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Auditors' Report

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

We have audited the consolidated statement of financial position of the Corporation of the City of Oshawa as at December 31, 2006 and the consolidated statements of financial activities and of 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 Corporation of the City of Oshawa as at December 31, 2006 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
April 13, 2007

THE CORPORATION OF THE CITY OF OSHAWA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2006

	2006	2005
	\$	\$
ASSETS		
Financial Assets		
Cash and short-term deposits (Note 3)	68,717,442	100,916,478
Taxes receivable	4,952,728	5,215,927
Accounts receivable	6,641,270	5,703,627
Other assets	101,500	101,500
Investment in Oshawa Power and Utilities Corporation (Note 4)	28,600,000	31,322,000
Total	109,012,940	143,259,532
LIABILITIES		
Accounts payable and accrued liabilities	22,697,472	27,537,989
Deferred revenue (Note 5)	36,907,221	28,200,112
Employee future benefits and other liabilities (Note 6)	38,842,509	46,343,875
Long-term liabilities (Note 7)	103,680,335	85,049,754
Total	202,127,537	187,131,730
Net Financial Liabilities	(93,114,597)	(43,872,198)
Non-Financial Assets		
Inventory and prepaid expenses	240,122	1,052,664
Net Liabilities	(92,874,475)	(42,819,534)
MUNICIPAL POSITION		
Amounts to be recovered (Note 8)		
From reserves and reserve funds	(7,622,383)	(6,565,534)
From future revenues	(136,106,636)	(126,034,270)
Total	(143,729,019)	(132,599,804)
Fund Balances (Note 9)		
Current fund (Schedule 1)	98,121	313,325
Capital fund (Schedule 2)	(1,744,029)	37,808,235
Reserves (Schedule 3)	20,484,888	15,507,316
Reserve funds (Schedule 3)	3,415,564	4,829,394
Net equity in Oshawa Power and Utilities Corporation (Note 4)	28,600,000	31,322,000
Total	50,854,544	89,780,270
Total Municipal Position	(92,874,475)	(42,819,534)

Commitments (Note 14)

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

THE CORPORATION OF THE CITY OF OSHAWA
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
year ended December 31, 2006

	2006	2005
	\$	\$
REVENUE		
Property taxation	85,845,386	81,873,000
Taxation from other governments	2,578,413	2,618,296
User charges	8,187,522	22,471,829
Government grants	845,932	1,277,542
Contributions from developers - earned	3,405,840	11,162,461
Federal Gas Tax Revenue	1,355,703	1,355,703
Investment income	3,145,669	3,142,323
Penalties and interest on taxes	967,351	993,277
Licenses and permits	4,952,221	3,291,676
Fines	271,410	217,156
Other	5,646,591	5,836,162
Total Revenue	117,202,038	134,239,425
EXPENDITURES		
Current (Note 12)		
General government	18,254,339	16,276,485
Protection to persons and property	21,171,018	20,765,406
Transportation services (Note 17)	5,477,163	34,352,288
Environmental services	3,401,485	3,166,387
Health services	571,077	661,902
Social and family services	756,297	727,200
Recreation and cultural services	32,707,315	25,926,501
Planning and development services	4,432,412	4,057,246
Total Current Expenditures	86,771,106	105,933,415
Capital		
General government	1,614,373	3,329,574
Protection to persons and property	4,930,444	1,646,704
Transportation services	8,089,749	8,346,967
Environmental services	6,665,369	4,581,435
Health services	92,288	650
Social and family services	169,484	586,398
Recreation and cultural services	57,412,648	49,547,640
Planning and development services	4,912,976	702,675
Total Capital Expenditures	83,887,331	68,742,043
Total Expenditures	170,658,437	174,675,458
Increase in Net Financial Liabilities before net income from the Oshawa Power and Utilities Corporation	(53,456,399)	(40,436,033)
Oshawa Power and Utilities Corporation net income (Note 4)	4,214,000	3,023,000
Increase in Net Financial Liabilities	(49,242,399)	(37,413,033)
Decrease in inventory and prepaid expenses	(812,542)	(86,071)
Increase in amounts to be recovered (Note 8)	11,129,215	32,919,165
Decrease in Fund Balances	(38,925,726)	(4,579,939)

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

THE CORPORATION OF THE CITY OF OSHAWA
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
year ended December 31, 2006

	2006 \$	2005 \$
OPERATIONS		
Increase in net financial liabilities	(49,242,399)	(37,413,033)
Oshawa Power and Utilities Corporation net income, which does not involve cash	(4,214,000)	(3,023,000)
	<u>(53,456,399)</u>	<u>(40,436,033)</u>
Uses:		
Increase in accounts receivable	(937,643)	(552,092)
Decrease in deferred revenue	-	(1,866,428)
Decrease in accounts payable and accrued liabilities	(4,840,517)	-
Decrease in employee future benefits and other liabilities	(7,501,366)	-
	<u>(13,279,526)</u>	<u>(2,418,520)</u>
Sources:		
Increase in accounts payable and accrued liabilities	-	13,948,706
Increase in employee future benefits and other liabilities	-	2,166,597
Decrease in taxes receivable	263,199	1,430,072
Increase in deferred revenue	8,707,109	-
	<u>8,970,308</u>	<u>17,545,375</u>
NET CHANGE IN CASH FROM OPERATIONS	(57,765,617)	(25,309,178)
FINANCING		
Long-term liabilities repaid	(3,049,419)	(2,345,432)
Long-term liabilities issued	21,680,000	33,000,000
Receipt of note proceeds from Oshawa Power and Utilities Corporation	-	23,064,000
Receipt of dividend from Oshawa Power and Utilities Corporation	6,936,000	720,000
FINANCING ACTIVITIES	25,566,581	54,438,568
INCREASE/(DECREASE) IN CASH AND SHORT-TERM DEPOSITS	(32,199,036)	29,129,390
Cash and short term deposits, beginning of year	100,916,478	71,787,088
CASH AND SHORT-TERM DEPOSITS, End of Year	68,717,442	100,916,478

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

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
year ended December 31, 2006**

The Corporation of the City of Oshawa is a lower tier municipality in the province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards controlled by the City, except for the Oshawa Power and Utilities Corporation. These financial statements include:

Oshawa Public Library Board
Oshawa Central Business District Improvement Area

Inter-departmental and inter-organizational transactions and balances between these organizations have been eliminated.

The City's investment in the Oshawa Power and Utilities Corporation ("OPUC") is accounted for on the modified equity basis, consistent with generally accepted accounting principles as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, the business enterprise's accounting policies are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of OPUC in its consolidated statement of financial activities with a corresponding increase or decrease in its investment asset account. Any dividends that the City may receive from OPUC will be reflected as reductions in the investment asset account.

Fund Accounting

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

Trust funds and their related operations administered by the City are not included in these financial statements but are reported separately on the Trust Funds Statement of Financial Activities and Fund Balance and the Trust Funds Statement of Financial Position.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
year ended December 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Sources of financing and expenditures are reported using the accrual basis of accounting.

The accrual basis of accounting recognizes revenue in the fiscal year in which transactions or events occurred that gave rise to the revenue and become measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Tangible Capital Assets

The historical cost and accumulated depreciation of tangible capital assets are not reported for municipal purposes. Expenditures made on tangible capital assets are reported as capital expenditures on the Consolidated Statement of Financial Activities in the fiscal year incurred.

Reserves and Reserve Funds

Certain amounts, as approved by City Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from these reserves and reserve funds are reported as an adjustment to the respective fund when approved.

Government Transfers

Government transfers are recognized as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Deferred Revenue

The City receives development charge contributions, payments in lieu of parkland and gas tax funding under the authority of federal/provincial legislation and City by-laws. These funds by their nature are restricted in their use and until applied to applicable capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal year they are expended. The City also receives revenue for user charges and fees which have been collected but for which the related services have yet to be performed. These amounts are also recorded as deferred revenue and will be recognized as revenues in the fiscal year the services are performed.

Taxation and Related Revenue

Property tax billings are prepared by the City based on an assessment roll provided by the Municipal Property Assessment Corporation ("MPAC"). All assessed property values in the City are established by MPAC based on a common valuation date.

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
year ended December 31, 2006**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Income

Investment income earned on current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) is reported as revenue in the fiscal year earned. Investment income earned on development charges, parkland obligatory reserve funds and Federal Gas Tax reserve funds is added to the fund balance and forms part of the respective deferred revenue balance.

Post Employment Benefits

The present value of the cost of providing employees with future benefit programs is recognized as employees earn these entitlements through service.

Accounting for School Boards and Region of Durham Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the School Boards and Region of Durham are not reflected in the municipal fund balances of these financial statements.

Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

2. OPERATIONS OF SCHOOL BOARDS AND THE REGION OF DURHAM

During 2006, requisitions were made by the School Boards and the Region of Durham requiring the City to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	<u>2006</u>			<u>2005</u>
	School Boards	Region	Total	Total
Property taxes	\$54,663,076	\$94,916,566	\$149,579,642	\$138,157,819
Taxation from other governments	-	761,935	761,935	695,341
Total amounts transferred	\$54,663,076	\$95,678,501	\$150,341,577	\$138,853,160

3. SHORT-TERM DEPOSITS

Short-term deposits of \$60,723,260 (2005 - \$94,757,108) included in Cash and short-term deposits approximate their market value and can readily be converted to cash.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
year ended December 31, 2006

4. INVESTMENT AND EQUITY IN OSHAWA POWER AND UTILITIES CORPORATION

In accordance with the requirements in Bill 35 (the Energy Competition Act, 1998), the City passed a transfer by-law, effective November 1, 2000, that transferred substantially all of the assets and liabilities of Oshawa Public Utilities Commission ("the Commission") to Oshawa Power and Utilities Corporation ("OPUC"). OPUC has carried on the former business of the Commission with all the rights, duties, obligations, and responsibilities. The City is the sole shareholder of the OPUC.

The City's investment in OPUC is as follows:

	2006	2005
Share capital – 1,000 common shares (100%)	\$31,322,000	\$23,064,000
Changes during year:		
Net income of OPUC	4,214,000	8,978,000
	<hr/> 35,536,000	<hr/> 32,042,000
Dividend received from OPUC	(6,936,000)	(720,000)
	<hr/> \$28,600,000	<hr/> \$31,322,000
Total Investment/Equity		

In 2006, a special dividend was issued to the City in the amount of \$6,936,000 as declared by the OPUC Board of Directors on April 6, 2006.

With Council approval, the proceeds from the special dividend were transferred to the current fund with a corresponding reduction in equity in OPUC.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended December 31, 2006

4. INVESTMENT AND EQUITY IN OSHAWA POWER AND UTILITIES CORPORATION
(continued)

The following table provides condensed financial information in respect of the financial position of OPUC as at December 31, 2006 and its operations.

	2006	2005
Financial position		
Current assets	\$37,353,000	\$43,644,000
Capital assets	49,032,000	48,913,000
Deferred charges and other assets	630,000	285,000
Total assets	87,015,000	92,842,000
Current liabilities	16,267,000	19,935,000
Long-term liabilities	42,148,000	41,585,000
Total liabilities	58,415,000	61,520,000
Net assets	\$28,600,000	\$31,322,000

	Year Ended December 31, 2006	Year Ended December 31, 2005
Results of operations		
Revenue	\$93,866,000	\$123,523,000
Operating expenses	89,652,000	120,500,000
Income for the period	\$ 4,214,000	\$ 3,023,000
Dividend paid	\$ 6,936,000	\$ 720,000

Included in revenue above is \$ 2,593,267 (2005 - \$3,016,780) earned from the City for services provided. Operating expenses above include \$ 264,000 (2005 - \$264,000) paid to the City for net rent at 100 Simcoe Street.

5. DEFERRED REVENUE

Deferred revenue consists of the following:

	2006	2005
Obligatory reserve funds		
Development charges	\$34,385,631	\$25,134,269
Parkland	627,422	688,063
Federal Gas Tax	885,715	1,355,703
Other	1,008,453	1,022,077
Total	\$36,907,221	\$28,200,112

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
year ended December 31, 2006

5. DEFERRED REVENUE (continued)

Continuity of deferred revenue is as follows:

	2006	2005
Balance, beginning of year	\$28,200,112	\$30,066,540
Developer contributions collected	8,163,115	7,549,347
Federal Gas Tax	1,355,703	1,355,703
Contribution from Current Fund	200,000	-
Other collections	4,133,524	1,784,332
Interest earned	1,157,430	795,450
	15,009,772	11,484,832
Less:		
Developer contributions used in capital operations	2,412,527	12,132,429
Developer contributions used in reserve and reserve funds	505,016	385,785
Federal Gas Tax used	1,844,000	-
General deferred revenue used	1,541,120	833,046
	6,302,663	13,351,260
Balance, end of year	\$36,907,221	\$28,200,122

6. **EMPLOYEE FUTURE BENEFITS AND OTHER LIABILITIES**

Employee benefits, post employment and other liabilities are comprised of the following:

	2006	2005
Future payments required to WSIB	\$ 6,268,289	\$ 6,425,691
Accumulated sick leave benefit plan entitlements	5,927,274	5,959,651
Post employment benefits	25,257,428	32,677,418
Other liabilities	1,389,518	1,281,115
Total	\$38,842,509	\$46,343,875

(a) Future payments required to WSIB

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board ("WSIB") Act, the City has elected to be treated as a Schedule 2 employer and therefore remits payments to the WSIB as required to fund disability payments. The estimated liability reported in these financial statements is based on an actuarial valuation update completed in 2006.

(b) Accumulated sick leave benefit plan entitlements

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the City's employ. The estimated liability reported in these financial statements is based on an actuarial valuation update completed in 2006.

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
year ended December 31, 2006**

6. EMPLOYEE FUTURE BENEFITS AND OTHER LIABILITIES (continued)

(c) Post employment benefits

The City makes available to qualifying employees certain non-pension retirement benefits for extended health care, and life insurance.

The accrued benefit liability and expense figures for the year ended December 31, 2006 are based on the results and assumptions determined by actuarial valuation update as at December 31, 2006.

The significant actuarial assumptions adopted in estimating the City's accrued post employment benefit liability are as follows:

Discount rate	6%
Future inflation rates	3% per annum
Medical benefit cost escalation	10% per year reducing to 5% per year over 15 years

Information about the City's employee benefits, post employment benefits and other liabilities is as follows:

Accrued benefit liability as at January 1, 2006	\$46,343,875
Plan Amendment – remove Oshawa Transit liability (Note 17)	(9,313,530)
Expense for the current period	1,197,860
Interest	2,671,967
Benefits paid	<u>(2,057,663)</u>
Accrued benefit liability as at December 31, 2006	<u>\$38,842,509</u>

The City has established reserve funds to mitigate the future impact of these obligations as detailed on the Consolidated Schedule of Reserves and Reserve Funds and Fund Balances. The balance of the WSIB reserve included in working funds, contingencies and other is nil (2005 - \$222,956) and the balance of the sick leave reserve is \$ 961,262 (2005 - \$1,298,927).

7. LONG-TERM LIABILITIES

(a) Long-term liabilities are comprised of debentures issued by the Region of Durham for which the City has assumed responsibility for the payment of principal and interest charges. Interest rates vary from 3.65% to 9.25%.

(b) Future principal payments required for payment of net long-term liabilities are summarized as follows:

2007	2008	2009	2010	2011	Total
\$	\$	\$	\$	\$	\$
2,784,751	3,545,088	4,755,159	4,985,047	5,229,588	21,299,633
					Payable in 2012 to 2016
					36,660,853
					Payable in 2017 and thereafter
					<u>45,719,849</u>
					<u>103,680,335</u>

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
year ended December 31, 2006**

7. LONG-TERM LIABILITIES (continued)

- (c) Approval of the Ontario Municipal Board has been obtained for the long-term liabilities issued by the Region of Durham for the City on or before December 31, 1992. Those issued after December 31, 1992 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limits prescribed by the Ministry of Municipal Affairs and Housing.
- (d) Principal repaid on long-term liabilities in 2006 amounted to \$3,049,419 (2005 - \$2,345,432).
- (e) Interest expense on long-term liabilities in 2006 amounted to \$4,135,103 (2005 - \$3,069,311).

8. AMOUNTS TO BE RECOVERED

Future years recoveries represent the requirement of the City to raise funds in subsequent periods to finance unfunded liabilities.

	2006	2005
Employee future benefits and other liabilities	\$38,842,509	\$46,343,875
Long term liabilities	103,680,335	85,049,754
Forgivable loan recoverable	1,206,175	1,206,175
Total	\$143,729,019	\$132,599,804

9. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR

The City's fund balances are comprised of the following:

	2006	2005
For general reduction of taxation:		
Library Board	\$ 63,833	\$ 288,311
Business Improvement Area	34,288	25,014
Total	98,121	313,325
(Unfinanced Capital Outlay)/acquisition of capital assets	(1,744,029)	37,808,235
Reserves	20,484,888	15,507,316
Reserve Funds	3,415,564	4,829,394
Equity in Oshawa Power and Utilities Corporation	28,600,000	31,322,000
Total	\$50,854,544	\$89,780,270

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
year ended December 31, 2006

10. PENSION AGREEMENTS

The City makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all regular, full-time and eligible other-than-continuous full-time employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions made by the City in 2006 amounted to \$3,197,473 (2005 - \$2,661,407).

11. TRUST FUNDS

Trust funds administered by the City amounting to \$1,154,511 (2005 - \$1,097,455) are presented separately in the Trust Fund Statement of Financial Activities and Fund Balance and Statement of Financial Position. As the City holds these funds in trust for the benefit of others, they are not included as part of the City's financial position or financial activities.

12. EXPENDITURES BY OBJECT

The following is a summary of the current expenditures reported on the Consolidated Statement of Financial Activities by object of expenditures:

	2006	2005
Salaries, wages and fringe benefits	\$54,759,852	\$ 66,927,293
Interest on long-term debt	4,135,103	3,069,311
Materials and supplies	25,356,252	32,018,493
Rents and financial expenses	105,598	333,020
Transfer payments	2,414,301	3,585,298
Total	\$86,771,106	\$105,933,415

13. CONTINGENCIES

The City of Oshawa, has been named as defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at December 31, 2006, and accordingly no provision has been made in these financial statements for any liability that may result.

14. COMMITMENTS

- (a) The City has made a commitment to provide funding to the Oshawa General Hospital in the amount of \$350,000 per year for 10 years contingent upon annual approval by Oshawa City Council during the City's budget setting process. Annual payments of \$350,000 have been made from 1997 to 2005, inclusive, except for 2003 when no payment was made. In 2006, Council endorsed a payment in the amount of \$175,000 to the hospital.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
year ended December 31, 2006

- (b) Minimum payments under operating leases for computer equipment and software are as follows:

2007	\$ 588,900
2008	\$ 392,600
2009	\$ 196,300

- (c) The City has contractual obligations for major capital projects of approximately \$4,286,000 (2005 - \$76,536,000).

15. GUARANTEES

The City's primary guarantees include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements.

These indemnification agreements may require the City to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the City from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the City has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the financial statements with respect to these agreements.

16. BUDGET FIGURES

Oshawa City Council completes separate budget reviews for its current and capital budgets each year. The approved current budget for 2006 is reflected on the Consolidated Schedule of Current Fund Activities and Fund Balance. For capital spending, budgets are set for individual projects and funding for these projects is determined annually and made by transfers from reserves and reserve funds and by the application of applicable grants or other available funds. As many capital projects are carried out over one or more years, it is not practical to present annualized budget information on the Consolidated Schedule of Capital Fund Activities and Fund Balance. Budget figures have been reclassified for the purpose of these statements to comply with PSAB reporting principles.

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED
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year ended December 31, 2006**

17. TRANSFER OF TRANSIT

On January 1, 2006, the City transferred its responsibility for public transit services to the Region of Durham in accordance with Regional By-law #85-2004. Existing Transit employees became employees of the Region and the related assets and liabilities were transferred to the Region.

Negotiations between the City and the Region are still underway as to the ultimate realization of assets and assumption of liabilities by Durham Region Transit. The City's post employment benefits show a reduction related to the removal of the Oshawa Transit plan (Note 6).

THE CORPORATION OF THE CITY OSHAWA
CONSOLIDATED SCHEDULE OF CURRENT FUND FINANCIAL ACTIVITIES AND FUND BALANCE
year ended December 31, 2006

	Budget 2006 \$	Actual 2006 \$	Actual 2005 \$
	(unaudited-Note 16)		
REVENUE			
Property taxation	87,350,500	85,845,386	81,873,000
Taxation from other governments	2,288,800	2,578,413	2,618,296
User charges	8,677,300	8,187,522	22,471,829
Government grants	401,000	401,000	401,000
Investment income	1,405,200	2,593,158	2,775,051
Penalties and interest on taxes	1,150,000	967,351	993,277
Licenses and permits	4,973,600	4,952,221	3,291,676
Fines	159,000	271,410	217,156
Other	455,400	438,245	898,438
Total Revenue	106,860,800	106,234,706	115,539,723
EXPENDITURES			
General government	17,397,400	16,407,956	15,429,902
Protection to persons and property	21,673,900	21,171,018	20,765,406
Transportation services	16,989,943	5,391,399	34,289,271
Environmental services	4,165,700	3,401,485	3,166,387
Health services	225,000	571,077	661,902
Social and family services	790,000	756,297	727,200
Recreation and cultural services	33,297,696	32,707,315	25,905,574
Planning and development services	3,840,914	3,430,540	3,812,891
Total Expenditures	98,380,553	83,837,087	104,758,533
NET REVENUE	8,480,247	22,397,619	10,781,190
FINANCING AND TRANSFERS			
Forgivable loan recoverable	-	-	98,000
Debt principal repayments	(2,445,572)	(3,049,419)	(2,345,432)
Inventory and prepaid expenses	-	(812,542)	(86,071)
Employee future benefits and other liabilities	-	(7,501,366)	2,166,597
Allocation from equity in Oshawa Power and Utilities Corporation (Note 4)	1,100,000	6,936,000	720,000
Transfers to capital fund	(3,694,700)	(11,007,856)	(6,358,924)
Transfers to reserves and reserve funds	(3,753,300)	(7,177,640)	(4,837,820)
Total Financing and Transfers	(8,793,572)	(22,612,823)	(10,643,650)
CHANGE IN CURRENT FUND BALANCE	(313,325)	(215,204)	137,540
CURRENT FUND BALANCE, Beginning of Year	313,325	313,325	175,785
CURRENT FUND BALANCE, End of Year	-	98,121	313,325

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE CITY OF OSHAWA
CONSOLIDATED SCHEDULE OF CAPITAL FUND FINANCIAL ACTIVITIES AND FUND BALANCE
year ended December 31, 2006

	2006	2005
	\$	\$
REVENUE		
Contributions from developers - earned	2,900,824	10,776,726
Federal Gas Tax Revenue	1,355,703	1,355,703
Government grants	444,932	876,542
Donations	18,290	15,000
Other	2,229,096	1,665,039
Total Revenue	6,948,845	14,689,010
EXPENDITURES		
General government	1,614,373	3,329,574
Protection to persons and property	4,930,444	1,646,704
Transportation services	8,089,749	8,346,967
Environmental services	6,665,369	4,581,435
Health Services	92,288	650
Social and family services	169,484	586,398
Recreation and cultural services	57,412,648	49,547,640
Planning and development services	4,912,976	702,675
Total Expenditures	83,887,331	68,742,043
NET EXPENDITURES	(76,938,486)	(54,053,033)
FINANCING AND TRANSFERS:		
Financing - debenture proceeds	21,680,000	33,000,000
Financing - OPUC Note proceeds	-	23,064,000
Current fund	11,007,856	6,358,924
Reserves and reserve funds	4,698,366	5,955,082
Total Transfers	37,386,222	68,378,006
CHANGE IN CAPITAL FUND BALANCE	(39,552,264)	14,324,973
CAPITAL FUND BALANCE, Beginning of Year	37,808,235	23,483,262
CAPITAL FUND BALANCE, End of Year	(1,744,029)	37,808,235

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE CITY OF OSHAWA
CONSOLIDATED SCHEDULE OF RESERVES AND RESERVE FUNDS AND FUND BALANCES
year ended December 31, 2006

	2006	2005
	\$	\$
REVENUE		
Contributions from developers - earned	505,016	385,735
Investment income	552,511	367,272
Other	2,960,960	3,257,685
Total Revenue	4,018,487	4,010,692
EXPENDITURES		
General government	1,846,383	846,583
Transportation services	85,764	63,017
Recreation and cultural services	-	20,927
Planning and development services	1,001,872	244,355
Total Expenditures	2,934,019	1,174,882
NET REVENUE	1,084,468	2,835,810
FINANCING AND TRANSFERS:		
Current fund	7,177,640	4,837,820
Capital fund	(4,698,366)	(5,955,082)
Net Transfers	2,479,274	(1,117,262)
CHANGE IN RESERVES AND RESERVE FUNDS BALANCE	3,563,742	1,718,548
RESERVES AND RESERVE FUNDS BALANCE, Beginning of Year	20,336,710	18,618,162
RESERVES AND RESERVE FUND BALANCE, End of Year	23,900,452	20,336,710
ANALYZED AS FOLLOWS:		
Reserves set aside for specific purposes by Council for:		
Acquisition of capital assets	5,762,879	5,886,452
Debt management and capital	219,149	125,751
Vested sick leave benefits	1,763,849	1,298,927
Working funds, contingencies and other	12,739,011	8,196,186
Total Reserves	20,484,888	15,507,316
Reserve Funds set aside for specific purpose by Council for:		
Industrial services	995,111	2,347,941
Acquisition of capital assets	2,420,453	2,481,453
Total Reserve Funds	3,415,564	4,829,394
TOTAL RESERVES AND RESERVE FUNDS	23,900,452	20,336,710

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE CITY OF OSHAWA

TRUST FUNDS

STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCE

year ended December 31, 2006

	2006					2005
	Sub-Dividers' Deposits \$	Builders' Damage Deposits \$	Union Cemetery \$	Candidate Surplus Funds \$	Total \$	Total \$
REVENUES						
Deposits		34,135	22,684		56,819	40,405
Interest	23,958			34	23,992	15,792
Perpetual care			2,921		2,921	2,245
	23,958	34,135	25,605	34	83,732	58,442
EXPENDITURES						
Refunds		14,630	(0)		14,630	91,918
Net Revenues/(Expenditures)	23,958	19,505	25,605	34	69,102	(33,476)
FINANCING AND TRANSFERS						
Transfers to/(from) Revenue Fund			(10,650)	1,222	(9,428)	-
Transfers to Capital Fund		550	20,924		21,474	192,005
	-	550	10,274	1,222	12,046	192,005
CHANGE IN FUND BALANCE	23,958	18,955	15,331	(1,188)	57,056	(225,481)
FUND BALANCE, Beginning of Year	616,178	154,572	325,517	1,188	1,097,455	1,322,936
FUND BALANCE, End of Year	640,136	173,527	340,848	0	1,154,511	1,097,455

STATEMENT OF FINANCIAL POSITION

December 31, 2006

	2006					2005
	Sub-Dividers' Deposits \$	Builders' Damage Deposits \$	Union Cemetery \$	Candidate Surplus Funds \$	Total \$	Total \$
FINANCIAL ASSETS						
Cash and accrued interest	640,136	173,527	340,848	0	1,154,511	1,097,455
FUND BALANCE	640,136	173,527	340,848	0	1,154,511	1,097,455

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

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE TRUST FUNDS
FINANCIAL STATEMENTS
year ended December 31, 2006**

1. SIGNIFICANT ACCOUNTING POLICY

The financial statements of the Trust Funds of the Corporation of the City of Oshawa are the representations of management prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

Basis of Accounting

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenue.

Expenditures are recorded in the period the goods and services are acquired and a liability is incurred. Refunds are reported in the period issued.

Investments

Investments are recorded at cost. The cost of investments approximates their fair market value.

Use of Estimates

The preparation of financial statements in conformity with Canadian 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 date of the financial statements and the reported amount of revenues and expenditures during the period. Actual results could differ from these estimates.

2. STATEMENT OF CASH FLOWS

A statement of cash flows has not been included in these financial statements as the information that would be provided is readily available from the information presented.