

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, 2008 and the consolidated statement 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, 2008 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
April 9, 2009

THE CORPORATION OF THE CITY OF OSHAWA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2008

	2008 \$	2007 \$
ASSETS		
Financial Assets		
Cash and short-term deposits (Note 3)	64,984,787	60,825,584
Taxes receivable	9,694,527	7,557,112
Accounts receivable	4,576,681	6,013,092
Other assets	101,500	101,500
Investment in Oshawa Power and Utilities Corporation (Note 4)	34,880,400	31,755,000
Total	114,237,895	106,252,288
LIABILITIES		
Accounts payable and accrued liabilities	17,962,436	19,255,296
Deferred revenue (Note 5)	46,417,366	40,786,736
Employee future benefits and other liabilities (Note 6)	39,408,673	38,942,782
Long-term liabilities (Note 7)	97,444,119	100,930,309
Total	201,232,594	199,915,123
Net Financial Liabilities	(86,994,699)	(93,662,835)
Non-Financial Assets		
Inventory and prepaid expenses	764,864	786,786
Net Liabilities	(86,229,835)	(92,876,049)
MUNICIPAL POSITION		
Amounts to be recovered (Note 8)		
From reserves and reserve funds	(2,767,308)	(4,853,580)
From future revenues	(134,085,484)	(135,019,511)
Total	(136,852,792)	(139,873,091)
Fund Balances (Note 9)		
Current fund (Schedule 1)	63,924	93,187
Capital fund (Schedule 2)	(12,812,583)	(9,126,201)
Reserves (Schedule 3)	26,329,568	21,838,847
Reserve funds (Schedule 3)	2,161,648	2,436,209
Net equity in Oshawa Power and Utilities Corporation (Note 4)	34,880,400	31,755,000
Total	50,622,957	46,997,042
Total Municipal Position	(86,229,835)	(92,876,049)
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, 2008

	2008 \$	2007 \$
REVENUE		
Property taxation	98,913,323	91,807,832
Taxation from other governments	2,596,406	2,470,426
User charges	7,464,598	7,045,008
Government grants	9,235,667	553,461
Contributions from developers - earned	4,243,495	7,503,334
Federal gas tax revenue	2,373,768	1,807,401
Investment income	1,293,890	2,390,834
Penalties and interest on taxes	1,322,405	1,154,458
Licenses and permits	6,776,800	6,496,645
Fines	337,844	292,364
Other	4,173,701	3,150,188
Total Revenue	138,731,897	124,671,951
EXPENDITURES		
Current (Note 12)		
General government	24,187,578	20,160,271
Protection to persons and property	25,164,560	22,729,288
Transportation services	20,472,232	17,947,205
Environmental services	3,627,736	3,813,690
Health services	540,291	521,425
Social and family services	1,202,869	969,500
Recreation and cultural services	34,877,858	34,969,780
Planning and development services	4,461,130	4,431,791
Total Current Expenditures	114,534,254	105,542,950
Capital		
General government	5,441,679	2,689,521
Protection to persons and property	275,101	510,440
Transportation services	7,837,887	9,125,176
Environmental services	1,170,137	163,693
Health services	-	73,325
Social and family services	155,221	-
Recreation and cultural services	3,488,443	7,182,132
Planning and development services	3,616,039	4,087,952
Total Capital Expenditures	21,984,507	23,832,239
Total Expenditures	136,518,761	129,375,189
Decrease/(increase) in Net Financial Liabilities before net income from the Oshawa Power and Utilities Corporation	2,213,136	(4,703,238)
Oshawa Power and Utilities Corporation net income (Note 4)	4,455,000	4,155,000
Decrease/(increase) in Net Financial Liabilities	6,668,136	(548,238)
(Decrease)/increase in inventory and prepaid expenses	(21,922)	546,664
Decrease in amounts to be recovered (Note 8)	(3,020,299)	(3,855,928)
Increase/(decrease) in Fund Balances	3,625,915	(3,857,502)

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, 2008

	2008 \$	2007 \$
OPERATIONS		
Decrease/(increase) in net financial liabilities	6,668,136	(548,238)
Oshawa Power and Utilities Corporation net income, which does not involve cash	(4,455,000)	(4,155,000)
	2,213,136	(4,703,238)
Uses:		
Increase in taxes receivable	(2,137,415)	(2,604,384)
Decrease in accounts payable and accrued liabilities	(1,292,860)	(3,442,176)
	(3,430,275)	(6,046,560)
Sources:		
Increase in employee future benefits and other liabilities	465,891	100,273
Decrease in accounts receivable	1,436,411	628,178
Increase in deferred revenue	5,030,630	3,879,515
	7,532,932	4,607,966
NET CHANGE IN CASH FROM OPERATIONS	6,315,793	(6,141,832)
FINANCING		
Long-term liabilities repaid	(3,486,190)	(2,750,026)
Receipt of dividend from Oshawa Power and Utilities Corporation	1,329,600	1,000,000
FINANCING ACTIVITIES	(2,156,590)	(1,750,026)
INCREASE/(DECREASE) IN CASH AND SHORT-TERM DEPOSITS	4,159,203	(7,891,858)
Cash and short term deposits, beginning of year	60,825,584	68,717,442
CASH AND SHORT-TERM DEPOSITS, End of Year	64,984,787	60,825,584

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, 2008**

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, 2008**

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
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year ended December 31, 2008

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. The cost of the benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs. Actuarial gains or losses are amortized on a straight line basis over the expected average remaining service life of all employees covered.

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 2008, 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:

	2008		2007
	School Boards	Region	Total
Property taxes	\$55,144,551	\$105,270,993	\$160,415,544
Taxation from other governments	-	775,711	775,711
Total amounts transferred	\$55,144,551	\$106,046,704	\$161,191,255
			\$154,011,290

THE CORPORATION OF THE CITY OF OSHAWA
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year ended December 31, 2008

3. SHORT-TERM DEPOSITS

Short-term deposits of \$ 60,044,146 (2007 - \$52,991,634) included in Cash and short-term deposits approximate their market value and can readily be converted to cash.

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:

	2008	2007
Total Investment/Equity, beginning of year	\$31,755,000	\$28,600,000
Changes during year:		
Net income of OPUC	4,455,000	4,155,000
	36,210,000	32,755,000
Dividends received from OPUC	(1,329,600)	(1,000,000)
Total Investment/Equity, end of year	\$34,880,400	\$31,755,000

The City holds 1,000 common shares of the OPUC representing 100% of the outstanding shares. With Council approval, the proceeds from the current year dividend were transferred to the current fund with a corresponding reduction in equity in OPUC.

THE CORPORATION OF THE CITY OF OSHAWA
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for the year ended December 31, 2008

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, 2008 and its operations.

	2008	2007
Financial position		
Current assets	\$42,842,400	\$39,901,000
Capital assets	62,244,000	56,198,000
Deferred charges and other assets	586,000	1,389,000
Total assets	105,672,400	97,488,000
Current liabilities	16,345,000	17,634,000
Long-term liabilities	54,447,000	48,099,000
Total liabilities	70,792,000	65,733,000
Net assets	\$34,880,400	\$31,755,000

	Year Ended December 31, 2008	Year Ended December 31, 2007
Results of operations		
Revenue	\$99,826,000	\$99,884,000
Operating expenses	95,371,000	95,729,000
Income for the period	\$4,455,000	\$ 4,155,000
Dividends paid	\$1,329,600	\$ 1,000,000

Included in revenue above is \$4,518,365 (2007 - \$3,823,541) earned from the City for services provided. Operating expenses above include \$264,000 (2007 - \$264,000) paid to the City for net rent at 100 Simcoe Street, Oshawa, ON.

5. DEFERRED REVENUE

Deferred revenue consists of the following:

	2008	2007
Obligatory reserve funds		
Development charges	\$42,162,350	\$37,168,515
Parkland	606,281	513,221
Federal gas tax	1,547,213	1,541,011
Other	2,101,522	1,563,989
Total	\$46,417,366	\$40,786,736

THE CORPORATION OF THE CITY OF OSHAWA
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FINANCIAL STATEMENTS
year ended December 31, 2008

5. DEFERRED REVENUE (continued)

Continuity of deferred revenue is as follows:

	2008	2007
Balance, beginning of year	\$40,786,736	\$36,907,221
Developer contributions collected	7,984,211	8,459,594
Federal gas tax	2,259,102	1,807,401
Contribution from Current Fund	75,000	200,000
Other collections	1,701,996	2,387,971
Interest earned	1,568,991	1,570,134
	13,589,300	14,425,100
Less:		
Developer contributions used in capital operations	3,996,494	8,018,027
Federal gas tax used	2,373,768	1,189,458
General deferred revenue used	1,588,408	1,338,100
	7,958,670	10,545,585
Balance, end of year	\$46,417,366	\$40,786,736

6. EMPLOYEE FUTURE BENEFITS AND OTHER LIABILITIES

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

	2008	2007
Future payments required to WSIB	\$ 6,453,443	\$ 6,400,956
Accumulated sick leave benefit plan entitlements	6,396,209	5,979,434
Post employment benefits	25,242,426	25,209,246
Other liabilities	1,316,595	1,353,146
Total	\$39,408,673	\$38,942,782

(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 April 17, 2009.

(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 April 17, 2009.

THE CORPORATION OF THE CITY OF OSHAWA
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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, 2008 are based on the results and assumptions determined by actuarial valuation completed April 17, 2009.

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

Discount rate	5%
Future inflation rates	2% per annum
Medical benefit cost escalation	8% per year reducing to 5% per year over 6 years

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

Accrued benefit liability as at January 1, 2008	\$38,942,782
Current period service cost	1,411,737
Amortization gains	(298,507)
Interest	1,645,996
Benefits paid	<u>(2,293,335)</u>
Accrued benefit liability as at December 31, 2008	<u>\$39,408,673</u>

The 2008 valuation produced an actuarial loss. The loss was incurred due to the liability recognized for automatic presumption of occupational injury related to fire fighters. The unamortized actuarial loss included in the year end liability is as follows:

Accrued benefit obligation	\$40,297,459
Unamortized actuarial losses	<u>(888,786)</u>
Liability for post employment benefits	<u>\$39,408,673</u>

THE CORPORATION OF THE CITY OF OSHAWA
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year ended December 31, 2008

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:

2009	2010	2011	2012	2013	Total
\$	\$	\$	\$	\$	\$
4,754,144	4,983,954	5,228,404	24,901,887	2,754,889	42,623,278
					Payable in 2014 to 2018
					15,976,971
					Payable in 2019 and thereafter
					<u>38,843,870</u>
					<u>\$97,444,119</u>

(c) Debt payments in 2012 include a balloon payment of \$20,297,000 which will be refinanced through the issue of a ten year debenture.

(d) 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.

(e) Principal repaid on long-term liabilities in 2008 amounted to \$3,486,190 (2007 - \$2,750,026).

(f) Interest expense on long-term liabilities in 2008 amounted to \$5,509,678 (2007 - \$5,708,474).

8. AMOUNTS TO BE RECOVERED

Amounts to be recovered represent the requirement of the City to raise funds in subsequent periods to finance unfunded liabilities.

	2008	2007
Employee future benefits and other liabilities	\$39,408,673	\$38,942,782
Long term liabilities	97,444,119	100,930,309
Total	\$136,852,792	\$139,873,091

THE CORPORATION OF THE CITY OF OSHAWA
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year ended December 31, 2008

9. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR

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

	2008	2007
For general reduction of taxation:		
Library Board	\$ 4,973	\$ 43,130
Business Improvement Area	58,951	50,057
Total	63,924	93,187
Unfinanced capital outlay	(12,812,583)	(9,126,201)
Reserves	26,329,568	21,838,847
Reserve funds	2,161,648	2,436,209
Equity in Oshawa Power and Utilities Corporation	34,880,400	31,755,000
Total	\$50,622,957	\$46,997,042

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 2008 amounted to \$3,927,909 (2007 - \$3,599,851).

11. TRUST FUNDS

Trust funds administered by the City amounting to \$897,579 (2007 - \$840,006) 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 expenditure:

	2008	2007
Salaries, wages and fringe benefits	\$73,217,364	\$ 67,209,392
Interest on long-term debt	5,509,678	5,708,474
Materials and supplies	31,656,101	28,334,884
Rents and financial expenses	792,294	939,602
Transfer payments	3,358,817	3,350,598
Total	\$114,534,254	\$105,542,950

THE CORPORATION OF THE CITY OF OSHAWA
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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, 2008, 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 were made from 1997 to 2005, inclusive, except for 2003 when no payment was made. In 2006, 2007 and 2008, Council endorsed annual payments in the amount of \$175,000 to the hospital. The final payment will be made in 2009.

(b) Minimum payments under operating leases for computer equipment and occupancy at 22 King Street are as follows:

2009	\$ 640,100
2010	\$ 348,300
2011	\$ 137,500

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.

THE CORPORATION OF THE CITY OF OSHAWA
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16. BUDGET FIGURES

Oshawa City Council completes separate budget reviews for its current and capital budgets each year. The approved current budget for 2008 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.

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 continuing as to the ultimate realization of assets and assumption of liabilities by Durham Region Transit.

18. TANGIBLE CAPITAL ASSETS

For fiscal years commencing after January 1, 2009, the City will be required to report tangible capital assets in its financial statements in accordance with the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants Section PS3150 – Tangible Capital Assets. Public Sector Guideline 7 requires the disclosure of tangible capital asset information in the notes to the financial statements to the extent that reliable information is available. The City is currently working toward obtaining the necessary information in order to comply with PS3150. The City has compiled the initial tangible capital asset register for the period ended December 31, 2007 and is currently collecting the 2008 data. The City's tangible capital asset policy development is in progress. For the year ended December 31, 2008, tangible capital assets are recorded as expenditures when acquired.

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
year ended December 31, 2008**

19. SEGMENTED REPORTING

The City of Oshawa is a diversified lower tier municipal government that provides a wide range of services to the residents including Fire, Library, Recreation, Waste Collection, Airport, Cemetery, and others. For reporting purposes, financial information is presented by functional classification as categorized by the FIR.

General Government

Corporate Services is primarily responsible for the provision of internal services that support the work of City Council, management and staff across all municipal departments as well as for the provision of external services to the public. These services are provided through the governance and corporate management divisions including City Clerk, Information Technology, Finance, and Human Resources.

Protection to Persons and Property

Protection is comprised of Fire Services and Municipal Law Enforcement and Licensing Services (MLELS). Fire Services is responsible to provide fire suppression, fire prevention, education, planning and emergency incident services to the City of Oshawa. MLELS is responsible for the investigation and enforcement of various municipal by-laws related to property standards, lot maintenance, zoning, signs, noise, parking and animal services.

Transportation Services

The majority of transportation services are provided by Public Works Services and Engineering. The primary responsibilities include inspection and maintenance of the City roads, sidewalks and storm drainage networks, traffic engineering, transportation planning, streetlights, road and sidewalk snow clearing and winter control.

Environmental Services

Environmental Services are provided by Public Works Services and Engineering who are responsible for sustaining the quality of life for the residents of the City of Oshawa. These services include collection of organics and residual waste and monitoring and administering environmental programs.

Health Services

Cemetery Services is the only City branch in this category. Union Cemetery provides maintenance and administration of cemetery operations. Additionally, it ensures the benefit and protection of each citizen who has purchased or has an interest in interment rights within the cemetery.

Recreation and Cultural Services

Recreation and Cultural Services provide public services that contribute to neighbourhood development and sustainability. Specific services include the maintenance, improvement and beautification of parks, and the provision of recreation and leisure services such as fitness, skating and aquatic programs as well, the support of arts and culture.

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
year ended December 31, 2008**

19. SEGMENTED REPORTING (continued)

Library

The Oshawa Public Library provides facilities and materials to meet the informational, educational, recreational and cultural needs of the City's residents.

Planning and Development

Planning and Development Services manages urban and rural development, local neighbourhood planning, community development and heritage matters. It ensures an acceptable quality of building construction and maintenance of properties. Planning and Development Services also develops and maintains the City's Official Plan and Zoning By-laws and amendments, provides economic and business development, real estate services and administers the Oshawa Municipal Airport.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

20. SHARED ATHLETIC FACILITY WITH UOIT

In 2004, the City entered into a funding agreement with the University of Ontario Institute of Technology (UOIT) for the construction of shared athletic facilities in two phases.

Phase One consisted of the construction of two ice rinks, amenities and associated equipment and has been completed to the City's satisfaction.

Phase Two consisted of the construction of a competitive pool and sufficient change rooms. The agreement indicated that a business case would be prepared to determine the feasibility of a competitive pool. If the business case did not support a pool then a comparable facility would be built subject to the City's acceptance. In either case, the facility committed to in Phase Two was to open on or before January 1, 2008.

The City contributed a total of \$8.0 million of which \$5.0 million was allocated to Phase Two.

At December 31, 2008 Phase Two of the planned shared athletic facilities has not been constructed. UOIT has recognized and confirmed its obligation under the agreement. Discussions between UOIT and the City are underway to settle the obligation.

THE CORPORATION OF THE CITY OSHAWA
CONSOLIDATED SCHEDULE OF CURRENT FUND FINANCIAL ACTIVITIES AND FUND BALANCE
year ended December 31, 2008

	Budget 2008 \$	Actual 2008 \$	Actual 2007 \$
(unaudited-Note 16)			
REVENUE			
Property taxation	99,295,900	98,913,323	91,807,832
Taxation from other governments	2,363,600	2,596,406	2,470,426
User charges	7,520,100	7,464,598	7,045,008
Government grants	-	401,000	403,497
Investment income	1,060,400	518,180	1,592,975
Penalties and interest on taxes	1,200,000	1,322,405	1,154,458
Licenses and permits	5,932,300	6,776,800	6,496,645
Fines	155,400	337,844	292,364
Other	464,400	682,080	579,052
Total Revenue	117,992,100	119,012,636	111,842,257
EXPENDITURES			
General government	20,758,790	24,187,578	20,160,271
Protection to persons and property	24,957,500	25,164,560	22,729,288
Transportation services	19,111,060	20,472,232	17,947,205
Environmental services	3,745,900	3,627,736	3,813,690
Health services	513,000	540,291	521,425
Social and family services	1,299,800	1,202,869	969,500
Recreation and cultural services	36,812,780	34,877,858	34,969,780
Planning and development services	3,687,957	4,461,130	4,431,791
Total Expenditures	110,886,787	114,534,254	105,542,950
NET REVENUE	7,105,313	4,478,382	6,299,307
FINANCING AND TRANSFERS			
Forgivable loan recoverable	-	-	(1,206,175)
Debt principal repayments	-	(3,486,190)	(2,750,026)
Inventory and prepaid expenses	-	(21,922)	546,664
Employee future benefits and other liabilities	-	465,891	100,273
Allocation from equity in Oshawa Power and Utilities Corporation (Note 4)	1,100,000	1,329,600	1,000,000
Transfers to capital fund	(2,892,900)	(2,010,924)	(3,214,803)
Transfers to reserves and reserve funds	(5,405,600)	(784,100)	(780,174)
Total Financing and Transfers	(7,198,500)	(4,507,645)	(6,304,241)
CHANGE IN CURRENT FUND BALANCE	(93,187)	(29,263)	(4,934)
CURRENT FUND BALANCE, Beginning of Year	93,187	93,187	98,121
CURRENT FUND BALANCE, End of Year	-	63,924	93,187

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, 2008

	2008	2007
	\$	\$
REVENUE		
Contributions from developers - earned	3,996,495	7,400,084
Federal gas tax revenue	2,373,768	1,807,401
Government grants	2,527,891	149,964
Donations	41,657	15,000
Other	2,206,752	149,767
Total Revenue	11,146,563	9,522,216
EXPENDITURES		
General government	5,441,679	2,689,521
Protection to persons and property	275,101	510,440
Transportation services	7,837,887	9,125,176
Environmental services	1,170,137	163,693
Health Services	-	73,325
Social and family services	155,221	-
Recreation and cultural services	3,488,443	7,182,132
Planning and development services	3,616,039	4,087,952
Total Expenditures	21,984,507	23,832,239
NET EXPENDITURES	(10,837,944)	(14,310,023)
FINANCING AND TRANSFERS:		
Current fund	2,010,924	3,214,803
Reserves and reserve funds	5,140,638	3,713,048
Total Financing and Transfers	7,151,562	6,927,851
CHANGE IN CAPITAL FUND BALANCE	(3,686,382)	(7,382,172)
CAPITAL FUND BALANCE, Beginning of Year	(9,126,201)	(1,744,029)
CAPITAL FUND BALANCE, End of Year	(12,812,583)	(9,126,201)

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, 2008

	2008 \$	2007 \$
REVENUE		
Contributions from developers - earned	247,000	103,250
Investment income	775,710	797,859
Government Grants	6,306,776	-
Other	1,243,212	2,406,369
Total Revenue	8,572,698	3,307,478
NET REVENUE	8,572,698	3,307,478
TRANSFERS:		
Current fund	784,100	780,174
Capital fund	(5,140,638)	(3,713,048)
Net Transfers	(4,356,538)	(2,932,874)
CHANGE IN RESERVES AND RESERVE FUNDS BALANCE	4,216,160	374,604
RESERVES AND RESERVE FUNDS BALANCE, Beginning of Year	24,275,056	23,900,452
RESERVES AND RESERVE FUND BALANCE, End of Year	28,491,216	24,275,056
ANALYZED AS FOLLOWS:		
Reserves set aside for specific purposes by Council for:		
Acquisition of capital assets	15,526,636	7,602,481
Debt management and capital	410,108	134,704
Vested sick leave benefits	393,688	203,088
Working funds, contingencies and other	9,999,136	13,898,574
Total Reserves	26,329,568	21,838,847
Reserve Funds set aside for specific purpose by Council for:		
Industrial services	299,201	796,925
Acquisition of capital assets	1,862,447	1,639,284
Total Reserve Funds	2,161,648	2,436,209
TOTAL RESERVES AND RESERVE FUNDS	28,491,216	24,275,056

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE CITY OSHAWA
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE - SCHEDULE 4
year ended December 31, 2008

	2008						
	Protection to persons and property	Transportation services	Recreation and culture	Planning and development	Environmental services	Health and social services	General Government
	\$	\$	\$	\$	\$	\$	\$
Expenditure							
Salaries and wages	24,478,156	11,402,205	19,865,089	2,748,482	1,806,771	223,175	12,693,486
Capital expenditures	275,101	7,837,887	3,488,443	3,615,039	1,170,137	155,221	5,441,679
Debt servicing	-	652,582	4,443,338	18,886	-	-	395,072
Other expenditures	686,405	8,261,553	10,697,397	1,694,313	1,820,965	1,519,985	11,126,594
	25,439,662	28,154,227	38,494,267	8,077,520	4,797,873	1,898,381	29,656,831
External tax revenues	24,957,500	19,111,060	36,812,780	3,687,957	3,745,900	1,812,800	11,381,732
External non-tax revenues	1,459,575	9,305,034	6,789,643	873,730	234,147	121,211	18,438,828
Net income OPUC	-	-	-	-	-	-	4,455,000
	26,417,075	28,416,094	43,602,423	4,561,687	3,980,047	1,934,011	34,275,560
Net surplus (deficit) before transfers	977,413	261,867	5,108,156	(3,515,833)	(817,826)	35,630	4,818,729
							6,668,136

THE CORPORATION OF THE CITY OSHAWA
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE - SCHEDULE 4
year ended December 31, 2007

	Protection to persons and property \$	Transportation services \$	Recreation and culture \$	Planning and development \$	Environmental services	Health and social services \$	General Government \$	Consolidated \$
Expenditure								
Salaries and wages	21,913,573	10,549,913	18,845,160	2,420,449	1,920,384	213,710	11,346,203	67,209,392
Capital expenditures	510,440	9,125,176	7,182,132	4,087,952	163,693	73,325	2,689,521	23,832,239
Debt servicing (interest)	-	765,207	4,523,723	21,627	-	-	397,916	5,708,473
Other expenditures	815,715	6,632,085	11,600,895	1,989,715	1,893,305	1,277,215	8,416,155	32,625,085
	23,239,728	27,072,381	42,151,910	8,519,743	3,977,382	1,564,250	22,849,795	129,375,189
External tax revenues	22,295,594	18,633,090	36,131,210	3,470,888	4,250,000	1,524,600	7,972,876	94,278,258
External non-tax revenues	1,357,516	8,704,448	5,726,274	519,787	322,158	23,058	13,740,453	30,393,693
Net income OPUC	23,653,110	27,337,538	41,857,484	3,990,675	4,572,158	1,547,658	25,888,329	128,826,951
Net surplus (deficit) before transfers	413,382	265,157	(294,426)	(4,529,068)	594,776	(16,592)	3,018,534	(548,238)

Auditors' Report

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

We have audited the statement of financial position of the trust funds of the Corporation of the City of Oshawa as at December 31, 2008 and the statement of financial activities and fund balance for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 funds of the Corporation of the City of Oshawa as at December 31, 2008 and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
April 9, 2009

THE CORPORATION OF THE CITY OF OSHAWA

TRUST FUNDS

STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCE

year ended December 31, 2008

	2008					2007
	Sub-Dividers' Deposits \$	Builders' Damage Deposits \$	Union Cemetery \$	Candidate Surplus Funds \$	Total \$	Total \$
REVENUES						
Deposits	45,172	44,558	13,177	-	102,907	85,581
Interest	10,407	-	-	147	10,554	14,895
Perpetual care	-	-	2,450	-	2,450	-
	<u>55,579</u>	<u>44,558</u>	<u>15,627</u>	<u>147</u>	<u>115,911</u>	<u>100,476</u>
EXPENDITURES						
Builders Damage Deposits Used	-	-	-	-	-	220
Refunds	32,446	21,851	-	-	54,297	78,546
Net (Expenditures)/ Revenues	<u>23,133</u>	<u>22,707</u>	<u>15,627</u>	<u>147</u>	<u>61,614</u>	<u>21,710</u>
FINANCING AND TRANSFERS						
Transfers to/(from) Revenue Fund	-	14,741	(10,700)	-	4,041	(10,700)
Transfers to Capital Fund	-	-	-	-	-	346,915
	<u>-</u>	<u>14,741</u>	<u>(10,700)</u>	<u>-</u>	<u>4,041</u>	<u>336,215</u>
CHANGE IN FUND BALANCE	<u>23,133</u>	<u>7,966</u>	<u>26,327</u>	<u>147</u>	<u>57,573</u>	<u>(314,505)</u>
FUND BALANCE,						
Beginning of Year	252,072	202,133	382,071	3,730	840,006	1,154,511
FUND BALANCE,						
End of Year	<u>275,205</u>	<u>210,099</u>	<u>408,398</u>	<u>3,877</u>	<u>897,579</u>	<u>840,006</u>

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE TRUST FUNDS
FINANCIAL STATEMENTS
year ended December 31, 2008

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 year in which the transactions or events occurred that gave rise to the revenue.

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

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 year. 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.