

Financial Statements

City of Ottawa Sinking Fund
December 31, 2007

AUDITORS' REPORT

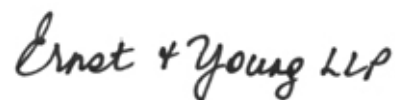
To the Mayor and Members of
The Council of the City of Ottawa

We have audited the statement of financial position of **The City of Ottawa Sinking Fund** as at December 31, 2007 and the fund balance statement of continuity and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Sinking Fund'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 City of Ottawa Sinking Fund** as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ottawa, Canada,
April 4, 2008.



Chartered Accountants
Licensed Public Accountants

City of Ottawa Sinking Fund
 Incorporated under the laws of Ontario

STATEMENT OF FINANCIAL POSITION

As at December 31

(in thousands)	2007	2006
	\$	\$
FINANCIAL ASSETS		
Cash	1,563	5,390
Investments <i>[note 2]</i>	173,760	151,050
Accrued interest	1,822	1,734
Total financial assets	177,145	158,174
FINANCIAL LIABILITIES AND FUND BALANCE		
Financial liabilities		
Accounts payable - contributors <i>[note 4]</i>	—	339
Actuarial requirements <i>[note 3]</i>	157,608	137,780
Fund balance	19,537	20,055
Total financial liabilities and fund balance	177,145	158,174

See accompanying notes

City of Ottawa Sinking Fund

FUND BALANCE STATEMENT OF CONTINUITY

Year ended December 31

(in thousands)	2007	2006
	\$	\$
Fund balance at the beginning of the year	<u>20,055</u>	<u>21,104</u>
Revenue		
Levies	10,472	10,472
Interest	8,838	8,480
	<u>19,310</u>	<u>18,952</u>
Expenditures		
Provision for actuarial requirements	19,828	19,662
Refund to contributors	—	339
	<u>19,828</u>	<u>20,001</u>
Net change in fund balance	<u>(518)</u>	<u>(1,049)</u>
Fund balance at the end of the year	<u>19,537</u>	<u>20,055</u>

See accompanying notes

City of Ottawa Sinking Fund

STATEMENT OF CASH FLOWS

Year ended December 31

(in thousands)	2007	2006
	\$	\$
OPERATING ACTIVITIES		
Net change in fund balance	(518)	(1,049)
Deduct non-cash item		
Amortized discount on investments	(836)	(707)
	(1,354)	(1,756)
Changes in non-cash working capital balances related to operations		
Accrued interest	(88)	120
Accounts payable - contributors	(339)	(623)
Net actuarial requirements	19,828	4,662
Cash provided by operating activities	18,047	2,403
INVESTING ACTIVITIES		
Purchase of investments	(37,315)	(19,419)
Proceeds from maturities of investments	15,441	22,311
Cash provided by investing activities	(21,874)	2,892
Net increase (decrease) in cash during the year	(3,827)	5,295
Cash, beginning of year	5,390	95
Cash, end of year	1,563	5,390

See accompanying notes

City of Ottawa Sinking Fund**NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Ottawa Sinking Fund [the “Sinking Fund”] have been prepared by management in accordance with accounting principles prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations which have been made using careful judgment. The following is a summary of the significant accounting policies:

Revenue recognition

Contributions are recognized as revenue in the year receivable. Interest revenue is recorded when earned.

Investments

Investments are purchased with the intention of being held to maturity. Gains and losses are recognized when investments are sold. If there has been a decline in value of investments, other than temporary, the investments are written down to market value. Under certain circumstances, investments may be sold prior to maturity in accordance with the approved Sinking Fund Investment Policy. All investments are initially recorded at cost and are adjusted annually for amortization of discount or premium on the basis of the effective yield as determined at the date of purchase with the amount of such amortization included in interest revenue in the fund balance statement of continuity.

Provision for actuarial requirements

The provision for actuarial requirements of the Sinking Fund for the year represents the amounts levied during the year as set out in the Sinking Fund debenture by-laws plus interest accrued thereon capitalized at specific rates compounded annually in accordance with Paragraph 1 of Section 409(2) of the Ontario Municipal Act, 2001. The actuarial requirement is to accumulate to an amount sufficient to pay the related debentures upon maturity. The excess of revenue over these requirements for the year is included in the fund balance.

City of Ottawa Sinking Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

Accounts payable - contributors

When certain Sinking Fund balances are more than sufficient to meet the principal amount of the debentures represented by the Sinking Fund accounts at maturity date, City Council may distribute such excess in accordance with Section 409(12) of the Ontario Municipal Act, 2001.

2. INVESTMENTS AT AMORTIZED COST

Investments consist of securities issued or guaranteed by the following:

[in thousands]	2007 \$	2006 \$
Government of Canada	40,454	35,981
Provincial governments and agencies	48,455	44,338
Municipal governments		
City	38,480	35,393
Other municipalities	19,592	19,404
Other	26,779	15,934
Amortized cost	<u>173,760</u>	<u>151,050</u>
Par value	<u>187,382</u>	<u>162,622</u>
Market value	<u>179,124</u>	<u>158,394</u>

3. ACTUARIAL REQUIREMENTS AND INVESTMENTS FOR DEBENTURE RETIREMENT

[a] The following indicates the continuity of the actuarial requirements for the year:

[in thousands]	2007 \$	2006 \$
Balance at the beginning of the year	137,780	133,118
Provision for actuarial requirements	19,828	19,662
Transfer of funds to meet debenture requirements	—	(15,000)
Balance at the end of the year	<u>157,608</u>	<u>137,780</u>

City of Ottawa Sinking Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

[b] Investments held by the Sinking Fund comply with Ontario Regulation 438 of 1997 as amended by Regulation 655 of 2005 which prescribe the types of investments eligible for investment. Investments and Sinking Fund debenture commitments mature as follows:

[in thousands]	Par value investments	Commitments at maturity	Actuarial requirements
	\$	\$	\$
2008	21,579	—	—
2009	17,128	50,000	43,781
2010	14,571	—	—
2011	36,883	100,000	74,545
2012	25,240	50,000	—
2013-2017	45,611	—	22,748
2018-2022	26,370	85,000	16,534
	<u>187,382</u>	<u>285,000</u>	<u>157,608</u>

The weighted average yield to maturity on par value of investments held by the Sinking Fund as at December 31, 2007 is 5.22%.

4. ACCOUNTS PAYABLE - CONTRIBUTORS

As approved by City Council on June 27, 2007, the accounts payable at December 31, 2006 of \$339,297.80 was distributed on July 7, 2007. As of December 31, 2007, there are no sinking fund accounts which exceed the amount required to meet the commitments when the various by-laws mature.

5. ADMINISTRATION COSTS

All administrative costs for the Sinking Fund have been borne by the City.