

SECTION 7

Financial Statements of

SUDBURY METRO CENTRE

Year ended December 31, 2005

AUDITORS' REPORT

To the Members of the Sudbury Metro Centre

We have audited the statement of financial position of **Sudbury Metro Centre** as at **December 31, 2005** and the statement of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the Centre'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 Sudbury Metro Centre as at December 31, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Collins Barrow, Sudbury-Nipissing LLP

COLLINS BARROW, SUDBURY NIPISSING LLP
Chartered Accountants

Freelandt Caldwell Reilly LLP

FREELANDT CALDWELL REILLY LLP
Chartered Accountants

KPMG LLP

KPMG LLP
Chartered Accountants

Sudbury, Canada
February 3, 2006

SUDBURY METRO CENTRE**Statement of Financial Position****December 31, 2005 with comparative figures for 2004**

	2005	2004
Financial Assets		
Cash	\$ 63,542	\$ 31,481
Short-term investments, at cost (note 2)	313,845	311,280
Accounts receivable	12,561	13,808
Receivable from the City of Greater Sudbury	591	12,649
Prepaid expenses and deposits	15,570	11,399
Total financial assets	406,109	380,617
Liabilities		
Accounts payable and accrued liabilities	59,602	49,276
Deferred revenue	-	4,273
Total financial liabilities	59,602	53,549
Net Financial Assets	\$346,507	\$327,068
Municipal Position:		
Fund Balances		
Reserve funds (note 3)	\$299,865	\$ 280,459
Operating fund	46,642	46,609
	346,507	327,068
Commitments (note 4)		
Total Municipal Position	\$ 346,507	\$ 327,068

See accompanying notes to financial statements.

SUDBURY METRO CENTRE**Statement of Financial Activities**

Year ended December 31, 2005 with comparative figures for 2004

	2005	2004
Revenues:		
Tax levy on Central Business District members collected by the City of Greater Sudbury	\$ 400,000	\$ 400,000
Tax levy adjustments (note 5)	(23,854)	(15,301)
Farmers Market	99,418	95,128
Parking stamps and tokens	7,540	8,690
Interest	7,888	6,001
Human Resources and Skills Development Canada	2,682	4,576
Other	3,370	2,012
Total Revenues	497,044	501,106
Expenditures:		
Administration	178,857	198,486
Farmers Market	143,725	123,024
Marketing, special events and member communications and services	109,406	82,149
Parking	29,262	38,127
Development	16,355	18,305
Elgin Street improvements	-	19,480
Total expenditures	477,605	479,571
Excess of revenues over expenditures	19,439	21,535
Fund balances, beginning of year	327,068	305,533
Fund balances, end of year	\$ 346,507	\$ 327,068

See accompanying notes to financial statements.

SUDBURY METRO CENTRE**Cash Flows Statement****Year ended December 31, 2005 with comparative figures for 2004**

	2005	2004
Cashflows from operating activities:		
Excess of revenues over expenditures	\$ 19,439	\$ 21,535
Change in non-cash operating working capital:		
Accounts receivable	1,247	3,197
Receivable from the City of Greater Sudbury	12,058	10,540
Prepaid expenses and deposits	(4,171)	(4,133)
Accounts payable and accrued liabilities	10,326	17,417
Deferred revenue	(4,273)	4,273
Net increase in cash and cash equivalents	34,626	52,829
Cash and cash equivalents, beginning of year	342,761	289,932
Cash and cash equivalents, end of year	\$ 377,387	\$ 342,761
Cash and cash equivalents is comprised of:		
Cash	\$ 63,542	\$ 31,481
Short-term investments	313,845	311,280
	\$ 377,387	\$ 342,761
Other information:		
Interest received	\$ 7,864	\$ 5,927

See accompanying notes to financial statements.

SUDBURY METRO CENTRE

Notes to Financial Statements

December 31, 2005

Sudbury Metro Centre was established by laws of the former Corporation of The City of Sudbury. The Centre is responsible for the promotion of the Central Business District Improvement Area of the City of Greater Sudbury as a business and shopping area and also the improvement, beautification and maintenance of municipally owned lands, buildings and structures in the Improvement Area.

1. Accounting policies:

The financial statements of the Sudbury Metro Centre (the "Centre") are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) 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.

The focus of PSAB financial statements is on the financial position of the Centre and changes thereto. The Statement of Financial Position includes all the assets and liabilities of the Centre. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position and is the difference between assets and liabilities. This statement provides information about the Centre's overall future revenue requirements and its ability to finance activities and meet its obligations.

Significant aspects of the accounting policies adopted by the Centre are as follows:

(a) Fund accounting:

Funds within the financial statement consist of operating and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(b) Basis of accounting:

These financial statements reflect the assets, liabilities, revenues, expenditures, and fund balances of the reporting entity and include the activities of all committees of the board.

Revenues and expenditures are reported using the accrual basis of accounting.

SUDBURY METRO CENTRE

Notes to Financial Statements

December 31, 2005

(c) Capital assets:

The historical cost and accumulated amortization of capital assets are not reported for local government purposes. Expenditures on capital assets are charged to operations in the year of acquisition.

(d) Deferred revenue:

Funding received under funding arrangements which relate to a subsequent fiscal year are recorded as deferred revenue and are recognized as revenue in the year to which they relate. Unexpended portions of grants received for specific purposes are reflected as deferred revenue and are recognized as revenue in the year they are expended.

(e) Financial instruments:

The organization's financial instruments consist of cash, short-term investments, accounts receivable, receivable from the City of Greater Sudbury, accounts payable and accrued liabilities and deferred revenue. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks and that the fair value of these items are not materially different from the carrying amounts as presented in the balance sheet.

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principals requires management to make estimates and assumptions that effect the reported amounts of certain assets and liabilities at the date of the financial statements and reported amounts of certain revenues and expenditures during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are tax levy adjustments and certain accrued liabilities.

SUDBURY METRO CENTRE**Notes to Financial Statements****December 31, 2005**

(g) Revenue recognition:

Tax levy revenue is earned and accrued for on a calendar year basis. Assessments and the related tax levy are subject to appeal. Tax levy adjustments as a result of appeals are recorded when the results of the appeal process is known.

Farmers market vendor stall rentals and other user fee revenues are calculated and accrued for on a monthly basis when earned.

Revenues from government grants are earned and accrued on the basis of their related funding agreements which generally include specific expenditure requirements.

2. Short-term investments:

Short-term investments are recorded at cost and are comprised of term deposits, and guaranteed investment certificates with various maturities within one year and paying various interest rates between 2% and 2.5%. The market values of these investments are approximately equal to cost.

3. Reserve funds:

Reserve funds consist of the following:

	2005	2004
Funds set aside by the Sudbury Metro Centre for:		
Special projects	\$ 227,483	\$ 221,642
Chargeback	42,449	42,449
Farmer's Market capital improvements	29,933	16,368
	\$ 299,865	\$ 280,459

SUDBURY METRO CENTRE

Notes to Financial Statements

December 31, 2005

4. Commitments:

Leased office space:

The Sudbury Metro Centre rents office space under a lease of which the annual base rent is \$17,820. The lease expires on June 30, 2006.

Advertising:

The Sudbury Metro Centre has committed \$15,000 to purchase advertising time on a digital sign in downtown Sudbury. The commitment is for the period from October 1, 2005 to December 31, 2006. \$3,000 of the commitment was expensed in the accompanying financial statements for the year ending December 31, 2005.

5. Tax levy adjustments:

Tax levy adjustments result from municipal tax appeals and writeoffs of uncollectable taxes. These adjustments are recorded in the year they are determined.

6. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

SUDBURY METRO CENTRE
Schedule of Operating Fund Activities

Schedule 1

Year ended December 31, 2005 with comparative figures for 2004

	2005	2004
Revenues:		
Tax levy on Central Business District members collected by the City of Greater Sudbury	\$ 400,000	\$ 400,000
Tax levy adjustments	(23,854)	(15,301)
Farmers Market	99,418	95,128
Parking stamps and tokens	7,540	8,690
Human Resources and Skills Development Canada	2,682	4,576
Interest	2,047	963
Other	3,370	2,012
Total Revenues	491,203	496,068
Expenditures:		
Administration	178,857	198,486
Farmers Market	143,725	123,024
Marketing, special events and member communications and services	109,406	82,149
Parking	29,262	38,127
Development	16,355	18,305
Elgin Street improvements	-	19,480
Total expenditures	477,605	479,571
Excess of expenditures over revenue before transfers	13,598	16,497
Transfers from (to) reserve funds:		
Transfers to reserve funds	(13,565)	(16,368)
Transfers from reserve funds	-	19,480
Net transfers	(13,565)	3,112
Change in operating fund	33	19,609
Operating fund, beginning of year	46,609	27,000
Operating fund, end of year	\$ 46,642	\$ 46,609

See accompanying notes to financial statements.

SUDBURY METRO CENTRE
Schedule of Reserve Funds Activities

Schedule 2

Year ended December 31, 2005 with comparative figures for 2004

	2005	2004
Revenues:		
Interest	\$ 5,841	\$ 5,038
Net transfers from (to) other funds:		
Transfer from operating fund	13,565	16,368
Transfer to operating fund	-	(19,480)
Net transfers	13,565	(3,112)
Change in reserve funds	19,406	1,926
Reserve funds, beginning of year	280,459	278,533
Reserve funds, end of year	\$ 299,865	\$ 280,459

See accompanying notes to financial statements.

SUDBURY METRO CENTRE**Schedule of Expenditures****Schedule 3****Year ended December 31, 2005 with comparative figures for 2004**

	2005	2004
Administration		
Salaries, wages and benefits	\$ 124,314	\$ 134,488
Rent and utilities	20,250	20,415
Board expenses	11,556	10,701
Office and general	8,654	13,881
Equipment	4,718	5,708
Telephone	4,502	4,079
Accounting	2,828	3,299
Conferences and professional development	2,035	5,915
Administration total	\$ 178,857	\$ 198,486
Farmers Market		
Advertising and promotion	\$ 49,760	46,873
Salaries and benefits	33,761	21,710
Utilities	17,056	15,733
Repairs and maintenance	12,127	9,680
Equipment, furnishings and capital improvements	11,435	11,480
Office and general	6,460	6,836
Development, studies and surveys	6,057	6,352
Insurance	5,400	1,350
Other operating costs	1,669	3,010
Farmers Market total	\$ 143,725	\$ 123,024

SUDBURY METRO CENTRE
Schedule of Farmers Market Activities

Schedule 4

Year ended December 31, 2005 with comparative figures for 2004

	2005	2004
Farmers Market Operating Activities:		
Revenues:		
Stall fees and other tenant charges	\$ 57,264	\$ 47,341
Industry Canada - FedNor	13,990	11,488
Farmers Market Ontario	-	6,185
Other revenue	3,164	2,266
	74,418	67,280
Expenditures:		
Advertising and promotion	49,760	46,873
Salaries and benefits	33,761	21,710
Utilities	17,056	15,733
Repairs and maintenance	12,127	9,680
Office and general	6,460	6,836
Development, studies and surveys	6,057	6,352
Insurance	5,400	1,350
Other operating costs	1,669	3,010
	132,290	111,544
Deficiency of revenues over expenditures from Farmers Market operating activities	\$ (57,872)	\$ (44,264)
Farmers Market Capital Improvements Activities:		
Revenues:		
Contribution from the Corporation of the City of Greater Sudbury	\$ 25,000	\$ 25,000
Industry Canada - Fednor	-	1,860
Other revenue	-	988
	25,000	27,848
Expenditures:		
Equipment, furnishings and capital improvements	11,435	11,480
Excess of capital improvement funding over expenditures being transferred to Farmers Market Capital Improvements Reserve fund	13,565	16,368
Farmers Market Capital Improvements Reserve fund at the beginning of the year	16,368	-
Farmers Market Capital Improvements Reserve fund at the end of the year	\$ 29,933	\$ 16,368