

Consolidated Financial Statements

City of Orillia

December 31, 2007

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Grant Thornton

Auditors' Report

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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, 2007 and the consolidated statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2007 and the results of its operations and 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, Ontario
April 21, 2008

Chartered Accountants,
Licensed Public Accountants

City of Orillia

Consolidated Statement of Financial Position

December 31

2007

2006

Financial Assets

Cash and cash equivalents (Note 2)	\$ 31,046,067	\$ 21,119,542
Taxes receivable	4,304,901	3,653,970
Receivables	3,790,935	4,329,989
Investment in Orillia Power Corporation (Note 3)	<u>30,035,000</u>	<u>31,936,000</u>
	<u>69,176,903</u>	<u>61,039,501</u>

Liabilities

Payables and accruals	6,676,282	6,887,165
Deferred revenue - obligatory reserves (Note 4)	1,296,579	1,117,840
Deferred revenue - other	97,960	112,640
Landfill closure and post-closure costs (Note 5)	2,311,000	1,112,000
Employee future benefits payable (Note 6)	<u>1,544,297</u>	<u>1,176,309</u>
	<u>11,926,118</u>	<u>10,405,954</u>

Net Financial Assets

57,250,785 50,633,547

Non Financial Assets

Other assets	<u>483,164</u>	<u>441,982</u>
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Net Assets

\$ 57,733,949 \$ 51,075,529

Municipal Position

Operating Fund	\$ 75,774	\$ 19,595
Capital Fund	7,711,318	17,440,367
Reserves and Reserve Funds	23,767,154	3,967,876
Equity in Orillia Power Corporation (Note 3)	<u>30,035,000</u>	<u>31,936,000</u>
	61,589,246	53,363,838
Amounts to be recovered in future	<u>(3,855,297)</u>	<u>(2,288,309)</u>
Total Municipal Position	\$ <u>57,733,949</u>	\$ <u>51,075,529</u>

Commitments and Contingencies (Notes 13 and 14)

See accompanying notes to the consolidated financial statements

City of Orillia

Consolidated Statement of Operations

Year Ended December 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Taxation (Note 7)	\$ 34,641,017	\$ 34,923,158	\$ 32,599,995
Grants (Note 9)	9,477,467	9,304,410	5,983,973
User charges (Note 10)	12,496,207	13,267,841	11,780,003
Other revenue (Note 11)	11,957,936	6,389,679	4,998,384
From deferred revenue	2,629,000	2,709,147	2,494,620
Dividend from Orillia Power Corporation	1,500,000	3,000,000	1,500,000
	<u>72,701,627</u>	<u>69,594,235</u>	<u>59,356,975</u>
Expenditures			
Current			
General government	3,757,976	3,861,878	3,888,770
Protection to persons and property	10,030,823	10,009,848	8,893,191
Transportation services	4,539,938	4,734,538	4,318,493
Environmental services	6,665,461	6,488,482	6,016,384
Health services	1,445,000	1,319,552	1,583,437
Social and family services	8,268,000	8,331,859	7,405,827
Recreation and cultural services	6,553,241	6,604,396	6,084,116
Planning and development	1,705,347	1,622,224	1,252,610
Change in employment future benefits payable	-	367,988	148,284
	<u>42,965,786</u>	<u>43,340,765</u>	<u>39,591,112</u>
Capital			
General government	264,000	471,486	784,587
Protection to persons and property	520,000	1,414,759	946,942
Transportation services	5,245,000	5,388,445	7,076,359
Environmental services	4,866,000	4,530,633	3,674,870
Health services	-	2,450,000	-
Recreation and cultural services	10,201,000	2,203,159	1,373,458
Planning and development	110,000	36,568	88,447
Change in landfill future liability	-	1,199,000	307,300
	<u>21,206,000</u>	<u>17,694,050</u>	<u>14,251,963</u>
	<u>64,171,786</u>	<u>61,034,815</u>	<u>53,843,075</u>
Net revenue	<u>8,529,841</u>	<u>8,559,420</u>	<u>5,513,900</u>
Change in employee future benefits payable	-	367,988	148,284
Change in landfill future liability	-	1,199,000	307,300
Increase in amounts to be recovered	<u>-</u>	<u>1,566,988</u>	<u>455,584</u>
Change in equity (Note 3)	<u>-</u>	<u>(1,901,000)</u>	<u>2,127,000</u>
Change in fund balances	<u>\$ 8,529,841</u>	<u>\$ 8,225,408</u>	<u>\$ 8,096,484</u>

See accompanying notes to the consolidated financial statements.

City of Orillia

Consolidated Statement of Cash Flow

Year Ended December 31

2007

2006

Increase (decrease) in cash and cash equivalents

Operating activities

Net revenue	\$	8,559,420	\$	5,513,900
(Increase) decrease in taxes receivable		(650,931)		193,067
Decrease in receivables		539,054		144,382
Increase in other assets		(41,182)		(58,741)
(Decrease) increase in payables and accruals		(210,883)		303,954
Increase (decrease) in deferred revenue		164,059		(1,294,006)
Increase in employee future benefits payable		367,988		148,284
Increase in landfill future liability		1,199,000		307,300
		<u>9,926,525</u>		<u>5,258,140</u>

Net increase in cash and cash equivalents **9,926,525** 5,258,140

Cash and cash equivalents,

Beginning of year		<u>21,119,542</u>		<u>15,861,402</u>
End of year	\$	<u>31,046,067</u>	\$	<u>21,119,542</u>

See accompanying notes to the consolidated financial statements.

City of Orillia

Consolidated Statement of Current Fund Operations

Year Ended December 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Taxation (Note 7)	\$ 34,641,017	\$ 34,923,158	\$ 32,599,995
Grants (Note 9)	3,202,467	3,051,811	2,412,363
User charges (Note 10)	12,496,207	13,267,841	11,780,003
Other revenue (Note 11)	4,858,931	5,253,991	4,755,845
Dividend from Orillia Power Corporation	1,500,000	3,000,000	1,500,000
From (to) deferred revenue	<u>(75,000)</u>	<u>(130,377)</u>	<u>59,439</u>
	<u>56,623,622</u>	<u>59,366,424</u>	<u>53,107,645</u>
Expenditures			
General government	3,757,976	3,861,878	3,888,770
Protection to persons and property	10,030,823	10,009,848	8,893,191
Transportation services	4,539,938	4,734,538	4,318,493
Environmental services	6,665,461	6,488,482	6,016,384
Health services	1,445,000	1,319,552	1,583,437
Social and family services	8,268,000	8,331,859	7,405,827
Recreation and cultural services	6,553,241	6,604,396	6,084,116
Planning and development	1,705,347	1,622,224	1,252,610
Change in employee future benefits payable	<u>-</u>	<u>367,988</u>	<u>148,284</u>
	<u>42,965,786</u>	<u>43,340,765</u>	<u>39,591,112</u>
Net revenue	<u>13,657,836</u>	<u>16,025,659</u>	<u>13,516,533</u>
Financing and transfers			
Transfers to reserves and reserve funds	(11,076,273)	(13,704,356)	(10,705,130)
Transfers to capital fund operations	(2,598,000)	(2,633,112)	(2,958,449)
Change in employee future benefits payable	<u>-</u>	<u>367,988</u>	<u>148,284</u>
Net financing and transfers	<u>(13,674,273)</u>	<u>(15,969,480)</u>	<u>(13,515,295)</u>
Change in operating fund	(16,437)	56,179	1,238
Fund balance, beginning of year	<u>16,437</u>	<u>19,595</u>	<u>18,357</u>
Fund balance, end of year	\$ <u>-</u>	\$ <u>75,774</u>	\$ <u>19,595</u>

See accompanying notes to the consolidated financial statements.

City of Orillia

Consolidated Statement of Capital Fund Operations

Year Ended December 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Grants (Note 9)	\$ 6,275,000	\$ 6,252,599	\$ 3,571,610
Other revenue (Note 11)	6,841,000	695,824	155,361
From deferred revenue	<u>2,704,000</u>	<u>2,839,524</u>	<u>2,435,181</u>
	<u>15,820,000</u>	<u>9,787,947</u>	<u>6,162,152</u>
Expenditures			
General government	264,000	471,486	784,587
Protection to persons and property	520,000	1,414,759	946,942
Transportation services	5,245,000	5,388,445	7,076,359
Environmental services	4,866,000	4,530,633	3,674,870
Health services	-	2,450,000	-
Recreation and cultural services	10,201,000	2,203,159	1,373,458
Planning and development	110,000	36,568	88,447
Landfill closure/post closure future liability	<u>-</u>	<u>1,199,000</u>	<u>307,300</u>
	<u>21,206,000</u>	<u>17,694,050</u>	<u>14,251,963</u>
Net expenditures	<u>(5,386,000)</u>	<u>(7,906,103)</u>	<u>(8,089,811)</u>
Financing and transfers			
Change in landfill future liability	-	1,199,000	307,300
Transfers from (to) reserves and reserve funds	2,788,000	(5,655,058)	13,280,139
Transfers from current fund operations	<u>2,598,000</u>	<u>2,633,112</u>	<u>2,958,449</u>
Net financing and transfers	<u>5,386,000</u>	<u>(1,822,946)</u>	<u>16,545,888</u>
Change in capital fund	-	(9,729,049)	8,456,077
Fund balance, beginning of year	<u>-</u>	<u>17,440,367</u>	<u>8,984,290</u>
Fund balance, end of year	\$ <u>-</u>	\$ <u>7,711,318</u>	\$ <u>17,440,367</u>

See accompanying notes to the consolidated financial statements.

City of Orillia

Consolidated Statement of Reserves and Reserve Funds

Year Ended December 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Interest income (Note 11)	\$ 258,005	\$ 439,864	\$ 87,178
Net transfers from (to) other funds			
Transfers from current fund operations	11,076,273	13,704,356	10,705,130
Transfers to (from) capital fund operations	<u>(2,788,000)</u>	<u>5,655,058</u>	<u>(13,280,139)</u>
	<u>8,288,273</u>	<u>19,359,414</u>	<u>(2,575,009)</u>
Change in reserves and reserve funds	8,546,278	19,799,278	(2,487,831)
Reserves and reserve funds,			
Beginning of year	<u>6,557,447</u>	<u>3,967,876</u>	<u>6,455,707</u>
End of year	\$ <u>15,103,725</u>	\$ <u>23,767,154</u>	\$ <u>3,967,876</u>

Analysed as follows:

2007

2006

Reserves set aside for specific purposes by Council

Contingencies	\$ 637,816	\$ 1,088,564
Future capital purposes	2,729,147	2,949,524
Current purposes	<u>310,297</u>	<u>13,077</u>
	<u>3,677,260</u>	<u>4,051,165</u>

Reserve funds set aside for specific purposes by Council

Insurance	559,727	470,106
Future capital purposes	19,346,092	(701,624)
Current purposes	<u>184,075</u>	<u>148,229</u>
	<u>20,089,894</u>	<u>(83,289)</u>
	\$ <u>23,767,154</u>	\$ <u>3,967,876</u>

See accompanying notes to the consolidated financial statements.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2007

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

As detailed in legislation, the Orillia Downtown Management Board has a reporting relationship with the City.

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%
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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.

(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, 2007

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

Effective January 1, 2007, the Municipality adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets for local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2007, the Municipality continued to work towards compliance with the new recommendations for accounting for tangible capital assets and expects to have a complete listing of assets and values by December 31, 2008.

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 these 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.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2007

1. Summary of significant accounting policies (Continued)

(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 bylaws as they are incurred. Revenue is recognized over the term of the local improvement bylaws, as they are collected.

(j) Water and sewer area improvement charges

The Municipality records capital expenditures funded by bylaws to impose charges on property owners as they are incurred. Revenue is recognized over the terms of the bylaw, as they are collected.

(k) 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 these estimates.

2. Cash and cash equivalents

2007

2006

Cash and cash equivalents are comprised of:

Unrestricted cash, held at the bank and on hand	\$ 29,749,488	\$ 19,847,096
Restricted cash, held at the bank	<u>1,296,579</u>	<u>1,272,446</u>
	<u>\$ 31,046,067</u>	<u>\$ 21,119,542</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.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2007

3. Investment in Orillia Power Corporation (Continued)

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

	<u>2007</u>	<u>2006</u>
Financial position		
Current assets	\$ 14,418,000	\$ 14,709,000
Capital assets	21,929,000	22,196,000
Other assets	<u>155,000</u>	<u>2,070,000</u>
	<u>36,502,000</u>	<u>38,975,000</u>
Current liabilities	4,826,000	5,159,000
Non-current liabilities	<u>1,641,000</u>	<u>1,880,000</u>
	<u>6,467,000</u>	<u>7,039,000</u>
Net assets	\$ <u>30,035,000</u>	\$ <u>31,936,000</u>
Results of operations		
Revenue	\$ 32,991,000	\$ 33,421,000
Operating expenses	(31,829,000)	(31,494,000)
Financing expenses	(925,000)	(925,000)
Other income	<u>862,000</u>	<u>2,625,000</u>
Net earnings	1,099,000	3,627,000
Dividends	<u>(3,000,000)</u>	<u>(1,500,000)</u>
Change in equity	\$ <u>(1,901,000)</u>	\$ <u>2,127,000</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	\$ 1,282,058	\$ 1,311,675
Other services purchased	83,529	114,157
Property taxes and other taxes	58,641	58,630
Interest received	924,750	924,750
Dividend received	3,000,000	1,500,000
Other services sold	93,147	81,703

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2007

3. Investment in Orillia Power Corporation (Continued)

The investment consists of:	<u>2007</u>	<u>2006</u>
Promissory note	\$ 14,796,000	\$ 14,796,000
Equity	<u>15,239,000</u>	<u>17,140,000</u>
	\$ 30,035,000	\$ 31,936,000
Balance outstanding at December 31		
Due to Orillia Power Corporation	\$ 149,285	\$ 185,373

4. Deferred revenue – obligatory reserves	<u>2007</u>	<u>2006</u>
Development charges	\$ 334,988	\$ (95,167)
Lot levies and subdivider contributions	265,778	41,859
Provincial and federal gas tax revenue	621,690	1,230,587
Building code act	<u>74,123</u>	<u>(59,439)</u>
	\$ 1,296,579	\$ 1,117,840

5. 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, management of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance.

The liability for the landfill site is recorded at \$2,311,000 (2006 - \$1,112,000) and represents the present value of closure and post-closure costs for 42.7% of the current sites total cells, using an estimated long term borrowing rate of 6% and inflation rate of 4%. 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 \$5,407,000 leaving an amount to be recognized of \$3,096,000. The estimated remaining capacity of the site's unused cells are approximately 744,000 cubic metres, which will be filled in 64 years. Post-closure care is estimated to continue for a period of 25 years.

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

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2007

6. Employee future benefits payable 2007 2006

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

Dental, medical, workers compensation, etc.	\$ <u>1,544,297</u>	\$ <u>1,176,309</u>
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The Municipality pays certain medical 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 amount for workers compensation was determined by Workplace Safety and Insurance Board.

	<u>2007</u>	<u>2006</u>
Accrued benefit liability, beginning of year	\$ 1,176,309	\$ 1,028,025
Expense for the period	401,495	183,423
Benefits paid	<u>(33,507)</u>	<u>(35,139)</u>
Accrued benefit liability, end of year	\$ <u>1,544,297</u>	\$ <u>1,176,309</u>

The main assumptions employed for the valuations of medical and dental costs by management are as follows:

	<u>2007</u>	<u>2006</u>
Eligible employees not in a position to retire	57	63
Employee turnover	20%	20%
Average retirement - fire	57	57
- other	61	61
Yearly benefit costs per employee - fire	\$ 3,192	\$ 2,926
- city	1,692	1,640
- other	2,106	1,916
Benefits inflation rate per year	5%	5%
Discount rate	6%	6%

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2007

7. Taxation	2007		2006
	Budget	Actual	Actual
Real property	\$ 43,902,759	\$ 44,177,977	\$ 41,470,937
Payments in lieu of taxes	<u>3,071,990</u>	<u>3,078,913</u>	<u>2,952,153</u>
	46,974,749	47,256,890	44,423,090
Less: taxes collected on behalf of school boards (Note 8)	<u>12,333,732</u>	<u>12,333,732</u>	<u>11,823,095</u>
Net taxes available for municipal purposes	\$ <u>34,641,017</u>	\$ <u>34,923,158</u>	\$ <u>32,599,995</u>
Residential and farm	\$ 21,293,262	\$ 21,400,374	\$ 20,105,742
Multi-residential	2,310,313	2,360,477	2,211,922
Commercial	10,111,702	10,209,461	9,386,484
Industrial	<u>925,740</u>	<u>952,846</u>	<u>895,847</u>
Net taxes available for municipal purposes	\$ <u>34,641,017</u>	\$ <u>34,923,158</u>	\$ <u>32,599,995</u>

8. Collection on behalf of school boards	2007	2006
Total taxes and development charges received or receivable on behalf of the school boards are as follows:		
Taxes	\$ 12,649,819	\$ 12,079,627
Less: writeoffs	<u>(316,087)</u>	<u>(256,532)</u>
	12,333,732	11,823,095
Development charges	<u>218,478</u>	<u>149,015</u>
	\$ <u>12,552,210</u>	\$ <u>11,972,110</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.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2007

9. Grants	<u>2007</u>		<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating			
Province of Ontario	\$ 3,189,352	\$ 3,006,748	\$ 2,376,681
Government of Canada	13,115	45,063	35,682
	<u>3,202,467</u>	<u>3,051,811</u>	<u>2,412,363</u>
Capital			
Province of Ontario	4,049,000	4,796,692	3,440,641
Government of Canada	2,226,000	1,455,907	130,969
	<u>6,275,000</u>	<u>6,252,599</u>	<u>3,571,610</u>
	\$ <u>9,477,467</u>	\$ <u>9,304,410</u>	\$ <u>5,983,973</u>

10. User charges	<u>2007</u>		<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating			
Fees and service charges	\$ 4,097,959	\$ 4,359,489	\$ 4,318,445
Direct water billings	4,000,048	4,037,145	3,570,731
Direct sewer billings	4,398,200	4,871,207	3,890,827
	<u>\$ 12,496,207</u>	<u>\$ 13,267,841</u>	<u>\$ 11,780,003</u>

11. Other revenue	<u>2007</u>		<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating			
Penalties and interest on taxes	\$ 600,000	\$ 581,280	\$ 546,529
Licenses and permits	721,210	786,892	554,245
Fines	195,000	214,772	195,440
Rents and leases	990,018	1,005,799	750,703
Interest income	1,574,750	1,760,162	1,739,871
Revenue from other municipalities	462,247	425,604	404,097
Other	315,706	479,482	564,960
	<u>\$ 4,858,931</u>	<u>\$ 5,253,991</u>	<u>\$ 4,755,845</u>

City of Orillia

Notes to the Consolidated Financial Statements

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11. Other revenue (Continued)	<u>2007</u>		<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Capital			
Proceeds from sale of land and equipment	\$ -	\$ 440,592	\$ -
Revenue from other municipalities	40,000	45,578	-
Other	<u>6,801,000</u>	<u>209,654</u>	<u>155,361</u>
	<u>6,841,000</u>	<u>695,824</u>	<u>155,361</u>
Reserves and reserve funds			
Interest income	<u>258,005</u>	<u>439,864</u>	<u>87,178</u>
	\$ <u>11,957,936</u>	\$ <u>6,389,679</u>	\$ <u>4,998,384</u>

12. Pension agreement

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 250 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. Employers and employees contribute jointly to the plan.

Contribution rates are from 6% to 9.8% depending on the normal retirement age and the level of earnings. As a result \$ 967,678 (2006 - \$901,964) was contributed to OMERS during the year.

13. 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, 2007 is \$ 2,288,201 (2006 - \$2,369,324) 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:

2008	\$ 252,429
2009	294,572
2010	293,484
2011	299,584
2012	312,871

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14. Contingencies

The Municipality is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Municipality 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.

15. 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.

16. Comparative figures

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

17. Expenditures by object	<u>2007</u>	<u>2006</u>
Salaries, wages and employee benefits	\$ 17,865,775	\$ 16,512,557
Operating materials and supplies	6,581,700	5,978,318
Contracted services	8,420,309	7,578,176
Rent and financial expenses	162,501	164,453
External transfers to others	9,942,492	9,209,324
Unfunded liabilities	1,566,988	455,584
Tangible capital assets	<u>16,495,050</u>	<u>13,944,663</u>
	<u>\$ 61,034,815</u>	<u>\$ 53,843,075</u>

18. Subsequent event

In January 2008, the Municipality made a commitment to provide Lakehead University with \$10,000,000 in support consisting of 85 acres of serviced land valued at \$5,000,000 and annual contributions of \$500,000 for 10 years commencing in 2010.