



A great place to call home
A vibrant downtown

A progressive diversified economy
An appealing attractive city

AGENDA

GUELPH CITY COUNCIL

October 22, 2007 - 7:00 p.m.

Please turn off or place on non-audible all cell phones, PDAs, Blackberrys and pagers during the meeting.

Guelph Junction Railway – 2006 Audited Statements

The following will be present:

- Paul Smith, Chair
- Ben Boehm, President
- Tom Sagaskie, General Manager

Adjournment



September 5, 2007

Your Worship Mayor Karen Farbridge
and
Members of Guelph City Council

Subject: Guelph Junction Railway 2006 Audited Statements

The Board of Directors of the Guelph Junction Railway are pleased to submit to Guelph City Council our 2006 audited statements and year end financial reports.

2006 represented a year in which the Guelph Junction Railway made significant advances on a number of objectives. Our long range maintenance program continues to benefit the Railway and once again we are pleased to report that the Guelph Junction Railway unconditionally passed all Transport Canada's inspections. Business attraction remains a key objective and the Guelph Junction Railway is continuing to work closely with a number of industries who wish to expand/relocate to this community. The Board of Directors further wish to advise City Council that in 2006 the Guelph Junction Railway met and exceeded the performance targets of the Railway's five year business plan.

In summary, the Guelph Junction Railway continues to conduct it's operations in a safe and responsible manner in accordance with regulatory requirements, approved business plans and the shareholder declaration.

Yours truly,

Ben Boehm, P.Eng.
President
Guelph Junction Railway

BB/φ



GUELPH JUNCTION RAILWAY 2006 YEAR END FINANCIAL REPORT

Prepared by the Guelph Junction Railway

Guelph Junction Railway Company

c/o City Hall, 59 Garden Street
Guelph, Ontario, Canada N1H 3A1
Located at: Suite 301, 98 Macdonell Street
Tel: (519) 836-4848 Fax: (519) 837-5636

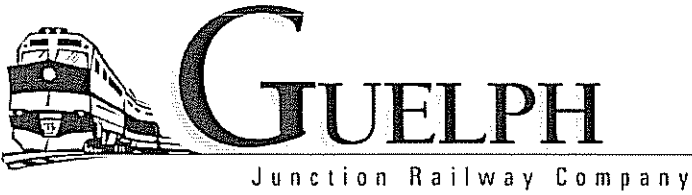


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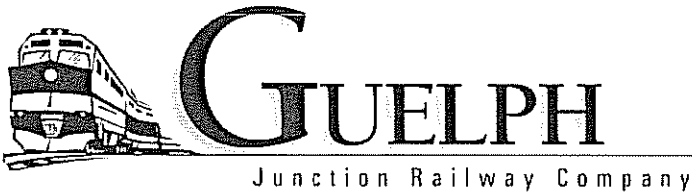
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Financial Executive Summary

	<u>2005</u>	<u>2006</u>	<u>Business Plan Projection</u>
REVENUE	\$1,464,473	\$1,550,862	1,427,193
EXPENSE	\$1,503,019	\$1,441,335	\$1,356,945
EXCESS OF REVENUE OVER EXPENSE	(-\$38,546)	\$109,527	\$70,248

As noted on the following budget performance and variance report, the G.J.R. in 2006 incurred a slight increase in revenue and a slight decrease in expenditures as compared to 2005. The combination of these two events allowed the G.J.R. to move from a loss in 2005 to a small profit in 2006. Furthermore it should be noted that the G.J.R. exceeded the business plan projection for the 2006 year.

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Budget Performance and Variance Report

	Actual	Budget	Business Plan Projection	Actual/Budget Variance
REVENUE				
Freight movement	\$1,124,682	\$1,476,332		
Crossings/leases	\$137,291	\$111,629		
Third Party Recoverable	\$181,648			
Other (Grants/interest)	\$107,241	\$2,311		
TOTAL	\$1,550,862	\$1,590,272	\$1,427,193	-2.5%
EXPENSES (less Interest, Taxes & Depreciation)				
Freight movement	\$779,008	\$1,009,616		
Infrastructure maintenance	156,676	\$200,000		
Administration/Legal/Other Audit/Grant	\$267,487	\$224,715		
Third Party Recoverable	\$137,403			
TOTAL	\$1,337,434	\$1,434,331	\$1,252,945	-6.7%
Net Earnings	\$213,428	\$155,941	\$174,248	
Interest, Taxes & Depreciation	\$103,901	\$136,263	\$104,000	
Excess [Loss] of revenue over expenses	\$109,527	\$19,678	\$70,248	456%

Statement of Material Breach of the Requirements of Shareholders Declaration or Violation of Law

In accordance with section 6.2 of the Shareholder Declaration the Board of Directors of the Guelph Junction Railway advises Council that no material breach of the requirements of the Shareholder Declaration or violation of law has occurred.

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Consolidated Financial Statements of

GUELPH JUNCTION RAILWAY COMPANY

December 31, 2006

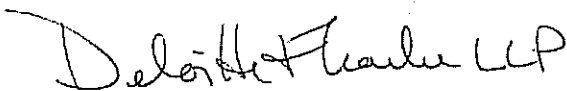
Auditors' Report

To the Shareholder of
Guelph Junction Railway Company

We have audited the consolidated balance sheet of Guelph Junction Railway Company as at December 31, 2006 and the consolidated statements of revenue, expense and surplus and of cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 Company as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

June 1, 2007

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CITY OF GUELPH
GUELPH JUNCTION RAILWAY COMPANY
Consolidated Statement of Revenue, Expense and Surplus
Year Ended December 31, 2006

	<u>2006</u>	<u>2005</u>
REVENUE		
Freight movement	\$ 1,124,682	\$ 1,150,544
Non-freight movement	426,180	313,929
	<u>1,550,862</u>	<u>1,464,473</u>
EXPENSE		
Audit	7,000	5,000
Depreciation	87,897	91,213
Food terminal	112,182	60,852
Freight movement and track maintenance	935,684	1,221,967
Administration and office	161,114	114,229
Other	137,458	9,758
	<u>1,441,335</u>	<u>1,503,019</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	109,527	(38,546)
SURPLUS, BEGINNING OF YEAR	5,433,426	5,471,972
SURPLUS, END OF YEAR	\$ 5,542,953	\$ 5,433,426

CITY OF GUELPH
GUELPH JUNCTION RAILWAY COMPANY
Consolidated Balance Sheet
December 31, 2006

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT		
Cash	\$ 125,803	\$ 252,883
Accounts receivable	592,477	541,843
Prepaid expenses	350	350
	<u>718,630</u>	<u>795,076</u>
NET PROPERTIES (Notes 3)	5,657,575	5,768,423
	<u>\$ 6,376,205</u>	<u>\$ 6,563,499</u>
LIABILITIES, SHARE CAPITAL AND SURPLUS		
CURRENT		
Accounts payable and accrued liabilities	\$ 92,785	\$ 285,083
Due to City of Guelph	200,867	282,439
	<u>293,652</u>	<u>567,522</u>
DEFERRED CAPITAL COSTS (Note 3)	539,599	562,550
	<u>833,251</u>	<u>1,130,072</u>
SHARE CAPITAL	1	1
SURPLUS	5,542,953	5,433,426
	<u>5,542,954</u>	<u>5,433,427</u>
	<u>\$ 6,376,205</u>	<u>\$ 6,563,499</u>

CITY OF GUELPH
GUELPH JUNCTION RAILWAY COMPANY
Consolidated Statement of Cash Flows
Year Ended December 31, 2006

	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES		
Cash from operations		
Excess (deficiency) of revenue over expense	\$ 109,527	\$ (38,546)
Items not affecting cash		
Depreciation	87,897	91,213
	<u>197,424</u>	<u>52,667</u>
Changes in non-cash operating working capital components		
Accounts receivable	(50,634)	(160,687)
Accounts payable and accrued liabilities	(192,298)	132,119
Inventory	-	540
	<u>(242,932)</u>	<u>(28,028)</u>
INVESTING ACTIVITY		
Purchase of net properties	-	(16,652)
	<u>-</u>	<u>(16,652)</u>
FINANCING ACTIVITY		
Due to City of Guelph	(81,572)	10,330
	<u>(81,572)</u>	<u>10,330</u>
CHANGE IN CASH	(127,080)	18,317
CASH, BEGINNING OF YEAR	252,883	234,566
CASH, END OF YEAR	\$ 125,803	\$ 252,883

CITY OF GUELPH
GUELPH JUNCTION RAILWAY COMPANY
Notes to the Consolidated Financial Statements
Year Ended December 31, 2006

1. DESCRIPTION OF BUSINESS

Guelph Junction Railway Company was incorporated under the laws of Canada in 1844. The Company is wholly owned by The City of Guelph and is exempt from income taxes.

2. BASIS OF ACCOUNTING

The financial statements of the Guelph Junction Railway Company are the representation of management prepared in accordance with Canadian generally accepted accounting policies.

Basis of presentation

The financial statements of the Guelph Junction Railway Company (the "Company"), for the year ended December 31, 2006 have been prepared on a consolidated basis. The consolidated financial statements include the accounts of the Guelph Junction Railway Operations Fund.

Net properties

Capital asset additions and major renewals are recorded at cost.

Depreciation is calculated using the declining-balance method at rates calculated to amortize the cost of the assets over their estimated lives. The depreciation rates are as follows:

Tracks	4%
Structures	4%
Other	4%

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates used within these financial statements include depreciation and amortization, and accrued liabilities. Actual results could differ from those estimates.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

**CITY OF GUELPH
GUELPH JUNCTION RAILWAY COMPANY
Notes to the Consolidated Financial Statements
Year Ended December 31, 2006**

3. NET PROPERTIES

	2006			2005
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 2,997,210	\$ -	\$ 2,997,210	\$ 2,997,210
Tracks	2,656,151	599,524	2,056,627	2,142,319
Structures	481,327	88,868	392,459	408,811
Other	305,083	93,804	211,279	220,083
	\$ 6,439,771	\$ 782,196	\$ 5,657,575	\$ 5,768,423

During the year net properties were acquired at an aggregate cost of \$Nil (2005 - \$596,959) of which \$Nil (2005 - \$574,489) were provided to the Company by a third party. The costs provided by the third party are being deferred over the useful life of the net properties acquired, which will reduce the depreciation expense.

4. FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk that counterparties will fail to act as contracted. The Company is exposed to credit risk through its trade accounts receivable. The Company provides credit to its customers in the normal course of its operations. There is no particular concentration of risk to the distribution of customers and the procedures for the management of credit risks.

Fair value

At year-end, the carrying amounts reported in the balance sheet for cash, accounts receivable, accounts payable and due to the City of Guelph approximate fair value, due to the short-term nature of the balances.