

Audited Financial Statements and Other Financial
Information of

**CORPORATION OF THE
MUNICIPALITY OF PORT HOPE**

Year ended December 31, 2004

Audited Financial Statements and Other Financial Information of

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Year ended December 31, 2004

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

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CORPORATION OF THE MUNICIPALITY OF PORT HOPE

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AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the
Corporation of the Municipality of Port Hope

We have audited the consolidated statement of financial position of the Corporation of the Municipality of Port Hope as at December 31, 2004 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 Municipality as at December 31, 2004 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Kingston, Canada
April 8, 2005

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Financial Position

December 31, 2004, with comparative figures for 2003

	2004	2003
		(note 2)
Assets		
Financial assets:		
Cash	\$ 72,463	\$ -
Taxes receivable (note 3)	2,849,006	2,364,768
Accounts receivable	5,286,022	1,482,650
Investments, at cost (note 6)	29,075,658	30,609,912
	<u>37,283,149</u>	<u>34,457,330</u>
Liabilities:		
Bank indebtedness (note 5)	8,999,619	4,353,454
Accounts payable and accrued liabilities	6,378,077	4,094,813
Employee benefit obligations (note 8)	1,241,837	1,160,261
Deferred revenue – obligatory reserve funds (note 14)	1,676,591	1,340,949
Deferred revenue – other	20,632,062	20,596,338
Net long-term liabilities (note 9)	482,000	623,000
	<u>39,410,186</u>	<u>32,168,815</u>
Net financial assets (deficiency)	(2,127,037)	2,288,515
Other non-financial assets:		
Inventory and prepaid expenses	19,013	65,484
Total net assets (deficiency)	<u>\$ (2,108,024)</u>	<u>\$ 2,353,999</u>
Municipal position:		
Current fund (note 10)	\$ (190,966)	\$ (260,050)
Capital fund (note 10)	(11,849,601)	(7,461,236)
Reserves	4,130,078	3,497,095
Reserve funds	7,526,302	8,361,451
Fund balances	<u>(384,187)</u>	<u>4,137,260</u>
Amounts to be recovered from future revenues:		
Employee benefit obligations	(1,241,837)	(1,160,261)
Net long-term liabilities	(482,000)	(623,000)
	<u>(1,723,837)</u>	<u>(1,783,261)</u>
Commitments (note 12)		
Contingent liabilities (note 13)		
Total municipal position	<u>\$ (2,108,024)</u>	<u>\$ 2,353,999</u>

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Financial Activities

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenues:		
Property taxation	\$ 10,705,507	\$ 9,473,615
Taxation from other governments	334,178	385,623
User charges	4,723,172	4,927,748
Government grants	8,181,293	1,552,695
Grants from other municipalities	165,904	127,331
Investment income	1,447,527	1,481,661
Penalties and interest on taxes	366,185	317,443
Transfer from deferred obligatory reserve funds	663,272	837,630
Donations	114,487	188,120
Other	354,005	81,345
Total revenues	27,055,530	19,373,211
Expenditures:		
Current:		
General government	1,572,417	1,644,005
Protection to persons and property	4,945,163	4,410,361
Transportation services	3,112,496	3,097,526
Environmental services	2,670,635	2,073,124
Cemetery	113,422	175,591
Library	522,113	480,997
Recreational and cultural services	2,051,738	2,138,075
Planning and development	564,834	605,730
Total current expenditures	15,552,818	14,625,409
Capital:		
General government	185,845	88
Protection to persons and property	81,427	238,677
Transportation services	1,423,064	1,271,372
Environmental services	13,560,074	4,542,386
Cemeteries	-	59,665
Library	92,113	4,418
Recreation and cultural services	460,710	1,365,906
Planning and development	115,031	100,927
Total capital expenditures	15,918,264	7,583,439
Total expenditures	31,471,082	22,208,848
Net expenditures	(4,415,552)	(2,835,637)
Financing and transfers:		
Debt principal repayments	(141,000)	(323,000)
Change in non-financial assets	(46,471)	(35,292)
Change in employee benefit obligations to be recovered	81,576	-
	(105,895)	(358,292)
Decrease in fund balances	\$ (4,521,447)	\$ (3,193,929)

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Changes in Financial Position

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Operations:		
Net expenditures	\$ (4,415,552)	\$ (2,835,637)
Net change in non-cash working capital items:		
Increase in taxes receivable	(484,238)	(295,497)
Increase in accounts receivable	(3,803,372)	(62,779)
Increase in accounts payable and accrued liabilities	2,283,261	95,536
Increase in employee benefit obligations	81,578	-
Increase (decrease) in deferred revenue	35,725	(438,410)
Increase (decrease) in deferred revenues - obligatory reserve funds	335,642	(170,328)
	(1,551,404)	(871,478)
Net change in cash from operations	(5,966,956)	(3,707,115)
Investing:		
Decrease (increase) in investments	1,534,254	(370,210)
Financing:		
Debt principal repayments	(141,000)	(323,000)
Decrease in cash and cash equivalents	(4,573,702)	(4,400,325)
Cash and cash equivalents (bank indebtedness), beginning of year	(4,353,454)	46,871
Cash and cash equivalents (bank indebtedness), end of year	\$ (8,927,156)	\$ (4,353,454)

The Municipality considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements

Year ended December 31, 2004

1. Accounting policies:

The consolidated financial statements of the Corporation of the Municipality of Port Hope are the representation of management prepared in accordance with Canadian generally accepted accounting policies prescribed for local government as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

These consolidated statements reflect the assets, liabilities, revenues, expenditures and fund balances of the revenue fund, capital fund, reserves and reserve funds of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include:

Port Hope Public Library Board
Municipality of Port Hope Cemetery Board
Heritage Business Improvement Area

(ii) 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.

(iii) 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 Statements of Financial Position".

(iv) Employee benefit obligations:

The Municipality accrues its obligations for employee benefit plans. The cost of post-retirement 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 of employees and expected health care costs.

Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued benefit obligation, are amortized over the average remaining service period of active employees, which is 13 years.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

1. Accounting policies (continued):

(b) Capital assets:

The historical cost and accumulated depreciation of capital assets are not reported for municipal purposes. Capital assets are reported as an expenditure on the "Consolidated Statement of Financial Activities" in the year of acquisition.

(c) Deferred revenue – obligatory reserve funds:

The Municipality receives restricted contributions under the authority of provincial legislation and Municipality by-laws. These funds by their nature are restricted in their use, and until applied to applicable expenditures, are recorded as deferred revenue. Amounts applied to qualifying costs are recorded as revenue in the fiscal period that they are expended.

(d) Amounts to be recovered from future revenues:

Amounts to be recovered from future revenues are comprised of employee benefit obligations and outstanding net long-term liabilities.

(e) 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 expenses during the period. Actual results could differ from those estimates.

2. Changes in accounting policy for employee benefit obligations:

During the year, the Municipality changed its accounting policy in order to comply with revised Canadian generally accepted accounting principles for accruing the costs of post-retirement benefits earned by employees. This change has been applied on a retroactive basis as follows:

Prior to the current fiscal year, the cost of post-retirement benefits provided for employees was recognized on a "pay as you go" basis and employee future benefit obligations were not reported in the financial statements. During the year, the accrual method of accounting for these obligations, as described in note 1(a)(iv), was retroactively adopted. This change in accounting policy had the effect of increasing employee benefit obligations at December 31, 2004 by \$1,241,837 and at December 31, 2003 by \$1,160,261, and increasing amounts to be recovered from future revenues at December 31, 2004 by \$1,241,837 and at December 31, 2003 by \$1,160,261. This change in policy also had the effect of increasing current year benefit expense by \$81,576.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

3. Operations of school boards and the County of Northumberland:

Requisitions were made by the school boards and the County of Northumberland requesting the Municipality to collect property taxes and payments in lieu of property taxes on their behalf. The amounts requisitioned are summarized below:

	School Boards		County of Northumberland	
	2004	2003	2004	2003
Amounts requisitioned	\$ 6,022,417	\$ 5,804,894	\$ 6,016,117	\$ 5,039,108

4. Trust funds:

Trust funds administered by the Municipality amounting to \$622,608 (2003 - \$666,153) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

5. Bank indebtedness:

The Municipality's financial agreement with its bank provides for an operating credit facility of up to \$5,000,000 to finance expenses, pending receipt of property taxes and other income. As at December 31, 2004, \$3,099,619 (2003 - \$4,353,454) was drawn with interest at prime rate less 0.5%.

The Municipality has a financial agreement with the Ontario Strategic Infrastructure Financial Authority (OSIFA) for a capital loan up to a maximum of \$10 million for the interim financing of the new Water Treatment Plant. As at December 31, 2004, \$5,900,000 has been received as a project advance with interest at 50% of the average of the bankers' acceptance rate and the prime rate. The loan is payable in full at the earlier of the capital project's substantial completion date and May 19, 2009.

	2004	2003
Operating line of credit	\$ 3,099,619	\$ 4,353,454
OSIFA advance	5,900,000	-
	\$ 8,999,619	\$ 4,353,454

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

6. Investments:

	2004		2003	
	Cost	Market value	Cost	Market value
Cash and cash equivalents	\$ 85,967	\$ 85,967	\$ 3,407,986	\$ 3,408,876
Fixed income securities	28,989,691	29,716,963	27,201,926	27,456,752
	<u>\$ 29,075,658</u>	<u>\$ 29,802,930</u>	<u>\$ 30,609,912</u>	<u>\$ 30,865,628</u>

7. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 113 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.

The amount contributed to OMERS for current service in 2004 was \$398,830 (2003 - \$125,113) and is included as an expenditure on the "Consolidated Statement of Operations".

8. Employee benefit obligations:

Extended health care and dental benefits: The Municipality provides extended health care, dental and other benefits to its employees. Extended health care and dental benefits continue to be available to early retirees up to the age of 65, with the exception of a closed group of hydro retirees who receive benefits up until the age of 70.

Life insurance benefits: The Municipality provides a retiree life benefit of one times salary at retirement to eligible full-time non-police members until age 65, with the exception of a closed group of hydro retirees who do not receive a life benefit.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

8. Employee benefit obligations (continued):

Early retirement incentive: The Municipality provides uniform police with an early retirement incentive of one week's pay per year of service under certain conditions.

An independent actuarial study of the employee non-pension retirement benefits has been undertaken. The first and most recent valuation of the employee future benefits was completed for 2004 and applied retroactively to January 1, 2004.

The accrued benefit obligation relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2004, the accrued benefit obligation was \$1,241,837 (2003 - \$1,160,261).

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

Discount rate	6.0% per annum
Inflation rate	3.0% per annum
Salary escalation	4.0% per annum
Dental benefits escalation	5.0% per annum
Health benefits escalation	10.0% per annum in 2005, scaling down over 15 years to 5.0% in 2019 and later

Information with respect to the Municipality's non-pension retirement obligations is as follows:

Accrued benefit obligation, January 1, 2004	\$ 1,160,261
Expense recognized for the year	52,042
Interest cost	69,943
Benefits paid for the year	(40,409)
Accrued benefit obligation, December 31, 2004	\$ 1,241,837

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:

	2004	2003
Total long-term liabilities incurred by the Municipality including those incurred on behalf of municipal enterprises and outstanding at the end of the year amount to	\$ 482,000	\$ 623,000

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

9. Net long-term liabilities (continued):

- (b) Of the net long-term liabilities reported in (a) of this note, \$482,000 in principal payments are payable from 2005 to 2007, and are recoverable from the consolidated revenue fund.
- (c) The long-term liabilities in (a) issued in the name of the Municipality have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs & Housing.

10. Municipal fund balances at the end of the year:

- (a) The balances on the "Consolidated Statement of Financial Activities" for current and capital fund surplus (deficit) of \$190,966 (2003 - \$(260,050)) and \$11,849,601 (2003 - \$(7,461,236)) respectively at the end of the year are comprised of the following:

	2004	2003
To be recovered from operations of the operating fund	\$ (61,328)	\$ (80,227)
To be recovered from LLWR interest income – Ward 1	–	(3,271)
To be recovered from LLWR interest income – Ward 2	(194,550)	(244,414)
To be applied to operations of the Heritage Business Improvement Area	14,430	11,508
To be applied to operations of the Public Library Board	56,858	56,354
To be recovered from operations of the Cemetery Board	(6,376)	–
	(190,966)	(260,050)
Acquisition of fixed assets to be financed from:		
Transfers from reserves and reserve funds	–	(268,210)
Proceeds of long-term liabilities	(10,965,505)	(6,178,932)
Taxation or user charges	(176,692)	(265,616)
Donations	(707,404)	(748,478)
	(11,849,601)	(7,461,236)
	\$ (12,040,567)	\$ (7,721,286)

- (b) Approval of the Ontario Municipal Board has been obtained for those pending issues of long-term liabilities and commitments to be financed by revenues beyond the term of council and approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The principal and interest payments required to service these pending issues and commitments are within the debt repayment limit prescribed by the Ministry of Municipal Affairs & Housing.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

10. Municipal fund balances at the end of the year (continued):

- (c) The balance available for the general reduction of taxation for the fiscal year ending December 31, 2004 has been reduced by an amount of \$464,657 (2003 - \$205,776) transferred to reserves.

Had this reduction not been made, the amount to be applied to (recovered from) operations of the operating fund would have shown a surplus of \$403,329 (2003 - \$125,549).

11. Charges for net long-term liabilities:

Total charges for the year for net long-term liabilities which are reported on the "Consolidated Statement of Financial Activities" are as follows:

	2004	2003
Principal payments	\$ 141,000	\$ 323,000
Interest	41,511	58,019
	<u>\$ 182,511</u>	<u>\$ 381,019</u>

12. Commitments:

- (a) Prior to 2004, the Municipality received an amount of \$438,331 in respect of potential site rectification costs of property owned by the Municipality. Including accrued interest up to December 31, 2004 in the amount of \$191,357, the accumulated balance is \$629,688 (2003 - \$596,338). This settlement has been reported as a component of deferred revenue on the "Consolidated Statement of Financial Position". No provision has been made in the financial statements for costs related to any future remedial action.

- (b) The Municipality has entered into an agreement to design compliance upgrades to the Water Treatment Plant at an estimated cost of \$1,067,574 and construction costs for the new Ultra Filtration Water Treatment Plant estimated at \$17.5 million. Design and construction costs of \$16.1 million have been incurred to date.

Federal and provincial funding of \$7.6 million has been obtained through the Ontario Small Town and Rural Development Infrastructure Initiative for a share of the projects with the remaining cost to be financed by debentures and future water rates.

- (c) The Municipality has entered into an agreement to design environmental upgrades for the Wastewater Treatment Plant at an estimated cost of \$1.4 million to be financed by debentures and future water rates. Design costs of \$479,000 have been incurred to date.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

13. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2004, management believes that the Municipality has valid defences and appropriate insurance coverages in place. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material effect on the Municipality's financial position.

14. 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 and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Municipality are summarized below:

	2004	2003
Balance, beginning of year	\$ 1,340,949	\$ 1,511,276
Provincial grant – gasoline tax	20,069	–
Development contributions	901,964	605,717
Investment income	76,881	61,586
Transfers from (to) current fund	(24,432)	(368,623)
Transfers to capital fund	(249,840)	(469,007)
Transfers to reserve funds	(389,000)	–
Balance, end of year	\$ 1,676,591	\$ 1,340,949
Analyzed as follows:		
Parkland	\$ 9,433	\$ 53,550
Development charges	1,647,089	1,287,399
Gasoline tax	20,069	–
	\$ 1,676,591	\$ 1,340,949

15. Supplementary information:

	2004	2003
Current fund expenditure by object:		
Salaries, wages and employee benefits	\$ 9,249,648	\$ 8,889,102
Long-term debt interest expense	41,511	58,019
Materials, services, rents and financial expenses	4,199,234	4,277,299
Transfers to others	372,074	304,562
Contracted services	1,690,351	1,096,427
Total	\$ 15,552,818	\$ 14,625,409

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

16. Budget figures:

The Municipality reviews its operating and capital budgets annually. The approved operating and capital budgets for 2004 are reflected on the "Consolidated Schedules of Current Fund and Capital Fund Operations". These numbers have not been audited and are presented for information purposes only.

17. Comparative figures:

Certain 2003 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2004.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Schedule of Current Fund Operations

Year ended December 31, 2004, with comparative figures for 2003

	Budget 2004 (Unaudited, note 16)	Actual 2004	Actual 2003
Revenues:			
Property taxation	\$ 10,726,500	\$ 10,705,507	\$ 9,473,615
Taxation from other governments	300,200	334,178	385,623
User charges	4,577,269	4,723,172	4,927,748
Government grants	1,043,028	1,486,251	1,043,891
Grants from other municipalities	—	165,904	127,331
Investment income	573,500	1,041,675	1,030,019
Penalties and interest on taxes	300,000	366,185	317,443
Transfer from (to) deferred obligatory reserve funds	—	24,432	368,623
Other	5,150	128,312	71,022
Total revenues	17,525,647	18,975,616	17,745,315
Expenditures:			
General government	1,433,702	1,572,417	1,644,005
Protection to persons and property	4,953,954	4,945,163	4,410,361
Transportation services	2,882,238	3,112,496	3,097,526
Environmental services	2,261,131	2,670,635	2,073,124
Cemetery	130,085	113,422	175,591
Library	447,978	522,113	480,997
Recreation and culture	2,239,610	2,051,738	2,138,075
Planning and development	562,837	564,834	605,730
Total expenditures	14,911,535	15,552,818	14,625,409
Net revenues	2,614,112	3,422,798	3,119,906
Financing and transfers:			
Debt principal repayments	(141,000)	(141,000)	(323,000)
Transfers to capital fund	(1,774,923)	(1,890,129)	(1,313,637)
Transfers to reserves and reserve funds	(698,189)	(1,357,690)	(1,690,383)
Change in non-financial assets	—	(46,471)	(35,292)
Change in employee benefit obligations to be recovered	—	81,576	—
	(2,614,112)	(3,353,714)	(3,362,312)
Change in current fund balance	—	69,084	(242,406)
Opening current fund balance	—	(260,050)	(17,644)
Closing current fund balance	\$ —	\$ (190,966)	\$ (260,050)

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Schedule of Capital Fund Operations

Year ended December 31, 2004, with comparative figures for 2003

	Budget 2004 (Unaudited, note 16)	Actual 2004	Actual 2003
Revenues:			
Donations	\$ 20,500	\$ 114,487	\$ 188,120
Government grant	30,000	6,695,042	508,804
Other	313,200	115,693	10,323
Transfers from deferred obligatory reserve funds	351,992	249,840	469,006
Total revenues	715,692	7,175,062	1,176,253
Expenditures:			
General government	123,500	185,845	88
Protection to persons and property	144,000	81,427	238,677
Transportation services	2,746,147	1,423,064	1,271,372
Environmental services	26,186,000	13,560,074	4,542,386
Cemeteries	—	—	59,665
Library	118,000	92,113	4,418
Recreational and cultural services	410,000	460,710	1,365,906
Planning and development	214,176	115,031	100,927
Total expenditures	29,941,823	15,918,264	7,583,439
Net expenditures	(29,226,131)	(8,743,202)	(6,407,186)
Financing and transfers:			
Transfers from reserves and reserve funds	26,756,946	2,464,708	1,640,317
Transfers from current fund	1,774,923	1,890,129	1,313,637
Net financing and transfers	28,531,869	4,354,837	2,953,954
Change in capital fund balance	(694,262)	(4,388,365)	(3,453,232)
Opening capital fund balance	(7,461,236)	(7,461,236)	(4,008,004)
Closing capital fund balance	\$ (8,155,498)	\$(11,849,601)	\$ (7,461,236)

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Schedule of Reserves and Reserve Funds

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenues:		
Investment income	\$ 405,852	\$ 451,642
Transfers from deferred obligatory reserve funds	389,000	-
Other	110,000	-
Net revenues	904,852	451,642
Net transfers from other funds:		
Transfers from current fund	1,357,690	1,690,383
Transfers from (to) capital fund	(2,464,708)	(1,640,317)
Total net transfers	(1,107,018)	50,066
Change in reserves and reserve fund balances	(202,166)	501,708
Opening reserves and reserve fund balance	11,858,546	11,356,838
Closing reserves and reserve fund balance	\$ 11,656,380	\$ 11,858,546
Analyzed as follows:		
Reserves set aside for specific purposes by Council:		
Working capital	\$ 1,320,918	\$ 1,330,918
Acquisition of fixed assets	2,214,322	1,616,814
Contingencies	-	20,000
Sick leave	22,297	22,297
Insurance	30,453	30,453
Other	542,088	476,613
Total reserves	4,130,078	3,497,095
Reserve funds set aside for specific purposes by Council:		
Fire	4,278	4,052
Waterworks system	56,236	1,257,827
Sanitary sewer	878,407	488,367
Hydro proceeds	6,046,643	6,106,095
Roads	107,664	118,739
Recreational services	13,491	39,413
Sunshine Heights	75,472	71,475
Other	344,111	275,483
Total reserve funds	7,526,302	8,361,451
Total reserves and reserve funds	\$ 11,656,380	\$ 11,858,546



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AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

Corporation of the Municipality of Port Hope
Port Hope, Ontario

The audited financial statements of the Municipality and our report thereon are presented in the preceding section of this report. The following information is presented for purposes of additional analysis and is not required for a fair presentation of the financial position or results of operations of the Municipality. Such information has been subjected to the auditing procedures applied in our 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.

KPMG LLP

Chartered Accountants

Kingston, Canada
April 8, 2005

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Heritage Business Improvement Area

Statement of Revenues and Expenditures and Surplus

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenues:		
Net levy	\$ 31,907	\$ 30,388
Donations	2,447	2,236
Contribution from Municipality	10,000	7,200
Transfer from reserves	117	9,323
	<u>44,471</u>	<u>49,147</u>
Expenditures:		
Stationery, supplies and office	212	1,909
Improvements	16,008	14,628
Advertising	15,357	8,381
Special events	9,972	16,965
	<u>41,549</u>	<u>41,883</u>
Net revenues over expenditures	2,922	7,264
Surplus, beginning of year	11,508	4,244
Surplus, end of year	<u>\$ 14,430</u>	<u>\$ 11,508</u>

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Four Year Financial Review
(Unaudited)

(All dollar amounts are in thousands of dollars)

	2004	2003	2002	2001
1. Assessment:				
Taxable assessment upon which the year's rates of taxation were set				
Residential and farm	916,874	818,835	748,778	734,195
Commercial and industrial and pipelines	141,956	146,796	134,686	133,924
Multi-residential	32,232	31,871	27,930	26,308
Total	1,091,062	997,502	911,394	894,427
2. Tax rates – Ward 1:				
Residential:				
School	\$.002960	\$.003350	\$.003730	\$.003730
County	.004931	.004533	.004585	.004292
General	.010737	.010526	.010322	.009813
Total	\$.018628	\$.018409	\$.018637	\$.017813
Tax rates – Ward 2:				
Residential:				
School	\$.002960	\$.003350	\$.003730	\$.003730
County	.004931	.004533	.004585	.004292
General	.004688	.004577	.004023	.003882
Total	\$.012579	\$.012460	\$.012338	\$.011904
3. Revenues – Current fund:				
Taxation	\$ 10,706	\$ 9,474	\$ 8,479	\$ 8,006
Payments in lieu of taxes	33	386	401	426
Government grants	1,486	1,044	724	877
User charges	4,723	4,928	4,251	3,870
Other	2,028	1,913	1,366	892
Total	\$ 18,976	\$ 17,745	\$ 15,221	\$ 14,071
4. Tax Arrears:				
Principal	\$ 2,505	\$ 2,091	\$ 1,879	\$ 1,959
Penalty and interest	344	274	190	226
Total	\$ 2,849	\$ 2,365	\$ 2,069	\$ 2,185
Percentage of current levy	12.4%	11.1%	10.8%	11.4%
5. Schools and County Transfers:				
County	\$ 6,016	\$ 5,039	\$ 4,659	\$ 4,419
Education	6,022	5,805	5,814	6,502
Total	\$ 12,038	\$ 10,844	\$ 10,473	\$ 10,921
6. Capital Expenditures				
	\$ 15,918	\$ 7,583	\$ 3,357	\$ 7,356
7. Capital Financing:				
Own funds	\$ 4,355	\$ 2,954	\$ 1,490	\$ (4,795)
Grants	6,695	509	662	-
Proceeds from sale of Port Hope Hydro	-	-	-	9,607
Donations	114	188	104	641
Other	366	480	164	116
Total	\$ 11,530	\$ 4,131	\$ 2,420	\$ 5,569
8. Unfinanced Capital at year end				
	\$ (11,850)	\$ (7,461)	\$ (4,008)	\$ (3,070)
9. Net Revenue year end General				
	\$ (256)	\$ (328)	\$ (497)	\$ (368)



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AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of Port Hope

We have audited the statement of financial position of the trust funds of the Corporation of the Municipality of Port Hope as at December 31, 2004 and the statement of continuity of 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 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 Municipality of Port Hope as at December 31, 2004 and the continuity of trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Kingston, Canada

April 8, 2005

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Trust Funds

Statement of Financial Position

Year ended December 31, 2004, with comparative figures for 2003

	Cemetery Care and Maintenance Fund	Library Bequest	Developers Deposits	Ontario Home Renewal Program	Total 2004	Total 2003
Assets						
Cash	\$ 2,604	\$ 1,124	\$ 241,683	\$ 1,044	\$ 246,455	\$ 299,384
Accounts receivable	7,522	–	–	209	7,731	5,283
Investments, at cost (market value \$373,511)	368,744	–	–	–	368,744	374,453
	<u>\$ 378,870</u>	<u>\$ 1,124</u>	<u>\$ 241,683</u>	<u>\$ 1,253</u>	<u>\$ 622,930</u>	<u>\$ 679,120</u>

Liabilities and Fund Balances

Due to operating fund	\$ –	\$ –	\$ –	\$ 322	\$ 322	\$ 12,967
Trust fund:						
Balances:						
Capital	303,852	1,124	241,683	931	547,590	591,135
Income	75,018	–	–	–	75,018	75,018
	<u>378,870</u>	<u>1,124</u>	<u>241,683</u>	<u>931</u>	<u>622,608</u>	<u>666,153</u>
	<u>\$ 378,870</u>	<u>\$ 1,124</u>	<u>\$ 241,683</u>	<u>\$ 1,253</u>	<u>\$ 622,930</u>	<u>\$ 679,120</u>

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Trust Funds

Statement of Continuity

Year ended December 31, 2004, with comparative figures for 2003

	Cemetery Care and Maintenance Fund	Library Bequest	Developers Deposits	Ontario Home Renewal Program	Total 2004	Total 2003
Funds balance at the beginning of the year	\$ 371,215	\$ 71,166	\$ 222,634	\$ 1,138	\$ 666,153	\$ 597,742
Revenues:						
Cemetery care and maintenance	7,655	—	—	—	7,655	8,701
Other	—	—	34,000	—	34,000	72,566
Gain on sale of investment	—	—	—	—	—	47,018
Interest and dividends earned	14,719	309	4,492	21	19,541	32,446
	22,374	309	38,492	21	61,196	160,731
Expenditures:						
Contributions to operating fund	14,719	70,351	19,443	—	104,513	64,021
Other	—	—	—	228	228	28,299
	14,719	70,351	19,443	228	104,741	92,320
Funds balance at the end of the year	\$ 378,870	\$ 1,124	\$ 241,683	\$ 931	\$ 622,608	\$ 666,153

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Trust Funds

Notes to Financial Statements

Year ended December 31, 2004

1. Significant accounting policies:

Basis of accounting:

- (i) Receipts 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. 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 are limited to \$7,500 of which the maximum forgivable portion is \$4,000.

Ontario Home Renewal Program loans receivable at December 31, 2004 comprise repayable loans of \$209 (2003 - \$416). Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continued ownership and occupancy. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan immediately became due and payable by the homeowner.



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AUDITORS' REPORT

To the Board Members of the Port Hope Public Library Board, Members of Council,
Inhabitants and Ratepayers of the Corporation of the Municipality of Port Hope

We have audited the statement of financial position of the Port Hope Public Library Board as at December 31, 2004 and the statements of current fund operations, capital fund operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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 common with many non-profit organizations, the Port Hope Public Library Board derives revenue in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Library and we were unable to determine whether any adjustments might be necessary to revenue, net revenues, total net debt and municipal position.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Port Hope Public Library Board as at December 31, 2004 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Kingston, Canada

April 8, 2005

PORT HOPE PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2004, with comparative figures for 2003

	2004	2003
Assets		
Financial assets:		
Cash	\$ 72,463	\$ 137,213
GST receivable	729	6,414
	<u>73,192</u>	<u>143,627</u>
Liabilities:		
Accounts payable and accrued liabilities	3,044	8,086
Due to the Municipality of Port Hope:		
Capital	213,638	475,180
Operating	13,290	31,426
	<u>229,972</u>	<u>514,692</u>
Net debt	(156,780)	(371,065)
Other assets:		
Prepaid expenses	-	7,932
Total net debt	<u>\$ (156,780)</u>	<u>\$ (363,133)</u>
Municipal position:		
Current fund	\$ 56,858	\$ 56,354
Capital fund, unfinanced balance to be recovered from donations and user charges	(213,638)	(419,487)
Total municipal position	<u>\$ (156,780)</u>	<u>\$ (363,133)</u>

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

PORT HOPE PUBLIC LIBRARY BOARD

Statement of Current Fund Operations

Year ended December 31, 2004, with comparative figures for 2003

	2004 (Budget) (Unaudited)	2004 (Actual)	2003 (Actual)
Revenues:			
Municipal contributions - operating	\$ 392,000	\$ 392,000	\$ 359,835
- books	-	25,694	-
Province of Ontario grant	29,453	31,828	31,828
Other government funding	11,575	2,162	11,926
Transfer from trust fund	-	10,351	18,016
Fines and fees	15,600	13,749	14,941
Interest and miscellaneous	1,050	1,643	1,101
Donations - Library revenue	40,185	45,787	22,802
	489,863	523,214	460,449
Expenditures:			
Grant expenditure	-	-	5,817
Salaries and benefits	330,000	341,711	322,091
Books	48,128	53,387	44,795
Periodicals and newspapers	4,100	9,013	3,823
Utilities	26,200	28,722	32,941
Maintenance and cleaning	21,000	27,390	19,723
Miscellaneous	18,135	3,546	14,788
Insurance	5,000	2,446	2,528
Conferences and professional development	1,000	1,227	1,548
Office expense	21,450	15,989	15,809
Computer maintenance and training	14,850	22,241	17,134
Donations - Library expenses	-	16,441	-
Total expenditures	489,863	522,113	480,997
Net revenues (expenditures)	-	1,101	(20,548)
Financing and transfers:			
Transfer from reserve fund - municipal development charges	-	26,121	65,570
Transfer to capital fund	-	(26,718)	(3,327)
Net financing and transfers	-	(597)	62,243
Change in current fund balance	-	504	41,695
Current fund balance, beginning of year	-	56,354	14,659
Current fund balance, end of year	\$ -	\$ 56,858	\$ 56,354

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

PORT HOPE PUBLIC LIBRARY BOARD

Statement of Capital Fund Operations

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenues:		
Provincial grant	\$ 5,395	\$ -
Municipal development charges	-	82,959
Building fundraising	28,932	49,069
Transfer from trust funds	60,000	-
Total revenues	94,327	132,028
Expenditures:		
Construction	2,331	4,418
Fundraising costs	-	96
Computer equipment	89,782	3,231
	92,113	7,745
Net revenues	2,214	124,283
Financing and transfers:		
Transfer from reserves	176,917	-
Transfer from current fund	26,718	3,327
Net financing and transfers	203,635	3,327
Change in capital fund balance	205,849	127,610
Capital fund balance, beginning of year	(419,487)	(547,097)
Capital fund balance, end of year	\$ (213,638)	\$ (419,487)

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

PORT HOPE PUBLIC LIBRARY BOARD

Statement of Changes in Financial Position

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Cash provided by (used in):		
Operations:		
Net revenues (expenditures):		
- current fund	\$ 1,101	\$ (20,548)
- capital fund	2,214	124,283
	<u>3,315</u>	<u>103,735</u>
Net change in non-cash working capital items:		
GST receivable	5,685	653
Prepaid expenses	7,932	(261)
Accounts payable	(5,042)	(1,706)
Due to the Municipality of Port Hope	(279,678)	(71,816)
	<u>(271,103)</u>	<u>(73,130)</u>
Financing:		
Transfers from municipal reserves	203,038	65,570
Increase (decrease) in cash and cash equivalents	<u>(64,750)</u>	<u>96,175</u>
Cash and cash equivalents, beginning of year	137,213	41,038
Cash and cash equivalents, end of year	<u>\$ 72,463</u>	<u>\$ 137,213</u>

The Library Board considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

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

PORT HOPE PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2004

1. Significant accounting policies:

The financial statements of the Board are the representation of management prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Reporting entity:

- (i) These statements reflect the assets, liabilities, sources of financing and expenditures of the Library Board and include both operating and capital activities.
- (ii) Trust Funds and their related operations administered by the Board are not consolidated, but are reported separately on the "Trust Fund Statement of Financial Position and Trust Fund Statement of Continuity".

(b) Capital assets:

The historical cost and accumulated depreciation of capital assets are not reported for board purposes. Capital assets are reported as an expenditure on the "Statement of Capital Fund Operations" in the year of acquisition.

(c) Pledges:

Fundraising revenues are reported on a cash basis. Donation pledges are not reported in the accounts until received.

(d) 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 expenses during the period. Actual results could differ from those estimates.

2. Trust funds:

Trust Funds administered by the Board amounting to \$1,124 (2003 - \$71,166) have not been included in the "Statement of Financial Position" nor have their operations been included in the "Statement of Current Fund Operations".

PORT HOPE PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2004

3. Pension agreements:

The Library Board makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer plan, on behalf of 2 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.

The contribution holiday ended as of December 31, 2002, therefore the amount contributed to OMERS for 2004 was \$7,783 (2003 - \$2,476) for current service.

4. Budget figures:

Budget figures are compiled from the 2004 fiscal year operating budget approved by the Board and are not subject to audit.



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AUDITORS' REPORT

To the Board Members of the Port Hope Public Library Board, Members of Council,
Inhabitants and Ratepayers of the Corporation of the Municipality of Port Hope

We have audited the statement of financial position of the trust fund of the Port Hope Public Library Board as at December 31, 2004 and the trust fund statement of continuity for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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 common with many non-profit organizations, the trust fund held by the Port Hope Public Library Board derives revenue in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the trust and we were unable to determine whether any adjustments might be necessary to income, expenditures, assets and fund balance.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the trust fund held by the Port Hope Public Library Board as at December 31, 2004 and the continuity of the trust fund for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Kingston, Canada

April 8, 2005

PORT HOPE PUBLIC LIBRARY BOARD

Trust Fund Statement of Financial Position

December 31, 2004, with comparative figures for 2003

	2004	2003
Assets		
Current assets:		
Cash	\$ 1,124	\$ 71,166
Liabilities and Fund Balance		
Fund balance:		
Capital	\$ 1,124	\$ 71,166

Trust Fund Statement of Continuity

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Balance at beginning of year	\$ 71,166	\$ 26,172
Income:		
Interest and dividends earned	309	1,927
Donations	-	14,066
Gain on sale of investments	-	47,017
Expenditure:		
Transfer to operating fund	10,351	18,016
Transfer to capital fund	60,000	-
Balance at end of year	\$ 1,124	\$ 71,166

The accompanying note is an integral part of these financial statements.

PORT HOPE PUBLIC LIBRARY BOARD

Note to Trust Fund Financial Statements

Year ended December 31, 2004

1. Significant accounting policies:

Basis of accounting:

- (i) The financial statements are prepared 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.



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AUDITORS' REPORT

To the Board Members, Members of Council, Inhabitants
and Ratepayers of the Corporation of the Municipality of Port Hope

We have audited the statement of financial position of the Municipality of Port Hope Cemetery Board as at December 31, 2004 and the statement of financial activities for the year then ended. These financial statements are the responsibility of the Board'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 Municipality of Port Hope Cemetery Board as at December 31, 2004 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Kingston, Canada
April 8, 2005

MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Statement of Financial Position

December 31, 2004, with comparative figures for 2003

	2004	2003
Assets and Liabilities		
Financial assets:		
GST receivable	\$ 21	\$ 7,263
Due from Care and Maintenance Trust Fund	-	12,668
Total	21	19,931
Liabilities:		
Due to Care and Maintenance Trust Fund	2,299	-
Due to the Municipality of Port Hope - operating	4,098	19,931
- capital	39,385	59,665
	45,782	79,596
Net debt	\$ (45,761)	\$ (59,665)

Municipal Position

Current fund	\$ (6,376)	\$ -
Capital fund	(39,385)	(59,665)
Municipal position, end of year	\$ (45,761)	\$ (59,665)

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

MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Statement of Financial Activities

Year ended December 31, 2004, with comparative figures for 2003

	Budget 2004	Actual 2004	Actual 2003
	(unaudited)		
Current fund operations:			
Revenue:			
Provided by municipality from tax levy	\$ 30,985	\$ 30,985	\$ 25,725
Sale of plots	22,000	12,950	16,725
Sale of columbarium	12,000	16,500	13,408
Vault charges	1,000	—	900
Interment charges	22,500	23,222	25,596
Rental income	7,200	7,200	7,200
Transfer from Care and Maintenance Trust Fund income account	30,000	14,719	46,005
Contribution from municipal reserves	—	—	3,397
Miscellaneous	4,400	1,470	2,695
Total revenues	130,085	107,046	141,651
Expenditures:			
Wages and employee benefits	53,885	50,630	49,849
Office expense	2,400	2,740	2,832
Supplies, utilities and maintenance	60,800	25,192	32,368
Interment costs	3,000	3,245	1,432
Columbarium construction	4,000	1,600	2,340
Transfer to Care and Maintenance Trust Fund capital account	—	7,655	8,701
Cemetery garage	—	2,080	—
Total expenditures	124,085	93,142	97,522
Net revenue	6,000	13,904	44,129
Transfer to capital fund	(6,000)	(20,280)	(44,129)
Closing current fund balance	\$ —	\$ (6,376)	\$ —
Capital fund operations:			
Unfinanced capital balance, beginning of year	\$ —	\$ (59,665)	\$ —
Capital repairs – columbarium	—	—	(36,420)
Cemetery garage	—	—	(67,374)
Transfer from operating fund	—	20,280	44,129
Unfinanced capital balance, end of year	\$ —	\$ (39,385)	\$ (59,665)

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

MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Notes to Financial Statements

Year ended December 31, 2004

1. Significant accounting policies:

The financial statements of the Municipality of Port Hope Cemetery Board are the representation of management prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Basis of accounting:

- (i) The historical cost and accumulated depreciation of capital assets are not reported for municipal purposes. Capital assets are reported as an expenditure on the "Statement of Financial Activities" in the year of acquisition.
- (ii) The Care and Maintenance Trust Fund and its related operations are not consolidated but are reported separately on the "Care and Maintenance Trust Fund Statement of Financial Position and Statement of Continuity".

(b) 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 expenses during the period. Actual results could differ from those estimates.

2. Trust funds:

The Care and Maintenance Trust Fund, administered by the Board, amounting to \$378,870 (2003 - \$371,215) has not been included in the "Statement of Financial Position" nor has its operations been included in the "Statement of Financial Activities".

3. Unfinanced capital:

As at December 31, 2004, the Cemetery Board had an unfinanced capital balance in the amount of \$39,385 (2003 - \$59,665). This represents the unfinanced balance of \$28,140 (2003 - \$36,420) for the new columbarium that will be funded from a portion of the future sale of niches and the remaining unfinanced balance of \$11,245 (2003 - \$23,245) relates to the new work garage that will be repaid over the next two years with annual payments of \$12,000 plus interest.

4. Budget figures:

Budget figures are compiled from the 2004 fiscal year operating budget approved by the Board and are not subject to audit.

MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2004

5. Statement of changes in financial position:

A statement of changes in financial position has not been included as it would not provide additional meaningful information.



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AUDITORS' REPORT

To the Board Members, Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of the Town of Port Hope

We have audited the statement of financial position of the Care and Maintenance Trust Fund of the Municipality of Port Hope Cemetery Board as at December 31, 2004 and the statement of continuity of the Care and Maintenance Trust Fund for the year then ended. These financial statements are the responsibility of the Board'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 Care and Maintenance Trust Fund of the Municipality of Port Hope Cemetery Board as at December 31, 2004 and the continuity of the Care and Maintenance Trust Fund for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Kingston, Canada
April 8, 2005

MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Care and Maintenance Trust Fund Statement of Financial Position

December 31, 2004, with comparative figures for 2003

	2004	2003
Assets		
Current assets:		
Cash	\$ 2,604	\$ 4,563
Accrued interest	5,223	4,867
Due from Operating Fund	2,299	-
	<u>10,126</u>	<u>9,430</u>
Investments, at cost (note 2)	368,744	374,453
Total assets	\$ 378,870	\$ 383,883

Liabilities and Fund Balance

Current liabilities:		
Due to Operating Fund	\$ -	\$ 12,668
Fund balance:		
Capital	303,852	296,197
Income	75,018	75,018
	<u>378,870</u>	<u>371,215</u>
Total liabilities and fund balance	\$ 378,870	\$ 383,883

Care and Maintenance Trust Fund Statement of Continuity

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Balance at beginning of year	\$ 371,215	\$ 382,833
Revenue:		
Capital receipts, care and maintenance	7,655	8,701
Interest earned	14,719	25,686
	<u>22,374</u>	<u>34,387</u>
Expenditure:		
Transfer to Operating Fund	(14,719)	(46,005)
Balance at end of year	\$ 378,870	\$ 371,215

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

MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Notes to Care and Maintenance Trust Fund Financial Statements

Year ended December 31, 2004

1. Significant accounting policies:

Basis of accounting:

- (i) Receipts 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 or the creation of a legal obligation to pay.

2. Investments:

Total investments of \$368,744 (2003 - \$374,453) reported on the statement of financial position at cost, have a market value of \$373,511 (2003 - \$381,176) at the end of the year.