



CITY OF SARNIA

**THE CORPORATION OF
THE CITY OF SARNIA
FINANCIAL STATEMENTS
2008**

CORPORATION OF THE CITY OF SARNIA

2008

CITY COUNCIL

Mayor	M. Bradley
Councilors	D. Boushy
	A. Bruziewicz
	T. Burrell
	J. Foubister
	A.M. Gillis
	M. Kelch
	B. MacDougall
	J. McEachran

CITY ADMINISTRATION

City Manager	B. Peever
City Solicitor/Clerk	B. Knott
Director of Finance	B. McKay
City Engineer	D. Fielding
Director of Corporate Services	L. Fennell
Director of Planning & Building	K. Bresee
Director of Community Services	T. McCallum
Director of Transit	J. Stevens
Fire Chief	P. Cayen
Chief of Police	P. Nelson

CORPORATION OF THE CITY OF SARNIA

2008

POLICE SERVICES BOARD

Chairperson - Mayor M. Bradley
Councillor D. Boushy
S. McKay

S. Keane
D. Cook
Secretary - S. McEachran

SARNIA POWER CORPORATION

Chairperson - F. Bentley
Vice Chairperson - R. Grogan
G. Jones

AUDITORS

BDO Dunwoody LLP

CORPORATION OF THE CITY OF SARNIA

Financial Statements year ended December 31, 2008

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Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Sarnia

We have audited the consolidated statement of financial position of the Corporation of the City of Sarnia as at December 31, 2008 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Municipality'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 Sarnia as at December 31, 2008 and the results of its financial activities and changes in its financial position for the year then ended in accordance with the Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Sarnia, Ontario
April 20, 2009

CORPORATION OF THE CITY OF SARNIA

Consolidated Statement of Financial Position as at December 31, 2008

	2008	2007
FINANCIAL ASSETS		
Cash and investments (note 4)	\$ 25,648,096	\$ 19,743,179
Taxes receivable	6,301,442	6,074,682
Accounts receivable	14,803,459	10,629,624
Long-term receivables (note 5)	1,075,873	1,200,729
Investment in Sarnia Power Corporation (note 6)	<u>42,256,309</u>	<u>41,161,782</u>
Total financial assets	<u>90,085,179</u>	<u>78,809,996</u>
LIABILITIES		
Bank indebtedness (note 7)	-	1,967,480
Accounts payable and accrued liabilities	11,789,634	11,584,392
Other current liabilities	4,257,003	3,314,491
Deferred revenue-obligatory reserve funds (note 8)	10,059,907	7,783,900
Net long-term liabilities (note 9)	60,851,828	66,174,353
Interest on net long-term liabilities (note 10)	573,781	635,828
Landfill closure and post closure costs (note 11)	313,428	323,406
Employee future benefits (note 12)	<u>21,708,369</u>	<u>19,845,897</u>
Total liabilities	<u>109,553,950</u>	<u>111,629,747</u>
NON-FINANCIAL ASSETS		
Other current assets	<u>935,543</u>	<u>1,243,531</u>
Net assets	<u>\$ (18,533,228)</u>	<u>\$ (31,576,220)</u>
MUNICIPAL POSITION (note 14)		
Current Fund	\$ (400,000)	\$ -
Capital Fund	344,867	(3,113,154)
Reserves and Reserve Funds (note 15)	22,713,002	17,354,636
Equity in Sarnia Power Corporation (note 6)	<u>42,256,309</u>	<u>41,161,782</u>
Total fund balances	64,914,178	55,403,264
Amounts to be recovered (note 16)	<u>(83,447,406)</u>	<u>(86,979,484)</u>
Total municipal position	<u>\$ (18,533,228)</u>	<u>\$ (31,576,220)</u>

Approved on behalf of City Council

The accompanying notes are an integral part of this financial statement

CORPORATION OF THE CITY OF SARNIA

Consolidated Statement of Financial Activities year ended December 31, 2008

	2008	2007
REVENUES		
Property taxation	\$ 55,178,296	\$ 51,700,083
User fees and service charges	32,200,633	32,195,957
User fees and service charges - other municipalities	3,081,156	3,192,958
Grants	19,580,818	7,291,748
Investment income	2,768,732	2,840,145
Penalty and interest on taxes	888,059	865,621
Gaming and casino revenues	1,574,971	1,685,567
Obligatory reserve revenue earned	436,665	858,906
Sarnia Power Corporation, net increase in equity	1,094,527	900,068
Other	<u>1,887,170</u>	<u>2,754,403</u>
Total revenues	<u>118,691,027</u>	<u>104,285,456</u>
EXPENDITURES		
General government	7,978,348	8,128,099
Protection services	35,049,666	32,160,673
Transportation services	20,548,497	19,899,645
Environmental services	31,262,576	24,443,214
Health services	76,825	76,825
Social and family services	357,640	312,917
Recreation and cultural services	8,029,663	7,884,366
Planning and development	1,672,434	1,764,136
Non-functionalized unfunded liability	<u>893,100</u>	<u>1,943,568</u>
Total expenditures	<u>105,868,749</u>	<u>96,613,443</u>
Share of LAWSS consolidation adjustment	321,676	91,239
Contribution to obligatory reserve funds	<u>(100,962)</u>	<u>(1,307,302)</u>
Net revenue	<u>13,042,992</u>	<u>6,455,950</u>
AMOUNTS TO BE RECOVERED		
Long-term liabilities	(5,322,525)	(6,146,506)
Interest on long-term liabilities	(62,047)	(62,076)
Landfill post-closure liabilities	(9,978)	(9,370)
Employee future benefits	<u>1,862,472</u>	<u>2,242,735</u>
Increase (decrease) in amounts to be recovered	<u>(3,532,078)</u>	<u>(3,975,217)</u>
Change in fund balances	<u>\$ 9,510,914</u>	<u>\$ 2,480,733</u>

The accompanying notes are an integral part of this financial statement

CORPORATION OF THE CITY OF SARNIA

Consolidated Statement of Changes in Financial Position year ended December 31, 2008

	2008	2007
OPERATIONS		
Net revenues	\$ <u>13,042,992</u>	\$ <u>6,455,950</u>
Uses:		
Increase in taxes receivable	(226,760)	-
Increase in accounts receivable	(4,173,835)	-
Increase in other current assets	-	(693,811)
Decrease in interest on long-term liabilities	(62,047)	(62,076)
Decrease in landfill post-closure liability	(9,978)	(9,370)
Decrease in other current liabilities	<u>-</u>	<u>(347,021)</u>
	<u>(4,472,620)</u>	<u>(1,112,278)</u>
Sources:		
Decrease in taxes receivable	-	283,333
Decrease in accounts receivable	-	273,028
Decrease in long-term receivables	124,856	11,514
Increase in accounts payable and accrued liabilities	205,242	339,137
Increase in other current liabilities	942,512	-
Increase in deferred revenue - obligatory reserve funds	2,276,007	2,344,395
Increase in employee future benefits	1,862,472	2,242,735
Decrease in other current assets	<u>307,988</u>	<u>-</u>
	<u>5,719,077</u>	<u>5,494,142</u>
Net increase in cash from operations	<u>14,289,449</u>	<u>10,837,814</u>
INVESTING		
Equity in Sarnia Power Corporation	<u>(1,094,527)</u>	<u>(900,068)</u>
FINANCING		
Long-term debt issued	1,500,000	-
Long-term debt repaid	(6,419,640)	(6,037,467)
Share of LAWSS debt adjustment	<u>(402,885)</u>	<u>(109,039)</u>
Net decrease in cash from financing	<u>(5,322,525)</u>	<u>(6,146,506)</u>
Net change in cash and equivalents	7,872,397	3,791,240
Cash and equivalents, beginning of year	<u>17,775,699</u>	<u>13,984,459</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 25,648,096</u>	<u>\$ 17,775,699</u>
Analysis of cash and equivalents		
Cash and investments	\$ 25,648,096	\$ 19,743,179
Bank overdraft	<u>-</u>	<u>(1,967,480)</u>
	<u>\$ 25,648,096</u>	<u>\$ 17,775,699</u>

The accompanying notes are an integral part of this financial statement

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the municipality are the representation of management and have been prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Since 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. These have been made using careful judgments. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

(a) Basis of Consolidation

- (i) These consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserves and reserve funds, and includes the activities of all organizations, committees, local boards and entities accountable to the City for the administration of their financial affairs and resources, and which are owned or controlled by the City. These financial statements include:

- Transit Special Area
- Sewer Special Area
- Sarnia Waterworks
- Sarnia Police Services Board

(ii) Government Business Enterprises

Sarnia Power Corporation and its affiliates are not consolidated but are accounted for on the modified equity basis which reflects the City of Sarnia's investment in the enterprises and its share of net income since acquisition. Under the modified equity basis, the enterprises' accounting principles are not adjusted to conform to those of the municipality, and inter-organizational transactions and balances are not eliminated.

(iii) Joint Local Board

The Lambton Area Water Supply System (LAWSS) has been consolidated on a proportionate basis based upon the water flow of the municipality in proportion to the entire flows provided by the joint board for the previous year. Under the proportionate basis, the municipality's pro rata share of each of the assets, liabilities, revenues and expenditures of the board are consolidated with similar items in the municipality's financial statements. For 2008, the municipality's share of the System was 66.466% (2007 – 68.156%). Material inter-organizational transaction and balances have been eliminated.

(iv) Accounting for School Boards and the County of Lambton

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Lambton are not reflected in the municipal fund balances of these financial statements.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

(v) Trust Funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Financial Statements.

(b) Basis of Accounting

(i) Fund Accounting

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

(ii) Accrual Accounting

Revenue and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and 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.

(iii) Tangible Capital Assets

The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Expenditures made on capital assets are reported as capital expenditures on the Consolidated Statement of Financial Activities in the year of acquisition.

For the year ending December 31, 2009, the municipality will be required to comply with Section 3150, Tangible Capital Assets of the Public Sector Accounting Board Handbook. Section 3150 requires the capitalization and amortization of tangible capital assets in their financial statements. As a transitional provision, Public Sector Guideline-7, Tangible Capital Assets of Local Governments, requires disclosure of information for each major class of tangible capital asset for which all the relevant information can be provided for the complete stock of tangible capital assets of that category.

As of December 31, 2008, the municipality has completed its study and identification of tangible capital assets but has no final information to present.

(iv) 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 reserves and reserve funds are an adjustment to the respective funds when approved.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

(v) **Deferred Revenue – Obligatory Reserve Funds**

The municipality receives development charges and sub-divider contributions under the authority of provincial legislation and municipal by-laws. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue. These amounts will be recognized as revenue in the fiscal year they are expended.

(vi) **Amounts to be Recovered**

Amounts to be recovered are reported in the municipal position on the Consolidated Statement of Financial Position. The balance represents the outstanding principal portion of unmatured long-term liabilities, liabilities not yet due, and other future expenditures not yet levied on the ratepayers.

(vii) **Revenue Recognition**

Taxation revenue is recognized in the year that the taxes are levied.

Grant revenue is recognized when the amount has been determined and approval has been obtained. If the grants relate to specific expenditures, the revenue is recognized when the resources have been used for the specific purpose.

User charges are recorded when the amount is determinable, collectibility is assured and the services provided.

Rents, concessions and franchise revenue are recorded when the amount is determinable, collectibility is assured and the services or goods provided.

Donations are recorded as revenue when the amount to be received can be reasonably estimated and the ultimate collection is reasonably assured.

(viii) **Taxation and Related Revenue**

Property tax billings are prepared by the municipality based on assessment rolls issued by the Municipal Property Assessment Corporation (“MPAC”). Tax rates are established annually by City Council, incorporating amounts to be raised for local services, the requisition made by the County of Lambton in respect of County services and amounts the City is required to collect on behalf of the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment rolls provided by MPAC. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenue is recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known.

The municipality is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

(ix) Government Transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made.

(x) Investment Income

Investment income earned on available current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue – obligatory reserve funds balances.

(xi) Budget Figures

City Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2008 is reflected on the unconsolidated Schedule of Current Fund Operations.

Budgets established for the capital fund are set on a project-oriented basis, the costs of which may be carried out over one or more fiscal years. As such, they are not directly comparable with current year actual amounts and budgets have therefore not been reflected on the Schedule of Capital Fund Operations.

The municipality does not have a budget for activity within reserves and reserve funds, with the exception being those transactions that flow through either the operating or capital budgets.

(xii) 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 amounts of revenues and expenditures during the reporting periods. Actual results could differ from these estimates.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF LAMBTON

Further to note 1(a)(iv), the taxation, other revenues and requisitions for the school boards and the County of Lambton are comprised of:

	School Boards	County	Total
Taxation and user charges	\$ 29,119,926	\$ 30,726,426	\$ 59,846,352
Share of payments in lieu of taxes	<u>42,690</u>	<u>390,347</u>	<u>433,037</u>
	<u>29,162,616</u>	<u>31,116,773</u>	<u>60,279,389</u>
Share of taxes written off	450,195	192,632	642,827
Share of tax rebates	<u>176,165</u>	<u>79,612</u>	<u>255,777</u>
	<u>626,360</u>	<u>272,244</u>	<u>898,604</u>
Amounts transferred	\$ <u>28,536,256</u>	\$ <u>30,844,529</u>	\$ <u>59,380,785</u>

3. TRUST FUNDS

Trust funds administered by the municipality amounting to \$85,665 (2007 - \$82,881) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities. The Trust Funds under administration include the following:

	2008	2007
Cemetery Care and Maintenance	\$ 10,700	\$ 10,035
Boarding Home Program	72,187	70,147
Election Candidate Surplus	<u>2,778</u>	<u>2,699</u>
	\$ <u>85,665</u>	\$ <u>82,881</u>

4. CASH AND INVESTMENTS

The balance of cash and investments consists of the following:

	2008	2007
Cash on hand	\$ 91,237	\$ 83,596
Cash in bank	24,016,696	18,166,456
Investments	<u>1,540,163</u>	<u>1,493,127</u>
	\$ <u>25,648,096</u>	\$ <u>19,743,179</u>

The cash in bank is held at a Canadian chartered bank and earns interest at the 30 Day Average Bankers' Acceptance rate less 30 basis points.

The investments are comprised of a GIC and a bank note with effective interest rates of 3.90% and 1.765% maturing in 2009. The market value of these investments amounted to \$1,540,163 (2007 - \$1,517,214). Interest is receivable on an annual basis.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

5. LONG-TERM RECEIVABLES

	2008	2007
Mortgage receivable, due in annual installments increasing 4.5% each successive installment with a final installment due July 15, 2018. Provided installments are made when due, no interest is payable thereon. The mortgage may be discharged in whole or in part, at the option of the mortgagor at any time in the amount of the present value of the future installment payments calculated at the lowest rate of interest charged by the municipality's bankers to the municipality on the date of such payment. This mortgage is shown in the accompanying Consolidated Statement of Financial Position at actual amount of future installments.	\$ 230,115	\$ 248,035
Loans receivable – employees re Ontario Police College, repayable over 2 years with no interest	12,404	1,298
Loan receivable, at 4.50%, repayable in monthly installments of \$1,898 with final payment due July 2023	243,252	254,795
Loans receivable - employee purchase plan, repayable over one or two years with no interest	97,216	104,787
Long-term mortgage receivable, at 0% interest, repayable over 20 years at \$30,000 per year	220,000	250,000
Loan receivable, at 0% interest, repayable over 10 years at \$15,000 per year, forgivable based on continuation of annual Celebration of Lights display	105,000	120,000
Final lease payment, due December 31, 2030	51,286	51,286
Loans receivable, 1.875% to 3.75%, issued under Municipal Facade Improvement Program, due in quarterly installments including principal and interest of \$13,705 with a final installment due December 1, 2017	<u>324,222</u>	<u>385,106</u>
	1,283,495	1,415,307
Current portion included in accounts receivable	<u>207,622</u>	<u>214,578</u>
Total long-term receivables	<u>\$ 1,075,873</u>	<u>\$ 1,200,729</u>

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

6. INVESTMENT IN SARNIA POWER CORPORATION

Under the provincial government's Electricity Competition Act (Bill 35), Sarnia Power Corporation, a holding company, along with its affiliates Bluewater Power Corporation and Sarnia Hydro Energy Services were incorporated October 20, 2000 under the Ontario Business Corporations Act.

On November 1, 2000 the Hydro-Electric Commission of the City of Sarnia merged its operations with the Petrolia Public Utilities Commission, Point Edward Public Utilities Commission, Alvinston Public Utilities Commission, Warwick Hydro Electric Commission and Oil Springs Hydro Electric Commission as Bluewater Power Corporation.

As part of this electricity restructuring, the municipality transferred the net assets of the former Hydro-Electric Commission of the City of Sarnia to Bluewater Power Corporation. Sarnia Power Corporation, wholly owned by the municipality, was incorporated to hold the City of Sarnia's investment in this new entity. As consideration for the transfers, the municipality took back 86.05% share in the common shares of Bluewater Power Corporation and promissory notes.

The investment is composed of the following:

	2008	2007
Sarnia Power Corporation common shares	\$ 15,566,626	\$ 15,566,626
Bluewater Power Distribution Corporation, long-term notes receivable	16,729,636	16,729,636
Share of net income since acquisition, net of dividends received	<u>9,960,047</u>	<u>8,865,520</u>
	<u>\$ 42,256,309</u>	<u>\$ 41,161,782</u>

The notes receivable are unsecured and bear interest at the rate of 7.25%. Interest received from these notes receivable amounted to \$1,212,899 (2007 - \$1,212,899) and is reported in the Consolidated Statement of Financial Activities.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

6. INVESTMENT IN SARNIA POWER CORPORATION - continued

The following table provides condensed financial information from the consolidated financial statements of Sarnia Power Corporation for the year ended December 31:

	2008	2007
Financial Position		
Assets		
Current assets	\$ 28,685,969	\$ 26,422,208
Long-term assets	<u>47,884,214</u>	<u>45,751,693</u>
Total assets	<u>\$ 76,570,183</u>	<u>\$ 72,173,901</u>
Liabilities		
Current liabilities	\$ 14,386,477	\$ 13,133,724
Long-term liabilities	32,518,776	30,647,213
Non-controlling interest	<u>4,138,257</u>	<u>3,960,818</u>
Total liabilities	<u>51,043,510</u>	<u>47,741,755</u>
Equity		
Share capital	15,566,626	15,566,626
Retained earnings	<u>9,960,047</u>	<u>8,865,520</u>
Total equity	<u>25,526,673</u>	<u>24,432,146</u>
Total liabilities and equity	<u>\$ 76,570,183</u>	<u>\$ 72,173,901</u>
Results of Operations		
Revenues	92,298,125	94,252,579
Operating expenses	<u>90,248,430</u>	<u>92,566,597</u>
Net income before non-controlling interest	2,049,695	1,685,982
Non-controlling interest	<u>285,932</u>	<u>235,194</u>
Net income	<u>\$ 1,763,763</u>	<u>\$ 1,450,788</u>

(a) Continuity of Investment

	2008	2007
Balance, beginning of year	<u>\$ 41,161,782</u>	<u>\$ 40,261,714</u>
Net income for the year	1,763,763	1,450,788
Dividends received during the year	<u>(669,236)</u>	<u>(550,720)</u>
Net increase in equity during the year	<u>1,094,527</u>	<u>900,068</u>
Balance, end of year	<u>\$ 42,256,309</u>	<u>\$ 41,161,782</u>

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

7. BANK INDEBTEDNESS

An operating line of credit was available by way of bank overdraft in the amount of \$8,000,000 as at December 31, 2008. Amounts obtained under this credit are due on demand and bear interest at the bank's prime rate less .65%, calculated and payable monthly.

8. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting principles of The Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the municipality are summarized as follows:

	2008	2007
Development Charges Act	\$ 6,545,339	\$ 5,346,904
Recreational land (The Planning Act)	216,679	162,366
Gasoline Tax - Canada	1,274,567	141,936
Gasoline Tax - Ontario	571,708	792,922
Canada Transit Funding	-	27,684
Building Permit (Building Code Act)	<u>1,451,614</u>	<u>1,312,088</u>
Total	<u>\$ 10,059,907</u>	<u>\$ 7,783,900</u>

Total activities for the obligatory reserve funds for the year are as follows:

	2008	2007
Balance, beginning of the year	\$ <u>7,783,900</u>	\$ <u>5,439,505</u>
Developer contributions received	1,447,077	1,514,801
Canada grants	1,151,492	922,607
Ontario grants	915,438	927,307
Interest earned	258,074	286,132
Gasoline Tax funding utilized	(1,160,371)	(1,754,848)
Funds earned by municipality	(436,665)	(858,906)
Contribution from revenue fund	<u>100,962</u>	<u>1,307,302</u>
Net increase	<u>2,276,007</u>	<u>2,344,395</u>
Balance, end of year	<u>\$ 10,059,907</u>	<u>\$ 7,783,900</u>

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

9. NET LONG-TERM LIABILITIES

- (a) The balance of net long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

	2008	2007
Total long-term liabilities incurred by the municipality including those incurred on behalf of municipal enterprises issued at various interest rates ranging from 4.50% to 10.52% and outstanding at the end of the year amount to	\$ 60,903,845	\$ 66,233,593
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is	<u>(52,017)</u>	<u>(59,240)</u>
Net long-term liabilities, end of year	\$ <u>60,851,828</u>	\$ <u>66,174,353</u>

- (b) Of the net long-term liabilities reported in (a) of this note, the annual principal payments are:

2009	\$ 6,427,297
2010	13,359,246
2011	6,035,710
2012	5,816,706
2013	5,679,255
2014 to 2018	16,983,649
2019 onwards	<u>6,549,965</u>
	\$ <u>60,851,828</u>

- (c) All net long-term liabilities on the Consolidated Statement of Financial Position are payable in Canadian dollars.
- (d) The following is an analysis of the net-long term liabilities by debt instrument:

	2008	2007
Installment (serial) debentures	\$ 25,743,871	\$ 28,800,660
Long term bank loans	34,897,294	37,144,408
Ontario Clean Water Agency (OCWA)	<u>210,663</u>	<u>229,285</u>
Net long-term liabilities end of year	\$ <u>60,851,828</u>	\$ <u>66,174,353</u>

The long term bank loans are issued on a demand basis.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

9. NET LONG-TERM LIABILITIES - continued

- (e) The annual principal and interest payments required to service the long-term liabilities in (a) are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (f) The municipality is contingently liable for long-term liabilities with respect to tile drainage loans. The total amount outstanding as at December 31, 2008 is \$52,017 (2007 - \$59,240) and is not recorded on the Consolidated Statement of Financial Position.
- (g) Total activity for the year for net long-term liabilities which are reported on the Consolidated Statement of Financial Activities are as follows:

	2008	2007
Balance, beginning of year	66,174,353	72,320,859
Debt issued	1,500,000	-
Principal payments	(6,419,631)	(6,037,467)
Adjustment to City share of LAWSS debt	(402,885)	(109,039)
Adjustment to final payout of expiring debt	<u>(9)</u>	<u>-</u>
Balance end of year	<u>\$ 60,851,828</u>	<u>\$ 66,174,353</u>

Interest payments related to net long-term liabilities in the current year were \$3,891,049 (2007 - \$4,243,140).

- (h) Interest charges are reflected in the Consolidated Statement of Financial Activities. Charges for long-term liabilities assumed by non-consolidated entities and individual ratepayers, in the case of tile drainage and shoreline property assistance loans, are not reflected in these financial statements.
- (i) The municipality has entered into an agreement with a private company to co-covenant a bank loan with respect to the construction and operation of the multi-use sports and entertainment complex. The demand loan has a balance outstanding in the amount of \$6,099,547 (2007 - \$6,258,408) bearing interest at a rate of 4.50%, with blended monthly payments of principal and interest of \$36,440 and due in 2030. The demand loan is to be repaid from the complex's operations.

10. INTEREST ON NET LONG-TERM LIABILITIES

A provision for the interest on long-term liabilities that has been accrued but not yet paid in the current year is estimated at \$573,781 (2007 - \$635,828) and is reported as an accrued liability on the Consolidated Statement of Financial Position.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

11. LANDFILL CLOSURE AND POST CLOSURE COSTS

The Ontario Environmental and Protection Act sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post closure care of solid waste landfill sites.

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include covering and landscaping of the landfill, pumping of ground water and leachate from the site, and ongoing environmental monitoring, site inspection and maintenance.

The estimated liability of \$313,428 (2007 - \$323,406) represents the sum of the discounted future cash flows for post closure care activities discounted at the municipality's current long term borrowing rate of 6.5%.

12. EMPLOYEE FUTURE BENEFITS

The municipality provides certain employee benefits, which will require funding in future periods. An estimate of the future liabilities for these benefits has been completed and forms the basis for the estimated liability reported in these financial statements.

	2008	2007
Sick leave benefit plan	\$ 2,888,721	\$ 2,162,378
Future payments required to WSIB	6,498,593	6,498,593
Post retirement benefits	11,211,500	10,318,400
Accrued vacation pay	882,637	660,684
Accrued overtime pay	<u>226,918</u>	<u>205,842</u>
Total	<u>\$ 21,708,369</u>	<u>\$ 19,845,897</u>

(a) Sick Leave Benefit Plan

Under the sick leave benefit plan for members of the Firefighters' Association, unused sick leave can be accumulated and employees may become entitled to a cash payment when they leave the municipality's employment. For members of the Police Association, the sick leave benefit plan was terminated in 1991 at which time the unused sick leave was frozen with payout upon employee request or termination. For all other staff, the sick leave benefit plan was terminated prior to 1980, at which time the unused sick leave was frozen with payout due when the employee leaves the municipality's employment.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to \$2,888,721 (2007 - \$2,162,378) at the end of the year, and is reported on the Consolidated Statement of Financial Position. An amount of \$243,806 (2007 - \$159,721) was paid to employees during the current year.

Reserve funds amounting to \$29,725 (2007 - \$28,877) at year-end have been established to provide for a portion of this past service liability and are reported on the Consolidated Statement of Financial Position.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

12. EMPLOYEE FUTURE BENEFITS - continued

Possible payments over the next five years to employees who are eligible to retire are:

2009	\$ 565,023
2010	164,287
2011	102,351
2012	49,319
2013	<u>160,435</u>
Total	\$ <u>1,041,415</u>

(b) Workplace Safety and Insurance Board

The Workplace Safety and Insurance Board (WSIB) administers injured worker benefits on behalf of the municipality as a Schedule II employer. The expense for the year was \$1,007,606 (2007 - \$1,486,693). The estimate of the future benefit costs for WSIB claims was provided by WSIB and was determined based on benefits currently in force with provision for benefits not yet awarded as follows:

Accidents prior to 1990 and survivor pensions	9.85%
Accidents from 1990 to 1997	15.60%
Accidents after 1997	0.17%
Health care and non-income benefits	20.88%
Administrative loading	23.16%

Reserve funds have been established to provide for a portion of this liability and are included in the reserves and reserve funds in the Consolidated Statement of Financial Position. The balance at the end of the year is a deficit of \$1,274,728 (2007 - \$(901,672)).

(c) Post-Retirement Benefits

The municipality provides certain health and dental benefits on behalf of retired employees up to the age of 65 if they have at least 25 years service with the municipality.

Information about the municipality's health and dental plan is as follows:

Accrued benefit liability as at January 1, 2008	\$ 10,318,400
Current service cost	625,200
Interest cost	735,100
Amortization of actuarial experience loss	242,500
Estimated benefits paid	<u>(709,700)</u>
Estimated benefit liability as at December 31, 2008	\$ <u>11,211,500</u>

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

12. EMPLOYEE FUTURE BENEFITS - continued

The following shows the reconciliation between the accrued benefit obligation and the post-retirement benefit liability:

Accrued benefit obligation as at December 31, 2008	\$ <u>13,165,000</u>
Less unamortized amounts:	
Experience losses	<u>1,953,500</u>
Total	<u>1,953,500</u>
Post-retirement benefit liability as at December 31, 2008	\$ <u>11,211,500</u>

The actuarial estimate of the future liability for post-retirement benefits assumes a discount rate of 5.75% and inflation rates for benefit premiums of 4.0% to 9.0%. No reserve fund has been established to provide for this liability. The date of the most recent actuarial valuation was January 1, 2007.

(d) Accrued Vacation Pay

Under the provision of certain employee vacation plans, some vacation credits are earned as at December 31 but are generally unavailable for use until a later date. In addition, the provisions of certain plans allow the accumulation of vacation credits for use in future periods. The approximate value of these credits as of December 31, 2008 is \$882,637 (2007 - \$660,684).

(e) Accrued Overtime Pay

Overtime credits are earned as at December 31 but are generally unavailable for use until a later date. The approximate value of these credits as of December 31, 2008 is \$226,918 (2007 - \$205,842).

13. PENSION AGREEMENTS

The municipality makes contributions to the Ontario Municipal Employees' Retirement System (OMERS), which is a multi-employer plan, on behalf 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. The OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 380,000 active and retired members and approximately 910 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2008. The results of this valuation disclosed total actuarial liabilities of \$50,080 million in respect of benefits accrued for service with actuarial assets at that date of \$49,801 million indicating an actuarial deficit of \$279 million.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2008 was \$3,087,521 (2007 - \$2,940,343) for current service. The OMERS Board rate was 6.5% to 10.7% depending on income level for 2008 (2007 - 6.5% to 10.7% depending on income level).

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

14. MUNICIPAL POSITION AT THE END OF YEAR

The balances on the Consolidated Statement of Financial Position of \$64,914,178 (2007 - \$55,403,264) at the end of the year are comprised of:

	2008	2007
Current Fund		
to be recovered from landowners relating to special charges and special areas	\$ <u>(400,000)</u>	\$ <u>-</u>
Capital Fund		
acquisition of capital assets to be recovered through taxation or user charges and donations	(2,550,426)	(3,499,891)
acquisition of capital assets to be financed from proceeds of long-term liabilities	(3,492,139)	(3,662,733)
acquisition of capital assets to be recovered through reserves and reserve funds	(241,597)	(611,777)
funds available for the acquisition of capital assets	<u>6,629,029</u>	<u>4,661,247</u>
	<u>344,867</u>	<u>(3,113,154)</u>
Reserves and reserve funds balance	22,713,002	17,354,636
Equity in Sarnia Power Corporation	<u>42,256,309</u>	<u>41,161,782</u>
Total municipal position, end of year	\$ <u>64,914,178</u>	\$ <u>55,403,264</u>

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

15. RESERVES AND RESERVE FUNDS

The total balances of reserves and reserve funds are made up of:

	2008	2007
Reserves		
Set aside for specific purpose by Council for		
working funds	\$ 1,183,552	\$ 1,686,052
replacement of equipment	3,020,685	3,182,291
capital projects	3,925,767	3,298,572
other	<u>323,404</u>	<u>294,674</u>
Total reserves	\$ <u>8,453,408</u>	\$ <u>8,461,589</u>
Discretionary Reserve Funds		
Set aside for specific purpose by Council for		
sick leave	\$ 29,725	\$ 28,877
self-insurance	421,094	668,382
Workplace Safety and Insurance Board	(1,274,728)	(901,672)
sub-division development	42,728	42,819
parking revenues	579	376
watermain construction	871,580	1,074,803
waterfront development	29,496	28,654
Sarnia Bay improvements	364,098	383,155
operation of Airport	508,838	518,099
capital projects	12,041,855	5,872,201
special projects	1,076,864	1,100,846
legacy	62,752	60,960
other current purposes	<u>84,713</u>	<u>15,547</u>
Total discretionary reserve funds	\$ <u>14,259,594</u>	\$ <u>8,893,047</u>
Total reserves and reserve fund balances, end of year	\$ <u>22,713,002</u>	\$ <u>17,354,636</u>

The municipality is committed to pay the interest earned on approximately \$1.2 million of the reserve funds to outside agencies.

16. AMOUNTS TO BE RECOVERED

The amounts to be recovered are comprised of the following:

	2008	2007
Net long-term liabilities	\$ 60,851,828	\$ 66,174,353
Interest on long-term liabilities	573,781	635,828
Landfill post-closure liabilities	313,428	323,406
Employee future benefits	<u>21,708,369</u>	<u>19,845,897</u>
Total	\$ <u>83,447,406</u>	\$ <u>86,979,484</u>

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

17. JOINT LOCAL BOARD CONSOLIDATION - LAWSS

The following summarizes the financial position and operations of Lambton Area Water Supply System (LAWSS) which has been reported in these financial statements using the proportionate consolidation method.

The consolidated financial statements include the municipality's 66.466% (2007 - 68.156%) proportionate interest of the following:

	2008	2007
Financial Position		
Current Assets	\$ <u>5,961,992</u>	\$ <u>6,376,978</u>
Liabilities		
Current liabilities	\$ 888,930	\$ 1,571,756
Long-term liabilities	<u>22,091,000</u>	<u>23,755,000</u>
Total liabilities	<u>22,979,930</u>	<u>25,326,756</u>
Equity		
Current Fund	-	-
Capital Fund	1,294,873	1,140,000
Reserves and Reserve Funds	<u>3,778,189</u>	<u>3,665,222</u>
Total fund balances	5,073,062	4,805,222
Amounts to be recovered	<u>(22,091,000)</u>	<u>(23,755,000)</u>
Total equity	<u>(17,017,938)</u>	<u>(18,949,778)</u>
Total liabilities and equity	\$ <u>5,961,992</u>	\$ <u>6,376,978</u>
Results of Operations:		
Revenues	\$ 9,754,821	\$ 9,581,446
Expenditures and changes in fund balances	<u>9,486,981</u>	<u>8,907,494</u>
Net revenues	\$ <u>267,840</u>	\$ <u>673,952</u>

18. CONTRACTUAL OBLIGATIONS - ONTARIO CLEAN WATER AGENCY

- (a) In accordance with service agreements entered into with the Ontario Clean Water Agency ("OCWA"), a portion of the sewage and water system is operated by the Agency. The municipality is obligated to meet all operating costs and repay the long-term liabilities related to these projects.

The Consolidated Statement of Financial Position reflects the long term liabilities due to the Agency for the sewer project in the amount of \$136,637 (2007 - \$148,590). The Consolidated Statement of Financial Position also reflects long term liabilities due to the Agency for the water project in the amount of \$74,026 (2007 - \$80,695).

- (b) OCWA has contracted to operate the water treatment plant on behalf of the LAWSS. Included in the Consolidated Statement of Financial Activities for 2008 are charges for the operation of the water treatment plant in the amount of \$2,719,389 (2007 - \$2,244,736).

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

19. EXPENDITURE BY OBJECT

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

	2008	2007
Salaries, wages and employee benefits	\$ 55,018,460	\$ 53,128,618
Net long-term debt interest charges	3,829,002	4,181,064
Materials and supplies	18,165,475	16,297,905
Contracted services	6,274,065	5,811,449
Rents and financial expenses	110,240	108,523
External transfers	<u>672,170</u>	<u>578,902</u>
Total	<u>\$ 84,069,412</u>	<u>\$ 80,106,461</u>

20. SEGMENTED REPORTING

The City of Sarnia has adopted a business approach to the various responsibilities carried out by the municipality and has separated the financial transactions of the current fund to better reflect the true cost of each segment. The following provides a brief description of the individual segments used.

General Government

General Government is comprised of various departments including the Clerk's, Finance and Taxation, Legal, and Corporate Services departments. These departments support and provide a variety of services to other departments within the municipality and the public.

Protection Services

Protection is comprised of the Police Services and Fire Services departments. The Police Services mandate is to ensure public safety within the municipality. Through patrols, detective, education, and other efforts the police department works to deter and prevent crime. The Sarnia Fire Rescue Service serves the residents of the City of Sarnia by providing fire prevention, public education and fire suppression services. It operates out of five stations covering an area of 168 square kilometres and over 72,000 residents. The services provided range from fire suppression and prevention, land-based water rescue, high-angle, confined space, specialized vehicle extrication and industrial firefighting.

Transportation Services

Transportation Services consists of road maintenance and construction as well as Sarnia Transit, winter control, parking, and streetlighting. Sarnia Transit is responsible for providing public transportation within the transit service area of the city. Our employees operate and maintain a fleet of 25 buses on the conventional transit system and 6 specialized vehicles on our Care-a-Van service. Road maintenance and construction maintains approximately 460 kilometres of road and takes care of pothole maintenance, hot mix patching, paving, street cleaning, signage, and winter control.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

Environmental Services

Environmental Services consists of sanitary sewer, storm sewer maintenance, waterworks system construction and maintenance, waste collection, waste disposal, and recycling. The sewage division constructs and maintains the City's storm and sanitary sewage systems. Environmental Services also ensures the maintenance and proper operation of 51 sewage pump stations, and catch basins. The municipality also runs and maintains a wastewater treatment plant.

Health Services

Health Services consists of grants to the Physician Recruitment Taskforce and Bluewater Health Foundation.

Social and Family Services

Social and Family Services consists of the Strangway Centre and general assistance. The Strangway Centre provides leisure, educational and social activities and services.

Recreation and Cultural Services

Recreation and Cultural Services provide for all of the City's parks, trees, floral displays, sports and recreation facilities, beach, pools, arenas, special events and more. Numerous recreational programs are offered throughout the year for the enjoyment of the general public.

Planning and Development

The Planning and Building department's function is to assist City Council, the development community and the public in matters relating to land use planning, building construction and By-law enforcement.

21. OUTSTANDING LITIGATION

The municipality and/or its related board have been named defendants in certain legal actions. The final liability, if any, of these claims is indeterminable as the municipality and/or its related board have established defence actions.

22. CONTINGENCIES AND COMMITMENTS

- (a) A settlement with respect to a mortgage receivable held by the municipality in the amount of \$3,390,812 saw the municipality foreclose upon the mortgage in 2003 and receive title to approximately 93.9 acres of future residential land with 5 acres of land being retained by the mortgagee. As the mortgage balance recoverable was contingent upon development requirements, it has not been included in the accompanying Consolidated Statement of Financial Position. Net proceeds on disposition of the property when realized are to be recorded in the Recreational Complex reserve fund. The municipality has accrued an interest payment of \$339,081 with respect to this mortgage which is included in the accompanying financial statements.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2008

- (b) The municipality has guaranteed a bank loan with respect to the private company that operates the multi-use sports and entertainment complex on behalf of the municipality. The balance of the demand loan outstanding as at December 31, 2008 was \$1,971,448 (2007 - \$2,017,743). This loan was refinanced in 2006 with the amount repayable of \$2,100,000 amortized over 25 years at an interest rate of 5.23%.
- (c) A class action claiming \$500,000,000 in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against the former Toronto Hydro-Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario who have charged late payment charges on overdue utility bills at any time since April 1, 1981. At this time it is not possible to quantify the effect, if any, that this claim may have on the financial statements of Sarnia Power Corporation. Consequently, no provision has been made in these Consolidated Financial Statements with respect to any possible losses that may arise as a result of this matter.

23. PUBLIC LIABILITY INSURANCE

In recent years, there have been substantial increases in the premiums charged by the insurance industry for public liability insurance. As a result, the municipality has undertaken some portion of the risk which would normally have been covered by outside insurers.

The municipality is self-insured for public liability claims up to \$25,000 for any individual claim and \$25,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits.

The municipality has made provision for a reserve fund for self-insurance which at December 31, 2008 amounted to \$421,094 (2007 - \$668,382) and is reported on the Consolidated Statement of Financial Position under reserves and reserve funds.

Claims settled during the year, amounting to \$628,134 (2007 - \$494,262), have been provided for from the reserve fund and are accordingly reported as an expenditure on the Consolidated Statement of Financial Activities.

24. PROPERTY TAX CAPPING

The province has required municipalities to limit assessment related tax increases for individual, commercial, industrial and multi-residential properties to 10% for 2008 (2007 - 10%). The total amount of protection for these properties amounted to \$399,173 (2007 - \$675,479).

These tax reductions are funded on a pooled basis by the municipalities within the County of Lambton by limiting same class tax reductions.

25. RELATED PARTY TRANSACTIONS

The municipality has contracted with Bluewater Power Distribution Corporation to provide billing and collection services for water and sewer charges on a cost recovery basis. Charges for the year were \$588,801 (2007 - \$555,182)

CORPORATION OF THE CITY OF SARNIA

Schedule A

Schedule of Current Fund Operations year ended December 31, 2008

	2008 Budget	2008 Actual	2007 Actual
REVENUES			
Property taxation	\$ 55,078,007	\$ 55,178,296	\$ 51,700,083
User fees and service charges	32,051,670	32,043,427	31,882,147
User fees and service charges - other municipalities	2,614,473	3,051,103	2,807,558
Grant	1,240,619	1,627,982	1,509,805
Investment income	2,064,899	2,423,879	2,368,357
Penalty and interest on taxes	950,000	888,059	865,621
Gaming and casino revenues	1,750,000	1,574,971	1,685,567
Obligatory reserve revenue earned	-	42,152	36,792
Other	<u>809,294</u>	<u>1,466,033</u>	<u>1,362,922</u>
Total revenues	<u>96,558,962</u>	<u>98,295,902</u>	<u>94,218,852</u>
EXPENDITURES			
General government	8,394,161	7,764,334	7,776,568
Protection services	32,343,559	33,906,360	31,496,442
Transportation services	14,383,916	13,079,011	11,190,257
Environmental services	16,196,592	20,034,917	19,333,060
Health services	76,825	76,825	76,825
Social and family services	285,586	316,977	306,401
Recreation and cultural services	6,821,861	6,807,712	6,794,111
Planning and development	1,152,098	1,190,176	1,189,229
Non-functionalized unfunded liability	<u>-</u>	<u>893,100</u>	<u>1,943,568</u>
Total expenditures	<u>79,654,598</u>	<u>84,069,412</u>	<u>80,106,461</u>
Net revenues	<u>16,904,364</u>	<u>14,226,490</u>	<u>14,112,391</u>
FINANCING AND TRANSFERS			
Net transfer (to) capital fund	(8,342,093)	(8,163,062)	(6,142,095)
Net transfer (to) reserves and reserve funds	(1,855,541)	(1,733,275)	(614,321)
Net transfer (to) obligatory reserve funds	-	(100,962)	(1,307,302)
Debt principal payments	(6,556,730)	(6,419,631)	(6,037,467)
Amounts to be recovered in future years	<u>-</u>	<u>1,790,440</u>	<u>2,171,290</u>
Total financing and transfers	<u>(16,754,364)</u>	<u>(14,626,490)</u>	<u>(11,929,895)</u>
Change in current fund balance	150,000	(400,000)	2,182,496
Current fund balance, beginning of year	<u>(150,000)</u>	<u>-</u>	<u>(2,182,496)</u>
CURRENT FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ (400,000)</u>	<u>\$ -</u>

CORPORATION OF THE CITY OF SARNIA

Schedule A-1

Schedule of Segment Disclosure
year ended December 31, 2008

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2008 Total
REVENUES									
Taxation	\$ 1,190,227	\$ 32,270,185	\$ 11,053,632	\$ 3,351,231	\$ 1,825	\$ 110,249	\$ 5,569,440	\$ 1,631,507	\$ 55,178,296
Fees and service charges	840,372	1,151,922	2,844,353	24,075,199	-	143,555	1,811,028	279,469	31,145,898
Grant	238,749	194,068	1,115,594	-	-	35,965	12,700	30,906	1,627,982
Rents and financial	1,851,223	-	76,884	136,314	-	9,092	255,537	-	2,329,050
Other municipal	2,929	1,098,863	1,061,555	435,992	-	-	12,000	439,763	3,051,102
Other	3,610,284	11,970	40,902	1,031,856	-	3,875	222,050	2,201	4,923,138
Transfer from other funds	2,314,265	82,540	321,403	1,251,965	75,000	40,663	164,715	1,000	4,251,551
	10,048,049	34,809,548	16,514,323	30,282,557	76,825	343,399	8,047,470	2,384,846	102,507,017
EXPENSES									
Salaries and benefits	5,926,779	29,905,025	9,574,334	2,944,044	-	153,259	3,993,756	658,794	53,155,991
Materials	1,690,432	2,527,314	5,813,057	5,848,495	-	137,850	2,032,521	115,807	18,165,476
Contracted services	263,226	224,123	357,910	5,438,786	-	-	-	-	6,284,045
Long-term debt - interest	36,723	138,263	138,069	2,729,809	-	-	498,165	351,738	3,892,767
Other	156,401	850,334	679,401	3,489,872	76,825	9,500	933,561	1,006,147	7,202,041
Internal transfers	(226,243)	26,768	(2,888,120)	3,101,195	-	-	(29,600)	16,000	-
Unfunded liabilities	949,563	827,112	24,862	(27,413)	-	16,368	98	(149)	1,790,441
Transfers to other funds	1,251,168	310,609	2,814,810	7,157,769	-	26,422	618,969	236,509	12,416,256
	10,048,049	34,809,548	16,514,323	30,682,557	76,825	343,399	8,047,470	2,384,846	102,907,017
Change in Current Fund Balance	-	-	-	(400,000)	-	-	-	-	(400,000)
Current fund balance, beginning of year	-	-	-	-	-	-	-	-	-
CURRENT FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ (400,000)	\$ -	\$ -	\$ -	\$ -	\$ (400,000)

CORPORATION OF THE CITY OF SARNIA

Schedule A-1

Schedule of Segment Disclosure
year ended December 31, 2007

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2007 Total
REVENUES									
Taxation	\$ 1,803,213	\$ 30,324,092	\$ 9,215,647	\$ 3,227,822	\$ 1,825	\$ 120,929	\$ 5,473,066	\$ 1,533,488	\$ 51,700,082
Fees and service charges	728,804	2,382,062	2,717,968	23,102,211	-	131,437	1,721,925	227,008	31,011,415
Grant	241,449	175,311	1,004,793	-	-	37,940	22,536	27,776	1,509,805
Rents and financial	1,852,647	-	88,501	174,035	-	6,743	221,075	-	2,343,001
Other municipal	2,929	1,015,765	839,994	505,873	-	-	12,000	430,997	2,807,558
Other	3,592,164	26,818	7,132	1,015,632	-	13,865	190,591	789	4,846,991
Transfers from other funds	2,312,944	200,482	516,321	1,672,659	75,000	-	373,245	1,200	5,151,851
	10,534,150	34,124,530	14,390,356	29,698,232	76,825	310,914	8,014,438	2,221,258	99,370,703
EXPENSES									
Salaries and benefits	6,098,928	28,237,895	8,600,059	3,264,610	-	168,278	3,851,377	664,734	50,885,881
Materials	1,515,913	2,429,950	4,674,458	5,381,100	-	114,872	2,120,520	70,461	16,307,274
Contracted services	500,435	136,640	350,959	4,804,812	-	-	18,000	-	5,810,846
Long-term debt - interest	43,512	171,228	170,084	2,951,843	-	-	529,733	376,739	4,243,139
Other	164,944	791,146	637,375	3,285,828	76,825	9,000	864,943	895,438	6,725,499
Internal transfers	(246,517)	26,410	(2,733,034)	2,965,751	-	-	(26,610)	14,000	-
Unfunded liabilities	1,775,571	265,873	78,212	(35,662)	-	14,252	24,953	48,094	2,171,293
Transfers to other funds	681,364	2,065,388	2,612,243	4,897,454	-	4,512	631,522	151,792	11,044,275
	10,534,150	34,124,530	14,390,356	27,515,736	76,825	310,914	8,014,438	2,221,258	97,188,207
Change in current fund balance	-	-	-	2,182,496	-	-	-	-	2,182,496
Current fund blance, beginning of year	-	-	-	(2,182,496)	-	-	-	-	(2,182,496)
CURRENT FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CORPORATION OF THE CITY OF SARNIA**Schedule B****Schedule of Capital Fund Operations
year ended December 31, 2008**

	2008	2007
REVENUES		
Ontario grants	\$ 8,681,960	\$ 1,121,100
Canada grants	3,154,367	1,660,843
Contribution from other municipalities	30,053	385,400
Proceeds from sale of fixed assets	47,884	93,917
Prepaid special charges	157,206	309,390
Donations	230,396	519,441
Obligatory reserve revenue earned	394,513	822,114
Other	<u>142,856</u>	<u>778,121</u>
Total revenues	<u>12,839,235</u>	<u>5,690,326</u>
EXPENDITURES		
General government	214,014	351,531
Protection services	1,143,306	664,231
Transportation services	7,469,486	8,709,388
Environmental services	11,227,659	5,110,154
Social and family services	40,663	6,516
Recreation and cultural services	1,221,951	1,090,255
Planning and development	<u>482,258</u>	<u>574,907</u>
Total expenditures	<u>21,799,337</u>	<u>16,506,982</u>
Net revenues (expenditures)	<u>(8,960,102)</u>	<u>(10,816,656)</u>
FINANCING AND TRANSFERS		
Long-term liabilities incurred	1,500,000	-
Net transfer from current fund	8,163,062	6,142,095
Net transfer from reserve and reserve funds	<u>2,774,328</u>	<u>3,246,084</u>
Total financing and transfers	<u>12,437,390</u>	<u>9,388,179</u>
Share of LAWSS consolidation adjustment	<u>(19,267)</u>	<u>(8,849)</u>
Change in capital fund balance	3,458,021	(1,437,326)
Capital fund balance, beginning of year	<u>(3,113,154)</u>	<u>(1,675,828)</u>
CAPITAL FUND BALANCE, END OF YEAR	<u>\$ 344,867</u>	<u>\$ (3,113,154)</u>

CORPORATION OF THE CITY OF SARNIA**Schedule C****Schedule of Reserves and Reserve Funds
year ended December 31, 2008**

	2008	2007
RESERVES		
Balance, beginning of year	\$ 8,461,589	\$ 8,233,977
Appropriation from current operations	2,655,071	2,645,527
Appropriation (to) capital operations	(2,601,310)	(2,408,964)
Share of LAWSS consolidation adjustment	<u>(61,942)</u>	<u>(8,951)</u>
Balance, end of year	<u>\$ 8,453,408</u>	<u>\$ 8,461,589</u>
RESERVE FUNDS		
Balance, beginning of year	<u>\$ 8,893,046</u>	<u>\$ 8,285,164</u>
Revenues		
Interest earned	344,853	471,788
Developer fees	-	4,420
Contribution from current operations	2,134,905	2,041,944
Ontario grant	<u>6,116,509</u>	<u>3,000,000</u>
Total Revenues	<u>8,596,267</u>	<u>5,518,152</u>
Expenditures		
Contribution to current operations	3,056,701	4,073,150
Contribution to capital operations	<u>173,018</u>	<u>837,120</u>
Total expenditures	<u>3,229,719</u>	<u>4,910,270</u>
Balance, end of year	<u>\$ 14,259,594</u>	<u>\$ 8,893,046</u>



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Auditors' Comments on Supplementary Financial Information

**To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the City of Sarnia**

We have audited the consolidated financial statements of the Corporation of the City of Sarnia as at December 31, 2008 and reported thereon dated April 20, 2009. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the consolidated financial statements and, in our opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.

Chartered Accountants, Licensed Public Accountants

Sarnia, Ontario
April 20, 2009

CORPORATION OF THE CITY OF SARNIA

Schedule D-1

Transit Special Area Schedule of Current Operations year ended December 31, 2008

	2008 Budget	2008 Actual	2007 Actual
REVENUES			
Taxation	\$ 2,797,042	\$ 2,779,076	\$ 2,750,886
Operations			
Regular passenger service	1,189,000	1,202,970	1,123,599
Charter, sightseeing and other	25,000	23,627	30,073
Advertising	100,000	110,393	108,462
Other municipalities	203,552	212,072	215,460
Ontario grants	660,155	982,146	863,816
Other	<u>8,000</u>	<u>2,706</u>	<u>5,535</u>
Total revenue	<u>4,982,749</u>	<u>5,312,990</u>	<u>5,097,831</u>
EXPENDITURES			
Transportation	3,330,328	3,285,459	3,008,339
Vehicle and equipment maintenance	561,197	547,260	482,434
Premises and plant	167,924	146,939	115,325
General and administrative	<u>572,648</u>	<u>584,320</u>	<u>552,132</u>
Total expenditures	<u>4,632,097</u>	<u>4,563,978</u>	<u>4,158,230</u>
Net revenue	<u>350,652</u>	<u>749,012</u>	<u>939,601</u>
FINANCING AND TRANSFERS			
Principal payments on long-term debt	(165,150)	(165,150)	(156,959)
Interest payments of long-term debt	(45,536)	(45,536)	(53,697)
Transfer to capital fund	(178,300)	(240)	(1,071)
Transfer to reserves	<u>(22,805)</u>	<u>(549,319)</u>	<u>(713,826)</u>
Total financing and transfers	<u>(411,791)</u>	<u>(760,245)</u>	<u>(925,553)</u>
Net change in current operations	61,139	(11,233)	14,048
Transfer from (to) rate stabilization reserve	-	11,233	(14,048)
Accumulated net revenue, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
ACCUMULATED NET REVENUE, END OF YEAR	<u>\$ 61,139</u>	<u>\$ -</u>	<u>\$ -</u>

CORPORATION OF THE CITY OF SARNIA**Schedule D-2****Transit Special Area
Schedule of Assets, Liabilities and Fund Balances
as at December 31, 2008**

	2008	2007
FINANCIAL ASSETS		
Cash	\$ 7,640	\$ 1,903
Accounts receivable - own municipality	2,343,719	2,711,282
Other current assets	<u>46,719</u>	<u>58,262</u>
Total Financial Assets	<u>2,398,078</u>	<u>2,771,447</u>
LIABILITIES		
Other current liabilities	12,580	14,550
Obligatory reserve	571,708	820,606
Net long-term liabilities financed by municipality	<u>811,650</u>	<u>976,800</u>
Total Liabilities	<u>1,395,938</u>	<u>1,811,956</u>
Total net assets	<u>\$ 1,002,140</u>	<u>\$ 959,491</u>
MUNICIPAL POSITION		
Current operations - Schedule D-1	\$ -	\$ -
Capital operations - Schedule D-3	59,932	(86,879)
Reserves - Schedule D-4	<u>1,753,858</u>	<u>2,023,171</u>
Total Fund Balances	1,813,790	1,936,292
Amount to be recovered	<u>(811,650)</u>	<u>(976,801)</u>
Total municipal position	<u>\$ 1,002,140</u>	<u>\$ 959,491</u>

CORPORATION OF THE CITY OF SARNIA**Schedule D-3****Transit Special Area
Schedule of Capital Operations
year ended December 31, 2008**

	2008	2007
REVENUES		
Ontario grants	\$ <u>398,169</u>	\$ <u>105,701</u>
EXPENDITURES		
Building and equipment	11,965	575,760
Bus stop improvements	11,975	32,947
Vehicle and vehicle upgrade	1,449,065	379,231
Other	<u>3,000</u>	<u>4,600</u>
Total expenditures	<u>1,476,005</u>	<u>992,538</u>
Net revenues (expenditures)	<u>(1,077,836)</u>	<u>(886,837)</u>
 FINANCING AND TRANSFERS		
Transfer from current operations	240	1,071
Transfer from reserves	<u>1,224,407</u>	<u>709,843</u>
Total financing and transfers	<u>1,224,647</u>	<u>710,914</u>
Change in capital operations	146,811	(175,923)
Capital operations, beginning of year	<u>(86,879)</u>	<u>89,044</u>
CAPITAL OPERATIONS, END OF YEAR	\$ <u><u>59,932</u></u>	\$ <u><u>(86,879)</u></u>

CORPORATION OF THE CITY OF SARNIA

Schedule D-4

Transit Special Area
Schedule of Continuity of Reserves
year ended December 31, 2008

	Uniforms, Transfers, Tickets	Transit Building	Motor Buses	Rate Stabilization	2008 Total	2007 Total
BALANCES, BEGINNING OF YEAR	\$ <u>23,217</u>	\$ <u>142,713</u>	\$ <u>1,319,061</u>	\$ <u>538,180</u>	\$ <u>2,023,171</u>	\$ <u>1,677,520</u>
REVENUES						
Contribution from current operations	32,000	15,000	7,500	-	54,500	248,384
Contribution from municipality	3,000	5,000	3,339	-	11,339	11,351
Ontario grants	<u>-</u>	<u>-</u>	<u>498,791</u>	<u>-</u>	<u>498,791</u>	<u>483,816</u>
Total revenues	<u>35,000</u>	<u>20,000</u>	<u>509,630</u>	<u>-</u>	<u>564,630</u>	<u>743,551</u>
EXPENDITURES						
Transfer to current operations	46,270	-	-	11,233	57,503	45,374
Transfer to capital operations	<u>-</u>	<u>-</u>	<u>776,440</u>	<u>-</u>	<u>776,440</u>	<u>352,526</u>
Total expenditures	<u>46,270</u>	<u>-</u>	<u>776,440</u>	<u>11,233</u>	<u>833,943</u>	<u>397,900</u>
BALANCES, END OF YEAR	\$ <u>11,947</u>	\$ <u>162,713</u>	\$ <u>1,052,251</u>	\$ <u>526,947</u>	\$ <u>1,753,858</u>	\$ <u>2,023,171</u>

CORPORATION OF THE CITY OF SARNIA**Schedule E-1****Sewer Special Area
Schedule of Current Operations
year ended December 31, 2008**

	2008 Budget	2008 Actual	2007 Actual
REVENUES			
Sewer surcharge on water bill	\$ 11,734,231	\$ 11,558,262	\$ 10,586,617
Taxation	111,400	201,960	228,817
User fees and service charges - other municipalities	-	6,456	5,664
Contribution from own municipality	-	93,567	1,197,059
Other	<u>110,000</u>	<u>120,480</u>	<u>95,733</u>
Total revenues	<u>11,955,631</u>	<u>11,980,725</u>	<u>12,113,890</u>
EXPENDITURES			
Sanitary sewer maintenance	2,415,864	2,373,300	2,527,889
Sewage treatment plant	2,988,220	3,708,499	3,700,526
Administration	<u>1,204,747</u>	<u>1,227,897</u>	<u>901,920</u>
Total Expenditures	<u>6,608,831</u>	<u>7,309,696</u>	<u>7,130,335</u>
Net Revenues	<u>5,346,800</u>	<u>4,671,029</u>	<u>4,983,555</u>
FINANCING AND TRANSFERS			
Principal payments on long-term debt	(1,134,455)	(1,143,468)	(1,066,775)
Interest payments on long-term debt	(1,120,516)	(1,134,245)	(1,194,752)
Transfer (to) capital operations	(782,600)	(2,571,243)	(199,286)
Transfer (to) municipality - capital projects	(1,700,000)	-	(826,000)
Transfer from reserves and reserve funds	<u>(609,229)</u>	<u>(22,073)</u>	<u>(12,228)</u>
Total financing and transfers	<u>(5,346,800)</u>	<u>(4,871,029)</u>	<u>(3,299,041)</u>
Net change in current operations	-	(200,000)	1,684,514
Accumulated net revenue, beginning of year	<u>-</u>	<u>-</u>	<u>(1,684,514)</u>
ACCUMULATED NET REVENUE, END OF YEAR	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ -</u>

CORPORATION OF THE CITY OF SARNIA**Schedule E-2**
Sewer Special Area
Schedule of Assets, Liabilities and Fund Balances
as at December 31, 2008

	2008	2007
FINANCIAL ASSETS		
Accounts receivable - sewer surcharge	\$ 1,379,051	\$ 1,194,150
Accounts receivable - own municipality	<u>180,965</u>	<u>158,259</u>
Total Financial Assets	<u>1,560,016</u>	<u>1,352,409</u>
LIABILITIES		
Net long-term liabilities financed by municipality	<u>17,241,822</u>	<u>18,157,093</u>
Total Liabilities	<u>17,241,822</u>	<u>18,157,093</u>
Total net assets	\$ <u>(15,681,806)</u>	\$ <u>(16,804,684)</u>
MUNICIPAL POSITION		
Current operations - Schedule E-1	\$ (200,000)	\$ -
Capital operations - Schedule E-3	1,596,586	1,186,224
Reserves - Schedule E-4	43,896	20,654
Reserve Funds - Schedule E-5	<u>119,534</u>	<u>145,531</u>
Total Fund Balances	1,560,016	1,352,409
Amount to be recovered	<u>(17,241,822)</u>	<u>(18,157,093)</u>
Total municipal position	\$ <u>(15,681,806)</u>	\$ <u>(16,804,684)</u>

CORPORATION OF THE CITY OF SARNIA**Schedule E-3**
Sewer Special Area
Schedule of Capital Operations
year ended December 31, 2008

	2008	2007
REVENUES		
Canada grants	\$ 3,086,895	\$ 1,660,843
Ontario grants	2,408,952	739,588
Other	<u>-</u>	<u>15,058</u>
Total revenues	<u>5,495,847</u>	<u>2,415,489</u>
EXPENDITURES		
Treatment plant	765,201	154,500
Pump station upgrades	321,455	55,620
Brights Grove lagoon	47,700	1,183
Water pollution control analysis	-	11,165
Reconstruction Exmouth St. sanitary sewer	4,355,087	2,167,613
Reconstruction East St. sewer separation	4,568,622	-
Public Works yard improvements	16,040	176,221
Vehicles and equipment	-	337,689
Other	<u>110,837</u>	<u>114,745</u>
Total expenditures	<u>10,184,942</u>	<u>3,018,736</u>
Net revenues (expenditures)	<u>(4,689,095)</u>	<u>(603,247)</u>
FINANCING AND TRANSFERS		
Issue of long-term debt	228,214	-
Contribution from current operations	2,571,243	199,286
Contribution from reserves and reserve funds	-	337,689
Contribution from municipality	<u>2,300,000</u>	<u>416,167</u>
Total financing and transfers	<u>5,099,457</u>	<u>953,142</u>
Change in capital operations	410,362	349,895
Capital operations, beginning of year	<u>1,186,224</u>	<u>836,329</u>
CAPITAL OPERATIONS, END OF YEAR	<u>\$ 1,596,586</u>	<u>\$ 1,186,224</u>

CORPORATION OF THE CITY OF SARNIA

Schedule E-4

**Sewer Special Area
Schedule of Continuity of Reserves
year ended December 31, 2008**

	Equipment Replacement	2008 Total	2007 Total
BALANCES, BEGINNING OF YEAR	\$ <u>20,654</u>	\$ <u>20,654</u>	\$ <u>8,426</u>
REVENUES			
Contribution from current operations	22,073	22,073	15,455
Proceeds from sale of equipment	<u>1,169</u>	<u>1,169</u>	<u>-</u>
Total revenues	<u>23,242</u>	<u>23,242</u>	<u>15,455</u>
EXPENDITURES			
Transfer to current operations	<u>-</u>	<u>-</u>	<u>3,227</u>
BALANCES, END OF YEAR	\$ <u>43,896</u>	\$ <u>43,896</u>	\$ <u>20,654</u>

CORPORATION OF THE CITY OF SARNIA**Schedule E-5****Sewer Special Area
Schedule of Continuity of Reserve Funds
year ended December 31, 2008**

	Environmental	2008	2007
FUND BALANCES, BEGINNING OF YEAR	\$ <u>145,531</u>	\$ <u>145,531</u>	\$ <u>494,049</u>
REVENUES			
Interest earned	<u>4,003</u>	<u>4,003</u>	<u>19,599</u>
EXPENDITURES			
Transfer to capital operations	-	-	337,689
Transfer to municipality	<u>30,000</u>	<u>30,000</u>	<u>30,428</u>
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>368,117</u>
FUND BALANCES, END OF YEAR	\$ <u>119,534</u>	\$ <u>119,534</u>	\$ <u>145,531</u>

CORPORATION OF THE CITY OF SARNIA**Schedule F-1**
Sarnia Waterworks
Schedule of Current Operations
year ended December 31, 2008

	2008 Budget	2008 Actual	2007 Actual
REVENUES			
Sale of water	\$ 12,800,926	\$ 12,317,518	\$ 12,344,666
Local improvements	110,000	48,636	61,058
Contribution from other municipalities	3,598	6,756	6,645
Other	<u>103,600</u>	<u>96,303</u>	<u>88,105</u>
Total revenues	<u>13,018,124</u>	<u>12,469,213</u>	<u>12,500,474</u>
EXPENDITURES			
Water supply	2,495,573	2,412,805	2,543,203
Water transmission and distribution	2,869,118	2,988,539	3,086,790
Administration	<u>637,710</u>	<u>904,267</u>	<u>527,315</u>
Total Expenditures	<u>6,002,401</u>	<u>6,305,611</u>	<u>6,157,308</u>
Net Revenues	<u>7,015,723</u>	<u>6,163,602</u>	<u>6,343,166</u>
FINANCING AND TRANSFERS			
Principal payments on long-term debt	(1,566,364)	(1,566,983)	(1,493,578)
Interest payments on long-term debt	(1,323,859)	(1,323,103)	(1,459,109)
Transfer (to) capital operations	(3,814,417)	(3,777,158)	(3,256,092)
Transfer (to) from reserves and reserve funds	<u>(161,083)</u>	<u>303,642</u>	<u>363,595</u>
Total financing and transfers	<u>(6,865,723)</u>	<u>(6,363,602)</u>	<u>(5,845,184)</u>
Net change in current operations	150,000	(200,000)	497,982
Prior year deficit	(150,000)	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>(497,982)</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ -</u>

CORPORATION OF THE CITY OF SARNIA**Schedule F-2****Sarnia Waterworks
Schedule of Assets, Liabilities and Fund Balances
as at December 31, 2008**

	2008	2007
FINANCIAL ASSETS		
Accounts receivable - own municipality	\$ 631,552	\$ 1,176,011
Accounts receivable - sale of water	<u>1,505,826</u>	<u>1,477,173</u>
Total Financial Assets	<u>2,137,378</u>	<u>2,653,184</u>
LIABILITIES		
Net long-term liabilities financed by municipality	<u>16,941,522</u>	<u>18,910,772</u>
Total net assets	\$ <u>(14,804,144)</u>	\$ <u>(16,257,588)</u>
MUNICIPAL POSITION		
Current operations - Schedule F-1	\$ (200,000)	\$ -
Capital operations - Schedule F-3	775,149	731,306
Reserves - Schedule F-4	690,649	847,075
Reserve Funds - Schedule F-5	<u>871,580</u>	<u>1,074,803</u>
Total Fund Balances	2,137,378	2,653,184
Amount to be recovered	<u>(16,941,522)</u>	<u>(18,910,772)</u>
Total municipal position	\$ <u>(14,804,144)</u>	\$ <u>(16,257,588)</u>

CORPORATION OF THE CITY OF SARNIA**Schedule F-3****Sarnia Waterworks
Schedule of Capital Operations
year ended December 31, 2008**

	2008	2007
REVENUES		
Canada grants	\$ <u>4,427</u>	\$ <u>21,392</u>
EXPENDITURES		
Watermain construction	98,220	113,242
Vehicles and equipment	87,597	195,032
Public Works yard improvements	97,541	72,000
LAWSS water supply	1,222,157	1,277,925
Other	<u>106,175</u>	<u>56,520</u>
Total expenditures	<u>1,611,690</u>	<u>1,714,719</u>
Net revenues (expenditures)	<u>(1,607,263)</u>	<u>(1,693,327)</u>
 FINANCING AND TRANSFERS		
Contribution from current operations	3,777,158	3,256,092
Contribution from reserves and reserve funds	87,597	195,032
Contribution (to) municipality	<u>(2,213,649)</u>	<u>(1,547,651)</u>
Total financing and transfers	<u>1,651,106</u>	<u>1,903,473</u>
Change in capital operations	43,843	210,146
Capital operations, beginning of year	<u>731,306</u>	<u>521,160</u>
CAPITAL OPERATIONS, END OF YEAR	\$ <u>775,149</u>	\$ <u>731,306</u>

CORPORATION OF THE CITY OF SARNIA**Schedule F-4****Sarnia Waterworks
Schedule of Continuity of Reserves
year ended December 31, 2008**

	Equipment Replacement	Capital Expenditure	2008 Total	2007 Total
FUND BALANCES, BEGINNING OF YEAR	\$ <u>229,203</u>	\$ <u>617,872</u>	\$ <u>847,075</u>	\$ <u>1,169,516</u>
REVENUES				
Contribution from current operations	<u>131,171</u>	<u>-</u>	<u>131,171</u>	<u>108,777</u>
Total revenues	<u>131,171</u>	<u>-</u>	<u>131,171</u>	<u>108,777</u>
EXPENDITURES				
Transfer to current operations	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>236,186</u>
Transfer to capital operations	<u>87,597</u>	<u>-</u>	<u>87,597</u>	<u>195,032</u>
Total expenditures	<u>87,597</u>	<u>200,000</u>	<u>287,597</u>	<u>431,218</u>
FUND BALANCES, END OF YEAR	\$ <u>272,777</u>	\$ <u>417,872</u>	\$ <u>690,649</u>	\$ <u>847,075</u>

CORPORATION OF THE CITY OF SARNIA**Schedule F-5****Sarnia Waterworks
Schedule of Continuity of Reserve Funds
year ended December 31, 2008**

	Watermain Construction	2008	2007
FUND BALANCES, BEGINNING OF YEAR	\$ <u>1,074,803</u>	\$ <u>1,074,803</u>	\$ <u>1,256,635</u>
REVENUES			
Interest earned	<u>31,590</u>	<u>31,590</u>	<u>54,354</u>
Total revenues	<u>31,590</u>	<u>31,590</u>	<u>54,354</u>
EXPENDITURES			
Transfer to current operations	<u>234,813</u>	<u>234,813</u>	<u>236,186</u>
Total expenditures	<u>234,813</u>	<u>234,813</u>	<u>236,186</u>
FUND BALANCES, END OF YEAR	\$ <u><u>871,580</u></u>	\$ <u><u>871,580</u></u>	\$ <u><u>1,074,803</u></u>

CORPORATION OF THE CITY OF SARNIA

Schedule G

Sarnia Police Services Board Schedule of Current Fund Operations year ended December 31, 2008

	2008 Budget	2008 Actual	2007 Actual
REVENUES			
User fees, service charges and donations	\$ 141,000	\$ 145,338	\$ 235,061
User fees and service charges			
Own municipality	291,660	291,660	270,004
Other municipalities	1,029,408	1,030,767	948,788
Ontario grants	162,500	166,036	175,311
Federal recoveries	-	15,234	-
Licenses and permits	70,000	78,987	73,084
Transfer from reserve	-	-	50,000
Other	<u>92,656</u>	<u>10,397</u>	<u>24,555</u>
Total revenues	<u>1,787,224</u>	<u>1,738,419</u>	<u>1,776,803</u>
EXPENDITURES			
Officers	12,770,779	12,676,321	12,431,596
Court security	538,815	504,572	474,365
Communications	1,600,332	1,654,936	1,643,299
Clerical and janitorial	2,189,758	2,173,340	2,059,594
Station	1,635,967	1,598,284	1,612,482
Service board	<u>111,590</u>	<u>174,284</u>	<u>63,614</u>
Total expenditures	<u>18,847,241</u>	<u>18,781,737</u>	<u>18,284,950</u>
Net revenues (expenditures)	<u>(17,060,017)</u>	<u>(17,043,318)</u>	<u>(16,508,147)</u>
FINANCING AND TRANSFERS			
Principal payments on long-term debt	(241,347)	(241,347)	(228,186)
Interest payments on long-term debt	(55,211)	(55,211)	(68,502)
Transfer to reserves	<u>(110,000)</u>	<u>(110,000)</u>	<u>(100,000)</u>
Total financing and transfers	<u>(406,558)</u>	<u>(406,558)</u>	<u>(396,688)</u>
Change in net operations	(17,466,575)	(17,449,876)	(16,904,835)
Municipal contributions financed by general revenue	<u>17,466,575</u>	<u>17,449,876</u>	<u>16,904,835</u>
ACCUMULATED NET REVENUE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



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Auditors' Report

**To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the City of Sarnia**

We have audited the statement of financial position of the trust funds of the Corporation of the City of Sarnia as at December 31, 2008 and the statement of continuity of trust funds 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 Sarnia as at December 31, 2008 and the continuity of the trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Sarnia, Ontario
April 20, 2009

CORPORATION OF THE CITY OF SARNIA

TRUST FUNDS

Statement of Continuity of Trust Funds year ended December 31, 2008

	Cemetery Care and Maintenance	Boarding Home Program	Election Candidate Surplus	2008 Total	2007 Total
FUND BALANCES, BEGINNING OF YEAR	\$ <u>10,035</u>	\$ <u>70,147</u>	\$ <u>2,699</u>	\$ <u>82,881</u>	\$ <u>77,993</u>
REVENUES					
Contributions received	1,255	-	-	1,255	2,613
Interest earned					
Investment income	290	2,038	79	2,407	3,316
Program loans	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>9</u>
Total revenues	<u>1,545</u>	<u>2,040</u>	<u>79</u>	<u>3,664</u>	<u>5,938</u>
EXPENDITURES					
Maintenance	<u>880</u>	<u>-</u>	<u>-</u>	<u>880</u>	<u>1,050</u>
Total expenditures	<u>880</u>	<u>-</u>	<u>-</u>	<u>880</u>	<u>1,050</u>
FUND BALANCES, END OF YEAR	\$ <u>10,700</u>	\$ <u>72,187</u>	\$ <u>2,778</u>	\$ <u>85,665</u>	\$ <u>82,881</u>

The accompanying notes are an integral part of this financial statement

CORPORATION OF THE CITY OF SARNIA TRUST FUNDS

Statement of Financial Position as at December 31, 2008

	Cemetery Care and Maintenance	Boarding Home Program	Election Candidate Surplus	2008 Total	2007 Total
ASSETS					
Loans receivable	\$ -	\$ -	\$ -	\$ -	\$ 2,014
Due from municipality	<u>10,700</u>	<u>72,187</u>	<u>2,778</u>	<u>85,665</u>	<u>80,867</u>
Total assets	<u>\$ 10,700</u>	<u>\$ 72,187</u>	<u>\$ 2,778</u>	<u>\$ 85,665</u>	<u>\$ 82,881</u>
 FUND BALANCES	 <u>\$ 10,700</u>	 <u>\$ 72,187</u>	 <u>\$ 2,778</u>	 <u>\$ 85,665</u>	 <u>\$ 82,881</u>

The accompanying notes are an integral part of this financial statement

CORPORATION OF THE CITY OF SARNIA

TRUST FUNDS

Notes to the Financial Statements
year ended December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

The Trust Fund financial statements are the representation of management and have been prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Precise determination of some assets and liabilities may be dependent upon future events and involves the use of estimates and approximations. These estimates have been based upon the information available using careful judgment and review.

(a) Basis of Accounting

- i) Sources of financing and expenditures are reported on the accrual basis of accounting.
- ii) The accrual basis of accounting recognizes revenues as they become available and 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.

2. NATURE OF TRUST FUNDS

The Cemetery Care and Maintenance trust fund was established in accordance with the Cemeteries Act for the care and maintenance of certain cemetery grounds.

The Boarding Home Program trust fund was established by the Ministry of Health in order to provide municipalities with funds to be used for loans to owners of existing boarding, lodging or rooming houses which provide a home for former psychiatric patients in order that the houses can be upgraded to meet the Ontario Building Code, Ontario Fire Code and Local Housing Standards.

The Election Candidate Surplus trust fund was established in accordance with the Municipal Elections Act to hold surplus municipal election campaign funds on behalf of candidates.