

**The Corporation of the Town  
of Cobourg  
Consolidated Financial Statements  
For the year ended December 31, 2006**

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## Auditors' Report

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**To: The Members of Council, Inhabitants  
and Ratepayers of The Corporation of  
the Town of Cobourg**

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

*BDO Dunwoody LLP*

Chartered Accountants, Licensed Public Accountants

Markham, Ontario  
May 23, 2007

**The Corporation of the Town of Cobourg**  
**Consolidated Statement of Financial Position**

**December 31** **2006** **2005**

**Assets**

**Financial assets**

Taxes receivable	\$ 2,957,624	\$ 2,745,145
Receivables - grants	299,912	99,573
- other	2,563,013	2,444,988
Other assets	50,704	68,797
Investment in Town of Cobourg Holdings Inc. (Note 1)	15,827,343	16,022,831
Industrial property (Note 2)	<u>15,922,113</u>	<u>15,268,792</u>
	<b>\$ 37,620,709</b>	<b>\$ 36,650,126</b>

**Liabilities and Municipal Position**

**Liabilities**

Bank indebtedness (Note 3)	\$ 243,017	\$ 209,661
Short term bank loan (Note 4)	4,080,000	3,650,000
Accounts payable and accrued liabilities	2,784,530	4,235,059
Deferred revenue (Note 5)	3,294,593	2,953,667
Employee future benefits (Note 6)	1,680,284	1,506,679
Due to County and School Boards (Note 7)	70,188	191,282
Mortgage payable (Note 8)	11,435,097	12,160,317
Net long-term liabilities (Note 9)	<u>12,359,453</u>	<u>10,392,208</u>
	<b>35,947,162</b>	<b>35,298,873</b>

**Municipal position**

**Fund balances**

Current fund (Note 10)(Page 18)	76,976	88,821
Capital fund (Note 10)(Page 19)	(8,583,750)	(9,734,164)
Reserves (Note 11)	3,371,320	3,195,167
Net equity in industrial property (Note 3)	5,052,058	3,703,870
Net equity in Town of Cobourg Holdings Inc. (Note 2)	<u>15,827,343</u>	<u>16,022,831</u>

	15,743,947	13,276,525
<b>Amounts to be recovered</b> (Note 12)	<u>(14,070,400)</u>	<u>(11,925,272)</u>

	<u>1,673,547</u>	<u>1,351,253</u>
	<b>\$ 37,620,709</b>	<b>\$ 36,650,126</b>

## The Corporation of the Town of Cobourg

### Consolidated Statement of Financial Activities

For the year ended December 31	Budget 2006	Actual 2006	Actual 2005
<b>Revenue</b>	(unaudited)		
Taxation and user charges			
Residential and farm taxation	\$ 10,187,734	\$ 10,040,153	\$ 9,209,638
Commercial and industrial taxation	4,879,953	4,824,519	5,190,918
Payments in lieu of taxation	122,700	183,689	194,523
User charges	4,718,799	5,242,047	5,344,845
Development and parking (Note 5)	1,555,000	1,893,917	590,855
Grants			
Province of Ontario	1,032,000	908,664	483,000
Government of Canada and other municipalities	794,500	2,597,388	465,282
Other			
Interest income - Town of Cobourg Holdings Inc.	507,500	507,500	507,500
Interest income - Others	150,000	222,677	215,406
Sale of industrial land	50,000	72,261	237,403
	<u>23,998,186</u>	<u>26,492,815</u>	<u>22,439,370</u>
<b>Expenditures (Note 13)</b>			
<b>Current</b>			
General government	2,230,204	2,617,598	1,717,236
Protection to persons and property	6,826,386	7,585,621	6,322,927
Transportation services	3,013,902	2,512,634	2,935,181
Environmental services	2,247,355	2,419,878	2,177,422
Recreation and cultural services	3,167,453	3,686,849	3,614,733
Social and family services	42,000	33,029	47,270
Planning and development	574,260	643,265	733,057
	<u>18,101,560</u>	<u>19,498,874</u>	<u>17,547,826</u>
<b>Capital</b>			
General government	366,672	273,493	164,810
Protection to persons and property	872,093	1,037,068	1,704,311
Transportation services	5,025,250	5,398,439	3,956,078
Environmental services	75,000	572,727	2,160,551
Recreation and cultural services	806,150	1,050,075	1,036,141
Health services	-	-	352,900
Planning and development	23,280	142,545	32,873
	<u>7,168,445</u>	<u>8,474,347</u>	<u>9,407,664</u>
<b>Total expenditures</b>	<u>25,270,005</u>	<u>27,973,221</u>	<u>26,955,490</u>
<b>Net expenditures from activities</b>	(1,271,819)	(1,480,406)	(4,516,120)
<b>Net equity increase in</b>			
Town of Cobourg Holdings Inc. (Note 1)	600,000	404,512	934,846
<b>Net income in industrial property (Note 2)</b>	-	1,398,188	1,295,407
<b>Net revenue (expenditures) for the year</b>	<u>(671,819)</u>	<u>322,294</u>	<u>(2,285,867)</u>
<b>Change in amounts to be recovered</b>			
Increase (decrease) in accrued interest on long-term liabilities	4,278	4,278	(3,087)
Debt principal repayments	(1,182,755)	(1,182,755)	(1,083,812)
Issuance of new debt	2,013,000	3,150,000	1,250,000
Increase in employee future benefits	-	173,605	56,326
	<u>834,523</u>	<u>2,145,128</u>	<u>219,427</u>
<b>Change in fund balances for the year</b>	<u>\$ 162,704</u>	<u>\$ 2,467,422</u>	<u>\$ (2,066,440)</u>

**The Corporation of the Town of Cobourg**  
**Consolidated Statement of Changes in Financial Position**

<b>For the year ended December 31</b>	<b>2006</b>	<b>2005</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net revenue (expenditures) for the year	\$ 322,294	\$ (2,285,867)
Changes in non-cash items		
Amortization on industrial property	639,510	619,459
Net equity increase in Town of Cobourg Holdings Inc.	(404,512)	(934,846)
Changes in non-cash working capital balances		
Increase in taxes receivable	(212,479)	(176,428)
Increase in grants receivable	(200,339)	(54,316)
Decrease (increase) in other receivable	(118,025)	299,281
Decrease (increase) in other assets	18,093	(8,485)
Increase (decrease) in accounts payable and accrued liabilities	(1,450,529)	1,159,391
Increase in deferred revenue	340,926	974,975
Increase in employee future benefits payable	173,605	56,326
	<u>(891,456)</u>	<u>(350,510)</u>
<b>Investing activities</b>		
Additions to industrial property	(1,292,831)	(748,227)
Decrease (increase) from County and School Boards	(121,094)	356,055
Dividend from Town of Cobourg Holdings Inc.	600,000	600,000
	<u>(813,925)</u>	<u>207,828</u>
<b>Financing activities</b>		
Increase in bank indebtedness	33,356	66,173
Increase in short term loan	430,000	590,000
Repayment of mortgage payable	(725,220)	(679,679)
Issuance of new debt	3,150,000	1,250,000
Repayment of long-term liabilities	(1,182,755)	(1,083,812)
	<u>1,705,381</u>	<u>142,682</u>
<b>Net change in cash, and cash end of year</b>	<b>\$ -</b>	<b>\$ -</b>

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# The Corporation of the Town of Cobourg

## Summary of Significant Accounting Policies

December 31, 2006

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### Management Responsibility

The consolidated financial statements of the Corporation are the representations of management. They have been prepared in accordance with accounting policies established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ministry of Municipal Affairs and Housing.

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

### Basis of Consolidation

These consolidated financial statements reflect the assets, liabilities, revenue and expenditures of the current fund, capital fund and reserves and include the activities of all committees of Council and the following boards and municipal enterprises which are under the control of Council:

Downtown Business Improvement Area  
Library Board

All interfund assets, liabilities, revenue and expenditures have been eliminated on consolidation.

These financial statements also include the assets, liabilities, revenue and expenses of the industrial property, which is 100% owned.

### Investment in Town of Cobourg Holdings Inc.

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

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# The Corporation of the Town of Cobourg

## Summary of Significant Accounting Policies

December 31, 2006

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### Accounting for County and School Board Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards, and the County of Northumberland are not reflected in the municipal fund balances of these financial statements. Overlevies (underlevies) are reported on the Consolidated Balance Sheet.

### Basis of Accounting

Revenue and expenditures are reported on the accrual basis of accounting. 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.

The consolidated statement of financial position reflects all of the financial assets and liabilities of the municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the municipality, and is the difference between its assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

### Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of financial activities in the year in which it is used for the specified purpose.

### Industrial Property

Industrial property is recorded at cost less accumulated amortization. Amortization is provided based on the estimated useful life of the asset on a declining balance basis as follows:

Buildings - 5%

### Capital Assets

The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the consolidated statement of financial activities in the year of acquisition.

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# The Corporation of the Town of Cobourg

## Summary of Significant Accounting Policies

December 31, 2006

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### **Impairment of Long-Lived Assets**

The Town follows CICA Handbook Section 3063, "Impairment of Long-Lived Assets", which requires the Town to test for impairment of long-lived assets to be held and used when events or changes in circumstances occur which may cause their carrying value to exceed the total undiscounted cash flows expected from their use and eventual disposition. An impairment loss, if any, is determined as the excess of the carrying value of the asset over its fair value.

### **Employee Future Benefits**

The Town accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Vacation entitlements are accrued for as entitlements are earned. Other post-employment benefits are accrued in accordance with the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

### **Reserves**

Certain amounts, as approved by the Town Council, are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the appropriate fund balance.

### **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, interest on long-term liabilities, employee future benefits liabilities, liabilities not yet due, and other future expenditures not yet levied on the ratepayers.

### **Financial Instruments**

Unless otherwise noted, it is management's opinion that the Town is not exposed to significant interest, currency or credit risks arising from its financial instruments and the carrying amount of its financial instruments approximate their fair value.



# The Corporation of the Town of Cobourg

## Notes to Consolidated Financial Statements

**December 31, 2006**

### 1. Investment in Town of Cobourg Holdings Inc.

In compliance with provincial legislation enacted to restructure the electricity industry in Ontario, Council approved the incorporation of the electricity distribution business of the former Public Utilities Commission - Electric Department of Cobourg (the "Commission") in April 2000. Through its 99.9% interest in Town of Cobourg Holdings Inc. ("TCHI"), the Town retains its interest in the electricity business conducted by TCHI.

As part of electricity restructuring, incorporated distribution utilities have been allowed to take on commercial debt structures and have the ability to earn a regulated commercial rate of return. Effective May 1, 2000, the electricity distribution business formerly conducted by the Commission was transferred to TCHI. The Town's financial statements as a result of this transaction is comprised of the following:

	2006	2005
Note receivable from TCHI (i)	\$ 7,000,000	\$ 7,000,000
9,999,999 common shares of TCHI	7,002,144	7,002,144
Retained earnings, beginning of the year	2,020,687	1,685,841
Pro-rata share of net income during the year	404,512	934,846
Dividend	(600,000)	(600,000)
<b>Total</b>	<b>\$ 15,827,343</b>	<b>\$ 16,022,831</b>

(i) The note receivable bears interest at 7.25% per annum. The Town does not intend to demand repayment from TCHI until replacement term financing is in place. Interest earned on this note amounted to \$507,500 (2005 - \$507,500). Fair value of the note receivable is indeterminable as it is an intercompany loan.

The following table provides condensed financial information with respect to the Town's investment in TCHI as at December 31, 2006 and December 31, 2005 and its operations for both years:

Financial Position	December 31, 2006	December 31, 2005
Current assets	\$ 10,459,788	\$ 9,910,260
Capital assets	10,728,095	10,536,996
Other assets	-	779,921
<b>Total Assets</b>	<b>21,187,883</b>	<b>21,227,177</b>
Current liabilities	4,895,052	4,803,680
Long-term liabilities	7,465,487	7,400,665
<b>Total Liabilities</b>	<b>12,360,539</b>	<b>12,204,345</b>
<b>Net Assets</b>	<b>\$ 8,827,344</b>	<b>\$ 9,022,832</b>
Results of Operations	December 31, 2006	December 31, 2005
Revenues	\$ 24,703,557	\$ 27,563,888
Expenses	24,299,045	26,629,042
<b>Net income for the period</b>	<b>\$ 404,512</b>	<b>\$ 934,846</b>

**The Corporation of the Town of Cobourg**  
**Notes to Consolidated Financial Statements**

**December 31, 2006**

**2. Industrial Property**

	2006		2005	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 3,125,000	\$ -	\$ 3,125,000	\$ -
Buildings	14,953,997	2,156,884	13,661,166	1,517,374
	<b>18,078,997</b>	<b>2,156,884</b>	16,786,166	1,517,374
Cost less accumulated amortization	<b>\$ 15,922,113</b>		\$ 15,268,792	

Included in the consolidated statement of financial position are the following assets and liabilities pertaining to the industrial property operations:

<u>Financial Position</u>	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Cash	\$ 1,025,146	\$ 778,422
Accounts receivable	123,333	206,122
Prepaid expenses	12,849	12,000
Industrial property	<u>15,922,113</u>	<u>15,268,792</u>
Total Assets	<u>17,083,441</u>	<u>16,265,336</u>
Accounts payable and accrued liabilities	596,286	401,149
Mortgage payable	<u>11,435,097</u>	<u>12,160,317</u>
Total Liabilities	<u>12,031,383</u>	<u>12,561,466</u>
Net equity in industrial property	<u>\$ 5,052,058</u>	<u>\$ 3,703,870</u>

The following table provides condensed financial information for the industrial property operations:

<u>Results of Operations</u>	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Gross rental income	\$ 3,373,424	\$ 3,342,356
Operating expenses	(1,844,109)	(1,919,994)
Operating expenses recovery	1,367,522	1,408,050
Administrative expenses	(217,220)	(230,561)
Interest on long term debt	(641,919)	(684,985)
Amortization	<u>(639,510)</u>	<u>(619,459)</u>
Net income for the period	<u>\$ 1,398,188</u>	<u>\$ 1,295,407</u>
 <u>Change in net equity</u>	 <u>December 31, 2006</u>	 <u>December 31, 2005</u>
Equity at the beginning of the year	\$ 3,703,870	\$ 2,408,463
Net income for the period	1,398,188	1,295,407
Dividend	<u>(50,000)</u>	<u>-</u>
Equity at the end of the year	<u>\$ 5,052,058</u>	<u>\$ 3,703,870</u>

The industrial property is managed by an independent management company under a year to year contract. Rental income is recognized on a straight line basis over the term of the tenants' respective lease agreements.

**The Corporation of the Town of Cobourg**  
**Notes to Consolidated Financial Statements**

**December 31, 2006**

**3. Bank Indebtedness**

The bank indebtedness is primarily due to outstanding cheques. The Town has maximum available credit facilities with a Schedule I bank of \$6,000,000.

**4. Short Term Bank Loan**

The loan is unsecured, due on demand and bears interest at the bank's prime rate minus 0.75% calculated and payable monthly.

**5. Deferred Revenue**

	2006				
Obligatory Reserve Funds	Opening Balance	Received in the year	Interest Income	Allocated to Revenue in the year	Closing Balance
Building reserve	\$ -	\$ 201,738	-	\$ (216)	\$ 201,522
Development charges	2,431,165	1,566,600	97,247	(1,753,017)	2,341,995
Federal gas tax revenue	167,421	167,871	6,715	(147,264)	194,743
Parking revenues	45,410	14,861	1,817	(15,275)	46,813
Recreational land	309,671	165,607	12,387	21,855	509,520
	<b>\$ 2,953,667</b>	<b>\$ 2,116,677</b>	<b>\$ 118,166</b>	<b>\$(1,893,917)</b>	<b>\$ 3,294,593</b>

**6. Employee Future Benefits Liability**

	2006	2005
Employee future benefits	\$ 1,470,843	\$ 1,373,998
Workplace Safety & Insurance Board (WSIB) Liability	209,441	132,681
	<b>\$ 1,680,284</b>	<b>\$ 1,506,679</b>

**Retirement Benefits**

Employee future benefits are health and dental benefits that the Town of Cobourg pays on behalf of its retired employees. The Town recognizes these post-retirement costs as they are earned during the employee's tenure of service. The liability recorded by the Town has been determined by an actuarial study completed February 2006.

**The Corporation of the Town of Cobourg**  
**Notes to Consolidated Financial Statements**

**December 31, 2006**

**6. Employee Future Benefits Liability - (Continued)**

**Other Employee Future Benefits**

The Corporation of the Town of Cobourg is a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self insurance for all its employees. The Town assumes responsibility for the payment of all claims to its injured workers and remits payments to the Workplace Safety & Insurance Board (WSIB) as required to fund disability payments. The estimated future liability relating to the WSIB was determined by an actuarial valuation completed October 2005.

Information about the Town's defined benefit plans are as follows:

	2006		2005	
	WSIB	Employee Future Benefits	Total	Total
Accrued benefit liability, beginning of year	\$ 132,681	\$ 1,373,998	\$ 1,506,679	\$ 1,450,353
Service cost	92,888	64,423	157,311	74,322
Prior period cost of plan amendment	-	24,977	24,977	-
Interest cost	9,965	83,587	93,552	86,126
Benefit payments	(26,093)	(76,142)	(102,235)	(104,122)
Accrued benefit liability, end of year	<b>\$ 209,441</b>	<b>\$ 1,470,843</b>	<b>\$ 1,680,284</b>	<b>\$ 1,506,679</b>
Employee future benefit expense	<b>\$ 102,853</b>	<b>\$ 172,987</b>	<b>\$ 275,840</b>	<b>\$ 160,448</b>

During the year, the employee future benefits package was amended with the addition of dental benefits until age 65 for non-union retirees. The cost of plan amendments related to prior period service costs of \$24,977 has been accounted for in 2006.

The actuarial valuation of the plans were based on a number of assumptions about future events, which reflect management's best estimates. The following represents the most significant assumptions made:

	WSIB	Employee Future Benefits
Expected inflation rate	6.0%	3.0%
Expected level of salary increase	2.5%	4.0%
Interest discount rate	2.5%	3.0%
Assumed health care cost trend	0.0%	5.0% - 10.0%
Expected average remaining service life	N/A	16 years

**The Corporation of the Town of Cobourg**  
**Notes to Consolidated Financial Statements**

**December 31, 2006**

**7. Due from (to) County and School Boards**

The balance due from (to) County and School Boards is non-interest bearing and due on demand.

**8. Mortgage Payable on Industrial Property**

	<b>2006</b>	<b>2005</b>
Royal Bank of Canada		
5.45%, due on March 4, 2013, blended monthly payments of principal and interest in the amount of \$114,021, secured by industrial property (Note 2)	<b>\$ 11,435,097</b>	<b>\$ 12,160,317</b>

Principal payments for the next five years and thereafter are as follows:

2007	\$ 763,998
2008	805,052
2009	851,680
2010	899,273
2011	954,476
Thereafter	7,160,618
	<b>\$ 11,435,097</b>

**9. Net Long-Term Liabilities**

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

	<b>2006</b>	<b>2005</b>
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	<b>\$ 12,359,453</b>	<b>\$ 10,392,208</b>

- (b) Of the net long-term liabilities reported in (a) of this Note, principal payments are payable from general municipal revenues as follows:

2007	\$ 1,348,634
2008	1,419,392
2009	1,493,574
2010	1,571,970
2011	1,568,735
Thereafter	4,957,148
	<b>\$ 12,359,453</b>

**The Corporation of the Town of Cobourg**  
**Notes to Consolidated Financial Statements**

**December 31, 2006**

**9. Net Long-Term Liabilities - (Continued)**

- (c) Approval of the Ontario Municipal Board or by-law as required has been obtained for the long-term liabilities in (a) issued in the name of the Town.
- (d) Total charges for the year for net long-term liabilities which are reported on the "Consolidated Statement of Financial Activities" are as follows:

	<b>2006</b>	<b>2005</b>
Principal payments	<b>\$ 1,182,755</b>	\$ 1,083,812
Interest	<b>590,058</b>	532,356
	<b>\$ 1,772,813</b>	\$ 1,616,168

- (e) The long-term liabilities bear interest at varying rates of 4.33% to 6.76% per annum.

**10. Municipal Fund Balances at the End of the Year**

The balances of the Current Fund and Capital Fund on the "Consolidated Statement of Financial Position" at the end of the year are comprised of the following:

	<b>2006</b>	<b>2005</b>
Current Fund		
For general reduction of taxation	<b>\$ 76,976</b>	\$ 88,821
Capital Fund		
Acquisition of capital assets to be recovered through taxation and user charges	<b>\$ (10,338,778)</b>	\$ (15,476,053)
Funds available for the acquisition of capital assets	<b>1,755,028</b>	5,741,889
	<b>\$ (8,583,750)</b>	\$ (9,734,164)

Subsequent to year end, the Town obtained two additional long term credit facilities of \$2,013,000 and \$1,300,000 (Note 9).

**The Corporation of the Town of Cobourg**  
**Notes to Consolidated Financial Statements**

**December 31, 2006**

**11. Reserves**

(a) Continuity of Reserves

	2006	2005
Balance, beginning of year	<b>\$ 3,195,167</b>	<b>\$ 3,461,323</b>
Revenue		
Interest earned	17,422	12,905
Net Revenue	17,422	12,905
Net transfers from (to) other funds		
Transfers from the current fund	499,868	1,753,991
Transfers to the capital fund	(341,137)	(2,033,052)
	158,731	(279,061)
Net change in reserves	176,153	(266,156)
Balance, end of year	<b>\$ 3,371,320</b>	<b>\$ 3,195,167</b>

(b) Year End Position of Reserves

	2006	2005
(i) Reserves		
Working capital	<b>\$ 574,200</b>	<b>\$ 876,565</b>
Contingencies	19,965	19,965
Current expenditure		
- general government	163,441	339,656
- protection services	406	406
- health services	3,801	3,801
- recreation and cultural services	2,433	2,433
- planning and development	2,000	2,000
- other	16,563	13,028
Capital expenditure (recoveries)		
- general government	50,590	2,589
- protection services	200,681	(18,732)
- transportation services	1,046,656	583,990
- environmental services	(201,646)	(819,972)
- health services	838,292	1,579,510
- recreation and cultural services	393,000	517,231
- planning and development	239,475	75,001
- other	21,463	17,696
	<b>\$ 3,371,320</b>	<b>\$ 3,195,167</b>

**The Corporation of the Town of Cobourg**  
**Notes to Consolidated Financial Statements**

**December 31, 2006**

**11. Reserves - (Continued)**

(ii) The total balance of reserves is made up of the following:

	<b>2006</b>	<b>2005</b>
Reserves set aside for specific purpose by Council		
for acquisition of capital assets	\$ 2,201,181	\$ 1,487,167
for recreation programs and facilities	395,433	519,664
for working capital	574,200	876,565
for benefit plan	200,506	311,771
	<b>\$ 3,371,320</b>	<b>\$ 3,195,167</b>

**12. Amounts to be Recovered**

	<b>2006</b>	<b>2005</b>
Capital outlay financed by long-term liabilities and to be recovered in future years (Note 9)	\$ 12,359,453	\$ 10,392,208
Employee future benefits (Note 6)	1,680,284	1,506,679
Interest on long-term liabilities included in accrued liabilities	30,663	26,385
	<b>\$ 14,070,400</b>	<b>\$ 11,925,272</b>

**13. Classification of Expenditures by Object**

The Consolidated Statement of Financial Activities presents the expenditures by function, whereas the following classifies those same expenditures by object:

	<b>2006</b>	<b>2005</b>
Salaries, wages and employee benefits	\$ 12,043,088	\$ 10,851,533
Operating materials and supplies	5,899,026	6,561,332
Contracted services	8,377,005	7,714,156
Rents and financial expenses	616,994	545,774
External transfers to others	442,597	750,331
Interest on long term debt	594,511	532,364
Total expenditures by object	<b>\$ 27,973,221</b>	<b>\$ 26,955,490</b>



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# The Corporation of the Town of Cobourg

## Notes to Consolidated Financial Statements

December 31, 2006

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### 14. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (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.

For the year ended December 31, 2006, the current service pension costs charged to expenses was \$1,401,451 (2005 - \$1,136,806).

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### 15. Liability for Vested Sick Leave Benefits

The Town has paid to its employees all vested sick leave benefits as at December 31, 2006. Current sick leave benefits are funded through short term and long term disability plans provided by insurers.

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### 16. Contingent Liabilities

Claims have been filed against the Corporation for incidents, most of which arose in the ordinary course of business. The outcome of the claims is not currently determinable.

The Town is currently in negotiations with the County of Northumberland with respect to its obligations for landfill closing costs. The Town has been paying for landfill closing costs to date. The Town's ultimate liability pertaining to these costs is not currently determinable and hence has not been recorded in these financial statements.

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### 17. Commitments

The Town has entered into contractual obligations for completion of various construction projects and does so on a continuing basis.

Lease commitments as at December 31, 2006 for equipment under lease obligations are as follows:

2007	\$	106,859
2008		98,428
2009		91,168
2010		31,636
2011		10,616
		<hr/>
	\$	<u>338,707</u>

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### 18. Budget Figures

The budget figures as presented for comparison purposes, are unaudited and are those as approved by Council, reclassified to conform with these financial statements.

**The Corporation of the Town of Cobourg**  
**Schedule of Current Fund Operations**

<b>For the year ended December 31</b>	<b>Budget 2006</b>	<b>Actual 2006</b>	<b>Actual 2005</b>
<b>Revenue</b>	(unaudited)		
Taxation and user charges			
Residential and farm taxation	\$ 10,187,734	\$ 10,040,153	\$ 9,209,638
Commercial and industrial taxation	4,879,953	4,824,519	5,190,918
Payments in lieu of taxation	122,700	183,689	194,523
User charges	4,643,799	5,136,094	4,776,909
Development and building revenues (Note 5)	-	65,216	-
Grants			
Province of Ontario	442,000	583,080	483,000
Government of Canada and other municipalities	150,000	200,000	221,312
Other			
Interest income - Town of Cobourg Holdings Inc.	507,500	507,500	507,500
Interest income - Others	150,000	205,255	202,501
Sale of industrial land	50,000	72,261	237,403
	<b>21,133,686</b>	<b>21,817,767</b>	<b>21,023,704</b>
<b>Expenditures</b>			
General government	2,230,204	2,617,598	1,717,236
Protection to persons and property	6,826,386	7,585,621	6,322,927
Transportation services	3,013,902	2,512,634	2,935,181
Environmental services	2,247,355	2,419,878	2,177,422
Recreation and cultural services	3,167,453	3,686,849	3,614,733
Social and family services	42,000	33,029	47,270
Planning and development	574,260	643,265	733,057
	<b>18,101,560</b>	<b>19,498,874</b>	<b>17,547,826</b>
<b>Net revenues for the year</b>	<b>3,032,126</b>	<b>2,318,893</b>	<b>3,475,878</b>
<b>Financing and transfers</b>			
Debt principal repayments	(1,182,755)	(1,182,755)	(1,083,812)
Increase (decrease) in accrued interest on long-term liabilities	4,278	4,278	(3,087)
Increase in employee future benefits	-	173,605	56,326
Transfers to capital fund operations	(1,292,145)	(1,425,998)	(1,320,826)
Transfers to reserves	(1,250,325)	(499,868)	(1,753,991)
Transfer from net equity in Town of Cobourg Holdings Inc. Fund	600,000	600,000	600,000
	<b>(3,120,947)</b>	<b>(2,330,738)</b>	<b>(3,505,390)</b>
<b>Change in fund balance for the year</b>	<b>(88,821)</b>	<b>(11,845)</b>	<b>(29,512)</b>
<b>Current fund, beginning of the year</b>	<b>88,821</b>	<b>88,821</b>	<b>118,333</b>
<b>Current fund, end of the year</b>	<b>\$ -</b>	<b>\$ 76,976</b>	<b>\$ 88,821</b>

**The Corporation of the Town of Cobourg**  
**Schedule of Capital Fund Operations**

<b>For the year ended December 31</b>	<b>Budget 2006</b>	<b>Actual 2006</b>	<b>Actual 2005</b>
<b>Revenue</b>	(unaudited)		
Grants - Province of Ontario	\$ 590,000	\$ 325,584	\$ -
Grants - Government of Canada	152,500	325,584	-
Other municipalities	492,000	2,071,804	243,970
User charges	75,000	105,952	567,936
Development and parking (Note 5)	1,555,000	1,828,702	590,855
	<b>2,864,500</b>	<b>4,657,626</b>	<b>1,402,761</b>
<b>Expenditures</b>			
General government	366,672	273,493	164,810
Protection to persons and property	872,093	1,037,068	1,704,311
Transportation services	5,025,250	5,398,439	3,956,078
Environmental services	75,000	572,727	2,160,551
Recreation and cultural services	806,150	1,050,075	1,036,141
Health services	-	-	352,900
Planning and development	23,280	142,545	32,873
	<b>7,168,445</b>	<b>8,474,347</b>	<b>9,407,664</b>
<b>Net expenditures for the year</b>	<b>(4,303,945)</b>	<b>(3,816,721)</b>	<b>(8,004,903)</b>
<b>Transfers</b>			
Issuance of new debt	2,013,000	3,150,000	1,250,000
Transfers from current fund operations	1,292,145	1,425,998	1,320,826
Transfers from reserves	998,800	341,137	2,033,052
Transfer from net equity in industrial property	-	50,000	-
	<b>4,303,945</b>	<b>4,967,135</b>	<b>4,603,878</b>
<b>Change in fund balance for the year</b>	<b>-</b>	<b>1,150,414</b>	<b>(3,401,025)</b>
<b>Capital fund, beginning of the year</b>	<b>(9,734,164)</b>	<b>(9,734,164)</b>	<b>(6,333,139)</b>
<b>Capital fund, end of the year</b>	<b>\$ (9,734,164)</b>	<b>\$ (8,583,750)</b>	<b>\$ (9,734,164)</b>