

**THE CORPORATION OF THE
MUNICIPALITY OF WAWA
FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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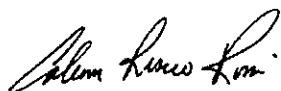
AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the Municipality of Wawa

We have audited the consolidated statement of financial position of the Corporation of the Municipality of Wawa as at December 31, 2006 and the consolidated statement of financial activities and fund balances and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation'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 from 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 the 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 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 accounting principles recommended for government by the Canadian Institute of Chartered Accountants and disclosed in the summary of significant accounting policies.



Chartered Accountants LLP
Licensed Public Accountants
Sault Ste. Marie, Canada
October 17, 2007

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT DECEMBER 31, **2006** **2005**

Financial assets:		
Cash	\$ 359,990	\$ -
Investments	93,601	78,482
Taxes receivable	372,682	507,538
Accounts receivable	1,483,942	6,369,511
Prepaid expense	15,056	10,396
Inventory held for resale	63,783	66,773
Other	1,024,155	860,030
Financial assets	3,413,209	7,892,730
Financial Liabilities		
Bank indebtedness	-	2,709,627
Accounts payable and accrued liabilities	2,734,199	2,811,309
Future employee benefits (note 3)	1,497,495	1,663,039
Solid waste landfill closure liability (note 4)	1,000,000	740,000
Deferred revenue - obligatory reserves	175,530	99,131
Long-term obligations (note 5)	4,855,014	3,216,687
Financial liabilities	10,262,238	11,239,793
Net Financial Liabilities	(6,849,029)	(3,347,063)
Other assets		
Inventory	28,807	16,000
Total net liabilities	\$(6,820,222)	\$(3,331,063)
Municipal position:		
Amounts to be recovered:		
From reserve funds on hand	\$ (81,441)	\$ (47,636)
From future revenues	(7,271,068)	(5,572,090)
	(7,352,509)	(5,619,726)
Fund balances (notes 6 and 7)		
Operating fund	(94,303)	34,040
Capital Fund	(2,117,950)	31,052
Reserves	249,720	249,720
Reserve Funds	2,494,820	1,973,851
	532,287	2,288,663
Total Municipal position	\$(6,820,222)	\$(3,331,063)

APPROVED ON BEHALF OF COUNCIL:

_____ Mayor

_____ Treasurer

The accompanying notes are an integral part of these financial statements.

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**

YEAR ENDED DECEMBER 31, 2006 (with comparative figures for the prior year)

	Actual 2006	Actual 2005
Revenues		
Residential and farm taxation	\$ 2,218,128	\$ 2,078,819
Commercial and industrial taxation	1,135,060	1,049,540
Taxation from other governments	199,697	137,757
User charges	1,160,368	1,102,522
Government grants	6,947,332	9,248,475
Investment income	142,019	59,105
Other	761,809	240,531
Total Revenues	12,564,413	13,916,749
Expenditures		
Current		
General government	1,555,842	1,827,917
Protection to persons and property	1,714,864	1,581,288
Transportation services	1,142,817	1,044,582
Environmental services	2,669,127	685,826
Health services	169,801	179,875
Social and family services	1,786,683	2,126,795
Social Housing	372,174	-
Recreation and cultural services	1,188,669	715,222
Planning and development	323,783	289,021
	10,923,760	8,450,526
Capital		
General government	110,380	353,819
Protection to persons and property	19,330	307,648
Transportation services	71,071	142,487
Environmental services	4,743,744	5,269,436
Recreation and cultural services	65,287	33,439
Planning and development	120,000	-
	5,129,812	6,106,829
Total Expenditures	16,053,572	14,557,355
Excess of Expenditures over Revenues	(3,489,159)	(640,606)
Increase in amounts to be recovered	1,732,783	270,691
Decrease in fund balances	(1,756,376)	(911,297)
Fund balances, beginning of year	2,288,663	3,199,960
Fund balances, end of year	\$ 532,287	\$ 2,288,663

The accompanying notes are an integral part of these financial statements.

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
CONSOLIDATED STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31,	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of Revenues over (under) Expenditures	\$ (3,489,159)	\$ (640,606)
Uses:		
Increase in accounts receivable	-	(4,598,073)
Increase in investments	(15,119)	(48,554)
Increase in prepaid expenses	(4,660)	(5,490)
Increase in inventory	(9,817)	(3,532)
Increase in other financial assets	(164,125)	-
Decrease in accounts payable	(77,110)	-
Decrease in future employee benefits	(165,544)	-
	<u>(3,925,534)</u>	<u>(5,296,255)</u>
Sources:		
Decrease in taxes receivable	134,856	660,989
Decrease in accounts receivable	4,885,569	-
Decrease in other financial assets	-	59,662
Increase in accounts payable and accrued liabilities	-	2,092,909
Increase in future employees benefits	-	274,106
Increase in landfill liability	260,000	90,000
Increase in deferred revenue - obligatory reserves	76,400	71,966
	<u>5,356,825</u>	<u>3,249,632</u>
Net increase (decrease) in cash from operations	1,431,291	(2,046,623)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term obligations	1,776,014	325,150
Repayment of long-term obligations	(137,688)	(890,697)
	<u>1,638,326</u>	<u>(565,547)</u>
Net increase (decrease) in cash position from financing activities	3,069,617	(2,612,170)
Cash position, beginning of year	(2,709,627)	(97,457)
CASH POSITION, END OF YEAR	\$ 359,990	\$(2,709,627)

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006

Nature of Activities The consolidated financial statements of the Corporation of the Municipality of Wawa are the representation of management, prepared in accordance with accounting policies prescribed for Ontario Municipalities by the Ministry of Municipal Affairs and in accordance with local government accounting standards established by the Public Sector Accounting and Auditing 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. Actual results could differ from these estimates. These estimates have been made using careful judgement.

Basis of Consolidation

Consolidated entities:

These consolidated statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserve funds and reserves and include the activities of all committees of Council and the following boards and utilities which are under the control of Council:

Municipality of Wawa Police Services Board
Wawa Water and Sewer System
The Cemetery Board of the Municipality of Wawa
Michipicoten Public Library Board
Board of Management for the Wawa Business Improvement area

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

Non-consolidated entities

The following local boards, joint local boards and municipal enterprises are not consolidated:

Algoma Health Unit
Algoma District Homes for the Aged
Algoma District Social Services Board

Accounting for School Board transactions

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

Trust Funds

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Continuity and Statement of Financial Position".

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2006

1. Summary of Significant Accounting Policies

(a) Inventory

Inventory is stated at cost on a first-in first-out basis.

(b) Capital assets

Expenditures made on capital assets are reported as expenditures on the consolidated statement of financial activities and fund balances in the year of acquisition.

(c) Employee future benefits

The municipality accrues its obligations for employee benefit plans. The cost of post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages and expected health care costs.

(d) Landfill closure and post-closure liabilities

The municipality accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management.

Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as change in estimate, when applicable.

(e) Reserves and reserve funds:

Certain amounts, as approved by 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 fund when approved.

(f) Government grants:

Government grants are recognized in the financial statements as revenues in the period in which events giving rise to the grants occur, providing the grants are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2006

(g) 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 the Council, incorporating amounts to be raised for local services and amounts the Municipality 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. Taxation revenues are recorded at the time tax billings are issued.

A normal part of the assessment process is the issue of supplementary 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. Assessments and the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the school boards as appropriate.

2. Operations of school boards:

During 2006, the Municipality collected and transferred property taxes in the amount of \$843,626 (2005 - \$898,915).

3. Future employee benefits

(a) Extended health care and life insurance

The Municipality provides extended health care and life insurance benefits to its employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was completed effective December 31, 2006. The next valuation will be effective December 31, 2009.

At December 31, 2006, the Municipality's accrued benefit obligation relating to post-retirement and post-employment benefits plans is \$955,264 (2005 - \$1,101,523).

The significant actuarial assumptions adopted in estimating the Municipality's accrued benefit obligation are as follows:

Discount rate	5.25% per annum
Health benefits escalation	10.0% per annum
	decreasing to CPI + 2.5% after 10 years

Information with respect to the Municipality's post-retirement and post-employment obligations is as follows:

	2006	2005
Accrued benefit liability	\$ 1,101,523	\$ 1,007,933
Expense recognized for the period	43,473	41,403
Benefits paid for the period	(12,323)	(11,736)
Interest accrued	69,819	63,923
Actuarial loss	(247,228)	-
	\$ 955,264	\$ 1,101,523

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2006

(b) Accumulated sick leave liability

Municipal employees are allowed six days of sick leave per year. If the days are not taken by the end of the year, they can be paid out at 50% of their value or carried forward to be used as additional sick leave in future years. At December 31, 2006 this liability is estimated at \$226,537 (2005 - \$247,673).

(c) Employee benefit obligations

	2006	2005
Estimated liability:		
Accumulated sick leave benefit plan entitlements	\$ 226,537	\$ 247,673
Vacation pay	315,694	313,843
Medical and dental plan entitlements	955,264	1,101,523
	\$ 1,497,495	\$ 1,663,039

A reserve fund in the amount of \$81,441 (2005 - \$47,636), has been established to fund this liability.

4. Landfill closure and post closure liability:

The Municipality owns and operates one open landfill site and it owns and monitors two closed landfill sites. The open site has a remaining capacity of 11,000 m³ (2005 - 15,000 m³) for an estimated life expectancy of 5 years, if the annual waste volume received remains the same. The present value of the expected closure and post closure costs of the open landfill site and the present value of expected monitoring and capital rehabilitation cost of the closed landfill sites have been reported as a liability on the Consolidated Statement of Financial Position. The liability was estimated using a real return rate of 3.15%. Estimated liability for closure and post closure care are \$1,000,000, (2005 - \$740,000) which has been recognized on the Consolidated Statement of Financial Position. The estimated length of time required for post-closure care is 100 years, with annual costs of approximately \$30,000 per year plus annual increases. A reserve fund of \$55,041 (2005 - \$18,457) has been established to fund this liability.

5. Long-term obligations

Long-term obligations reported on the consolidated statement of financial position consist of the following:

	2006	2005
Debentures, payable approximately \$342,000 annually including interest ranging from 5.75% to 6.50%, due 2010	\$ 3,079,000	\$ 3,213,000
Term loan, payable \$3,908 annually including interest at 6%, due 2006	-	3,687
OSIFA loan, payable monthly with interest only at prime minus 1%, repayable upon completion of certain capital projects	1,776,014	-
	\$ 4,855,014	\$ 3,216,687

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2006

5. Long-term obligations (continued)

The principal payments due on long term debt over the next four years is approximately as follows:

2007	-	142,000
2008	-	152,000
2009	-	162,000
2010	-	2,623,000

The long-term obligations have been approved by by-laws and the annual principal and interest payments required to service these obligations are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

6. Fund balances at the end of the year:

The fund balances at the end of the year are comprised of the following:

	2006	2005
For general reduction of taxation or user charges	\$ (95,327)	\$ 44,416
To be applied to operations of local boards	1,024	(10,376)
	(94,303)	34,040
Funds available (needed) for the acquisition of capital assets	(2,117,950)	31,052
	\$ (2,212,253)	\$ 65,092

7. Reserves and reserve funds:

The total reserves and reserve funds are made up of the following:

Reserve set aside by Council for working capital	\$ 249,720	\$ 249,720
Reserve funds set aside for specific purposes by Council		
For acquisition of capital assets	\$ 462,175	\$ 689,890
For sick leave	30,390	29,545
For water and sewer	65,729	44,773
For rate stabilization	50,640	81,988
For other purposes	1,885,886	1,127,655
	\$ 2,494,820	\$ 1,973,851

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2006

8. Contributions to unconsolidated joint boards:

The following contributions were made by the Municipality to these unconsolidated boards:

	2006	2005
Algoma Health Unit	\$ 107,131	\$ 117,900
Algoma District Services Administration Board	2,054,131	2,023,364
Algoma District Homes for the Aged	98,817	90,885
	\$ 2,260,079	\$ 2,232,149

The Municipality is contingently liable for its share of any accumulated deficits of the above boards as well as long term liabilities issued by other Municipalities for these boards. The municipality's share of the accumulated net assets (deficiency) of these joint boards is as follows:

	%	2006	2005
Algoma Health Unit	3.1%	\$ (681)	\$ (43,088)
Algoma District Services Administration Board	15.9%	53,078	448,615
Algoma District Homes for the Aged	15.5%	12,759	73,053
		\$ 65,156	\$ 478,580

9. Trust Funds

Trust funds administrated by the Municipality amounting to \$82,317 (2005 - \$72,851) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

10. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of members of 41 (2005 - 41) members 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. Amounts contributed to OMERS during 2006 was \$280,000, (2005 - \$278,934).

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2006

11. Budget figures

The classification basis used for budgets differs from the functional basis used in the financial statements. As such, these budgets are not directly comparable with the current year financial statement amounts and budgets have therefore not been reflected on the consolidated statement of financial activities and fund balances.

12. Public Sector Salary Disclosure Act:

In 2006, employees paid an annual salary of \$100,000 or more as defined by the Public Sector Salary Disclosure Act, 1996 were as follows:

Mr. Chris Wray	-	\$ 105,569
Mr. Robert Joanisse	-	101,520
Mr. Duane Wenmann	-	100,805

13. Expenditures by object:

	2006	2005
Total expenditures by object are as follows:		
Salaries and benefits	\$ 3,843,136	\$ 3,345,760
Materials, supplies and services	1,942,321	2,014,167
Long-term debt charges	457,529	457,106
Rents and financial expenditures	2,754,582	403,776
External transfers	2,250,006	2,229,717
Capital expenditures	5,129,812	6,106,829
	\$16,377,386	\$14,557,355

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
CONSOLIDATED ANALYSIS OF OPERATIONS**

Year ended December 31, 2006, with comparative figures for 2005

	Operating Fund	Capital Fund	Reserve	Reserve Funds	Total 2006	Total 2005
Revenues:						
Residential and farm taxation	\$ 2,218,128	\$ -	\$ -	\$ -	\$ 2,218,128	\$ 2,078,819
Commercial and industrial taxation	1,135,060	-	-	-	1,135,060	1,049,540
Taxation from other governments	199,697	-	-	-	199,697	137,757
User charges	1,160,368	-	-	-	1,160,368	1,102,522
Government grants	4,301,487	2,645,845	-	-	6,947,332	9,248,475
Investment income	63,892	-	-	78,127	142,019	59,105
Other	314,206	283,832	-	163,771	761,809	240,531
	9,392,838	2,929,677	-	241,898	12,564,413	13,916,749
Expenditures:						
General government	1,555,842	110,380	-	-	1,666,222	2,181,736
Protection to persons and property	1,714,864	19,330	-	-	1,734,194	1,888,936
Transportation services	1,142,817	71,071	-	-	1,213,888	1,187,069
Environmental services	2,669,127	4,743,744	-	-	7,412,871	5,955,262
Health services	169,801	-	-	-	169,801	179,875
Social and family services	1,786,683	-	-	-	1,786,683	1,772,757
Social housing	372,174	-	-	-	372,174	394,038
Leisure services and tourism	1,188,669	65,287	-	-	1,253,956	748,661
Planning and development	323,783	120,000	-	-	443,783	289,021
	10,923,760	5,129,812	-	-	16,053,572	14,557,355
Net revenue (expenditure)	(1,530,922)	(2,200,135)	-	241,898	(3,489,159)	(640,606)
Financing and transfers:						
Proceeds from long-term obligations	1,776,014	-	-	-	1,776,014	-
Repayment of long-term obligations	(137,687)	-	-	-	(137,687)	565,547
Decrease (increase) in future employee benefits	(165,544)	-	-	-	(165,544)	(274,106)
Increase in landfill liability	260,000	-	-	-	260,000	(90,000)
Decrease in accrued interest	-	-	-	-	-	69,250
Transfers to capital fund	323,815	(602,886)	-	279,071	-	-
Transfers from reserve funds/ general fund	(654,019)	654,019	-	-	-	-
Net financing and transfers	1,402,579	51,133	-	279,071	1,732,783	270,691
Increase (decrease) in fund balances	(128,343)	(2,149,002)	-	520,969	(1,756,376)	(911,297)
Fund balances, beginning of year	34,040	31,052	249,720	1,973,851	2,288,663	3,199,960
Fund balances, end of year	\$ (94,303)	\$ (2,117,950)	\$ 249,720	\$ 2,494,820	\$ 532,287	\$ 2,288,663

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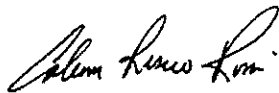
AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the Municipality of Wawa

We have audited the statement of financial position of the trust funds of the Corporation of the Municipality of Wawa as at December 31, 2006 and the statement of continuity of the Trust Funds 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 from 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 the 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 as at December 31, 2006 and the statement of continuity of trust funds for the year then ended in accordance with accounting principles disclosed in the summary of significant accounting policies.



Chartered Accountants LLP
Licensed Public Accountants
Sault Ste. Marie, Canada
October 17, 2007

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
TRUST FUNDS
STATEMENT OF FINANCIAL POSITION**

AS AT DECEMBER 31, 2006, (with comparative figures for the prior year)

	Perpetual Care	Ontario Home Renewal Plan	2006 Actual	2005 Actual
Financial assets:				
Cash	\$ 65,454	\$ 4,828	\$ 70,282	\$ 60,989
Amounts receivable	7,510	4,525	12,035	11,862
Net financial assets being fund balance, end of year	\$ 72,964	\$ 9,353	\$ 82,317	\$ 72,851

The accompanying notes are an integral part of these financial statements.

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
STATEMENT OF CONTINUITY OF TRUST FUNDS**

YEAR ENDED DECEMBER 31, 2006, (with comparative figures for the prior year)

	Perpetual Care	Ontario Home Renewal Plan	2006 Actual	2005 Actual
Balance, beginning of year	\$ 67,391	\$ 5,460	\$ 72,851	\$ 62,359
Revenue				
Contributions from revenue fund	3,352	-	3,352	9,229
Interest earned and other	2,221	3,893	6,114	1,263
	5,573	3,893	9,466	10,492
Balance, end of year	\$ 72,964	\$ 9,353	\$ 82,317	\$ 72,851

The accompanying notes are an integral part of these financial statements.

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2006

1. Significant accounting policy

The financial statements of the Corporation of the Municipality of Wawa trust funds are the representation of management prepared in accordance with accounting principles generally accepted in Canada for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

2. Ontario Home Renewal Program:

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for Municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans were limited to \$7,500 of which the maximum forgivable portion was \$4,000.

The Ontario Home Renewal Program discontinued in July 1993. Municipalities are required to remit the balance of the trust accounts as they are collected. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balance of the repayable loan and the unearned forgivable loan immediately becomes due and payable by the homeowner.

The remaining outstanding loan is presently in default.