levy and collect taxes on behalf of the school boards. These taxes are recorded as revenue at the amounts levied. The taxes levied over (under) the amounts requisitioned are recorded as accounts payable (receivable).

The Municipality is also required to bill and collect development charges on behalf of the school boards. Development charges collected in excess of those paid to the school boards are recorded as accounts payable.

10. Grants 2005 2004

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating			
Province of Ontario	\$ 2,041,003	\$ 2,104,650	\$ 1,885,407
Government of Canada	<u>7,000</u>	<u>28,766</u>	<u>28,423</u>
	<u>2,048,003</u>	<u>2,133,416</u>	<u>1,913,830</u>
Capital			
Province of Ontario	-	2,304,490	1,923,779
Government of Canada	<u>-</u>	<u>4,579</u>	<u>144,000</u>
	<u>-</u>	<u>2,309,069</u>	<u>2,067,779</u>
	<u>\$ 2,048,003</u>	<u>\$ 4,442,485</u>	<u>\$ 3,981,609</u>

11. User charges 2005 2004

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating			
Fees and service charges	\$ 3,712,895	\$ 3,846,812	\$ 3,784,115
Direct water billings	3,310,897	3,190,167	3,078,153
Direct sewer billings	<u>3,026,650</u>	<u>2,897,230</u>	<u>2,547,658</u>
	<u>\$ 10,050,442</u>	<u>\$ 9,934,209</u>	<u>\$ 9,409,926</u>

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2005

12. Other revenue	<u>2005</u>		<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating			
Penalties and interest on taxes	\$ 600,000	\$ 575,271	\$ 579,974
Licenses and permits	695,225	753,151	665,605
Fines	185,000	184,100	186,280
Rents and leases	651,732	657,932	580,616
Interest income	1,534,700	1,589,116	1,574,696
Revenue from other municipalities	483,222	437,248	402,999
Other	345,517	418,031	590,442
	<u>4,495,396</u>	<u>4,614,849</u>	<u>4,580,612</u>
Capital			
Non allocated funds	39,228,000	-	-
Proceeds from sale of land and equipment	-	90,862	1,415,072
Other	74,000	91,393	185,893
	<u>39,302,000</u>	<u>182,255</u>	<u>1,600,965</u>
Reserves and reserve funds			
Interest income	163,350	179,340	203,925
	<u>\$ 43,960,746</u>	<u>\$ 4,976,444</u>	<u>\$ 6,385,502</u>

13. Pension agreement

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 245 members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contribution rates are from 6% to 9.8% depending on the proposed retirement age and the level of earnings. As a result \$767,263 (2004 - \$761,314) was contributed to OMERS during the year.

14. Trust fund

A trust fund is administered by the Municipality amounting to \$ 0 (2004 - \$2,835) and has not been included in the consolidated statement of financial position nor have its operations been included in the consolidated statement of financial activities or changes in financial position.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2005

15. Public sector salary disclosure

In 2005, one employee was paid a salary, as defined in the Public Sector Disclosure Act, 1996, of \$100,000 or more:

Ian Brown, City Manager	Salary	\$	126,108
	Taxable benefit		<u>842</u>
		\$	<u>126,950</u>

16. Commitments

The Municipality has constructed a commercial building for lease financed by a loan from reserve funds, with Council approval.

The balance due to reserve funds, at December 31, 2005 is \$2,445,167 (2004 - \$2,521,654) and will be repaid by 2016. The interest rates range from 3% to 5% per annum over the term of the loan.

Annual payments to reserve over the next five years are approximately as follows:

2006	\$	157,295
2007		159,853
2008		252,429
2009		294,572
2010		293,484

Council has approved contributions to the Orillia Soldiers' Memorial Hospital Redevelopment Project in the amount of \$12,350,000. At year end, \$3,700,000 is the unpaid portion of this commitment. The Municipality has budgeted a portion of this commitment in the capital fund and reserves.

17. Contingencies

The City is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the City believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2005

18. Financial instruments

The Municipality's financial instruments consist of receivables, other assets, payables and accruals and deferred revenue. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

19. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

20. Expenditures by object

	<u>2005</u>	<u>2004</u>
Salaries, wages and employee benefits	\$ 15,537,697	\$ 14,563,324
Operating materials and supplies	5,710,774	5,485,413
Contracted services	7,041,918	7,259,340
Rent and financial expenses	193,961	259,908
External transfers to others	8,962,855	8,996,473
Unfunded liabilities	290,037	97,586
Tangible capital assets	26,582,584	17,379,006
Debt services	4,547	15,138
	<u>\$ 64,324,373</u>	<u>\$ 54,056,188</u>

Auditors' Report

To the Members of Council, Inhabitants and
Ratepayers of the City of Orillia

We have audited the statement of financial position of the trust fund of the City of Orillia as at December 31, 2005 and the statement of continuity 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 financial statements present fairly, in all material respects, the financial position of the trust fund of the City as at December 31, 2005 and the continuity of trust fund for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Orillia, Canada
April 21, 2006

Chartered Accountants

City of Orillia

Trust Fund

Statement of Financial Position

December 31	2005	2004
Assets		
Due from City of Orillia	\$ -	\$ 665
Loans receivable - Ontario Home Renewal Program (Note 2)	<u>-</u>	<u>2,828</u>
	<u>\$ -</u>	<u>\$ 3,493</u>
Liabilities		
Payable to Province of Ontario	\$ -	\$ 658
Trust fund - Ontario Home Renewal Program (Note 2)	<u>-</u>	<u>2,835</u>
	<u>\$ -</u>	<u>\$ 3,493</u>

Statement of Continuity

Year Ended December 31	2005	2004
Revenue		
Interest earned	\$ 5	\$ 7
Expenditures		
Return of funds to Province of Ontario	2,396	658
Administration	125	34
Amount written-off	<u>319</u>	<u>-</u>
	<u>2,840</u>	<u>692</u>
Decrease in trust fund	(2,835)	(685)
Trust fund, beginning of year	<u>2,835</u>	<u>3,520</u>
Trust fund, end of year	<u>\$ -</u>	<u>\$ 2,835</u>

See accompanying notes to the financial statement.

City of Orillia
Trust Funds
Notes to the Financial Statements

December 31, 2005

1. Significant accounting policy

Basis of accounting

Capital receipts and income are reported on the cash basis of accounting.

Expenditures are reported on the cash basis of accounting with the exception of administrative expenses, which are reported on the accrual basis of accounting, which recognizes expenditures as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

2. Ontario Home Renewal Program

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to \$7,500 of which the maximum forgivable portion is \$4,000. The program was discontinued by the province in 1994. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.