

Audited Financial Statements and Other Financial
Information of

**CORPORATION OF THE
MUNICIPALITY OF PORT HOPE**

Year ended December 31, 2008

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Year ended December 31, 2008

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

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Audited Financial Statements and Other Financial Information of

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Year ended December 31, 2008

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

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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, 2008 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 Corporation of the Municipality of Port Hope as at December 31, 2008 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.

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

A handwritten signature in black ink that reads 'KPMG LLP' in a stylized, cursive font. A horizontal line is drawn underneath the signature.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
March 27, 2009

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Financial assets:		
Cash (note 3)	\$ 2,033,359	\$ 2,853,737
Taxes receivable	3,565,546	4,287,962
Accounts receivable	3,367,786	2,847,013
Other assets	121,149	48,150
Investments, at cost (notes 3 and 7)	32,323,989	31,376,042
	<u>41,411,829</u>	<u>41,412,904</u>
Liabilities:		
Temporary borrowings (note 6)	11,000,000	6,000,000
Accounts payable and accrued liabilities	7,802,492	4,690,786
Employee future benefit obligations (note 9)	1,675,845	1,552,360
Deferred revenue - obligatory reserve funds (note 15)	3,052,716	2,877,353
Deferred revenue - other (note 16)	20,728,090	20,752,760
Net long-term liabilities (note 10)	8,871,926	9,442,969
	<u>53,131,069</u>	<u>45,316,228</u>
Net financial deficiency	(11,719,240)	(3,903,324)
Other non-financial assets:		
Prepaid expenses	29,006	34,355
Total net asset deficiency	<u>\$(11,690,234)</u>	<u>\$ (3,868,969)</u>
Municipal position:		
Current fund (note 11)	\$ (506,636)	\$ 306,838
Capital fund (note 11)	(21,755,908)	(9,114,714)
Reserves	5,959,134	5,002,556
Reserve funds	15,160,947	10,931,680
Fund balances	<u>(1,142,463)</u>	<u>7,126,360</u>
Amounts to be recovered from future revenues:		
Employee future benefit obligations	(1,675,845)	(1,552,360)
Net long-term liabilities	(8,871,926)	(9,442,969)
	<u>(10,547,771)</u>	<u>(10,995,329)</u>
Commitments (notes 13 and 16(b))		
Contingent liabilities (note 14)		
Total municipal position	<u>\$(11,690,234)</u>	<u>\$ (3,868,969)</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, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Property taxation	\$ 13,284,154	\$ 12,815,578
Taxation from other governments	365,252	348,471
User charges	6,364,027	6,615,412
Government grants	7,424,441	7,850,397
Grants from other municipalities	270,277	204,265
Investment income	1,269,491	1,208,605
Penalties and interest on taxes	564,290	477,106
Transfer from deferred obligatory reserve funds (note 15)	744,468	478,137
Donations	224,236	240,909
Other	523,548	371,627
Total revenues	31,034,184	30,610,507
Expenditures (note 17):		
Current:		
General government	2,292,445	1,996,073
Protection to persons and property	6,116,490	5,800,472
Transportation services	3,860,333	3,408,140
Environmental services	3,325,085	3,203,550
Cemetery	115,939	75,170
Library	582,860	614,079
Recreational and cultural services	2,746,566	2,533,507
Planning and development	755,364	737,170
Total current expenditures	19,795,082	18,368,161
Capital:		
General government	160,869	157,479
Protection to persons and property	1,373,234	291,741
Transportation services	1,794,584	1,918,916
Environmental services	15,100,518	13,100,049
Cemeteries	20,526	6,367
Library	79,188	9,946
Hospitals	-	300,000
Recreation and cultural services	411,254	207,266
Planning and development	66,695	70,781
Total capital expenditures	19,006,868	16,062,545
Total expenditures	38,801,950	34,430,706
Net expenditures	(7,767,766)	(3,820,199)
Financing:		
Debt principal repayments (note 12)	(571,043)	(727,031)
Change in employee future benefit obligations to be recovered	123,485	112,077
Change in non-financial assets	(53,499)	(12,334)
	(501,057)	(627,288)
Decrease in fund balances	\$ (8,268,823)	\$ (4,447,487)

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, 2008, with comparative figures for 2007

	2008	2007
Operations:		
Net expenditures	\$ (7,767,766)	\$ (3,820,199)
Net change in non-cash working capital items:		
Decrease (increase) in taxes receivable	920,176	(877,980)
Decrease (increase) in accounts receivable	(718,533)	926,801
Increase in other assets	(121,149)	—
Increase in accounts payable and accrued liabilities	3,111,706	208,423
Increase in employee future benefit obligations	123,485	112,077
Increase (decrease) in deferred revenue	(24,670)	38,433
Increase in deferred revenues - obligatory reserve funds	175,363	670,553
	<u>3,466,378</u>	<u>1,078,307</u>
Net change in cash from operations	(4,301,388)	(2,741,892)
Investments:		
Increase in investments	(947,947)	(1,266,531)
Financing:		
Temporary borrowings	5,000,000	6,000,000
Debt principal repayments	(571,043)	(727,031)
	<u>4,428,957</u>	<u>5,272,969</u>
Increase (decrease) in cash	(820,378)	1,264,546
Cash, beginning of year	2,853,737	1,589,191
Cash, end of year	<u>\$ 2,033,359</u>	<u>\$ 2,853,737</u>

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, 2008

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
Harbour Commission

(ii) Accounting for County and School Board transactions:

The taxation, other revenue, 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".

(b) Employee future 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, 2008

1. Accounting policies (continued):

(c) Accrual accounting:

Revenue and expenditures are reported on the accrual basis of accounting. Revenue is recognized as it is earned 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.

(d) 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.

(e) Deferred revenue:

The Municipality receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the competition of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(f) Deferred revenue – obligatory reserve funds:

The Municipality receives restricted contributions under the authority of provincial legislation and Municipal 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.

(g) Amounts to be recovered from future revenue:

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

(h) Investments:

Investments are recorded at cost plus accrued interest and amortization of purchase premiums and discounts. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

Investment income earned on available current funds, reserve funds (other than obligatory funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balance.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

1. Accounting policies (continued):

(i) Government transfers:

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

(j) 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 revenue and expenditures during the period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

2. 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	
	2008	2007	2008	2007
Amounts requisitioned	\$ 6,442,517	\$ 6,531,915	\$ 7,723,990	\$ 7,241,562

3. Restricted assets:

Cash and investments in the amount of \$18,213,663 (2007 - \$13,809,033) have been restricted to support reserve funds and deferred revenue – obligatory reserve funds and \$20,000,000 (2007 - \$20,000,000) has been restricted to support deferred revenue as per the terms of the agreement with the Minister of Natural Resources disclosed in note 16(a).

4. Trust funds:

Trust funds administered by the Municipality amounting to \$545,214 (2007 - \$533,101) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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, 2008, \$Nil (2007 - \$Nil) was drawn with interest at prime rate less .75%.

6. Temporary borrowings:

The Municipality has financial agreements with the Ontario Infrastructure Projects Corporation (OIPC) for temporary capital loans up to a maximum of \$18,215,000 for the interim financing of the upgrade to the Sewage Treatment Plant. As a December 31, 2008, the temporary capital loan balance is \$11,000,000 (2007 - \$6,000,000).

7. Investments:

	2008		2007	
	Cost	Market value	Cost	Market value
Cash and cash equivalents	\$ 5,225,426	\$ 5,225,426	\$ 744,315	\$ 743,362
Fixed income securities	27,098,563	29,453,447	30,631,727	31,074,566
	\$ 32,323,989	\$ 34,678,873	\$ 31,376,042	\$ 31,817,928

8. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 129 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 2008 was \$577,584 (2007 - \$535,709) and is included as an expenditure on the "Consolidated Statement of Financial Activities".

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

9. Employee future 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 former Port Hope Hydro retirees who receive benefits up until the age of 70 and Uniformed Police Association retirees who receive benefits for life.

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 former Port Hope Hydro retirees who do not receive a life benefit.

Early retirement incentive: The Municipality provides Municipal 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 with an update performed to December 31, 2008.

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, 2008, the accrued benefit obligation was \$1,675,845 (2007 - \$1,552,360).

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:

	2008	2007
Accrued benefit obligation, beginning of year	\$ 1,552,360	\$ 1,440,283
Expense recognized for the year	64,460	60,960
Interest cost	94,025	87,164
Benefits paid for the year	(35,000)	(36,047)
Accrued benefit obligation, end of year	\$ 1,675,845	\$ 1,552,360

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

10. 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:

	2008	2007
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	\$ 8,871,926	\$ 9,442,969

- (b) Principal due on total long-term liabilities is summarized as follows:

	2009-2013	2014-2018	2019 onwards	Total
From general municipal revenues and user fees	\$ 3,078,061	\$ 3,484,200	\$ 2,309,665	\$ 8,871,926

- (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.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

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

- (a) The balances on the "Consolidated Statement of Financial Position" for current and capital fund surplus (deficit) of \$(506,636) (2007 – \$306,838) and \$(21,755,908) (2007 – \$(9,114,714)) respectively at the end of the year are comprised of the following:

	2008	2007
To be recovered from operations of the operating fund	\$ (778,821)	\$ 61,820
To be applied to operations of the Heritage Business Improvement Area	23,232	23,255
To be applied to operations of the Public Library Board	25,830	53,797
To be applied to operations of the Cemetery Board	31,215	29,512
To be applied to operations of the Harbour Commission	191,908	138,454
	(506,636)	306,838
Acquisition of fixed assets to be financed from:		
Proceeds of long-term liabilities	(11,907,181)	(6,000,000)
Taxation or user charges	(397,130)	(6,816,778)
Transfers from reserves and reserve funds	(12,160,530)	–
Unexpended capital proceeds	2,708,933	3,702,064
	(21,755,908)	(9,114,714)
	\$ (22,262,544)	\$ (8,807,876)

- (b) The balance available for the general reduction of taxation for the fiscal year ending December 31, 2008 has been reduced by an amount of \$1,198,955 (2007 - \$930,141) 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 \$420,134 (2007 - \$991,961).

12. 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:

	2008	2007
Principal payments	\$ 571,043	\$ 727,031
Interest	228,364	252,975
	\$ 799,407	\$ 980,006

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

13. Commitments:

The Municipality has entered into an agreement for the construction of a new Sewage Treatment Plant including design and environmental upgrades at an estimated total cost of \$29.4 million. Design and construction costs of \$25.2 million have been incurred to date.

Federal and provincial funding of \$9.8 million has been obtained through the Canada Ontario Municipal Rural Infrastructure Fund to fund total a portion of the budgeted project costs of approximately \$29.4 million with the remaining cost to be financed by debentures and future sewer rates.

14. 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, 2008, management believes that the Municipality has valid defences and appropriate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable; therefore no amount has been accrued in the financial statements.

15. 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:

	2008	2007
Balance, beginning of year	\$ 2,877,354	\$ 2,206,800
Federal grant – gasoline tax	–	202,836
Provincial grant – gasoline tax	440,445	187,888
Development contributions	380,661	682,093
Investment income	98,724	75,874
Transfers to capital fund	(333,031)	(184,116)
Transfers to operating fund	(211,437)	(94,021)
Transfers to reserve funds	(200,000)	(200,000)
Balance, end of year	\$ 3,052,716	\$ 2,877,344
Analyzed as follows:		
Parkland	\$ 226,028	\$ 219,043
Development charges	2,386,243	1,982,549
Gasoline tax:		
Provincial	440,445	446,582
Federal	–	229,170
	\$ 3,052,716	\$ 2,877,344

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

16. Deferred revenue – other:

- (a) Under the terms of an agreement between the Municipality and the Minister of Natural Resources for the long-term safe management of low-level radioactive waste, the Municipality received a host community fee in the amount of \$20 million representing \$10 million with respect to the former Town of Port Hope and \$10 million with respect to the former Township of Hope.

The agreement sets out a requirement for investment of these funds as well as certain conditions for potential repayment. The Municipality agrees to maintain the principal amount of the funds with income earned on the funds available for the Municipality's general use.

- (b) 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 current year interest in the amount of \$25,248, the accumulated balance is \$723,950 (2007 - \$698,702). No provision has been made in the financial statements for costs related to any future remedial action.

17. Supplementary information:

	2008	2007
Current fund expenditure by object:		
Salaries, wages and employee benefits	\$ 11,800,625	\$ 11,198,246
Long-term debt interest expense	228,364	252,975
Materials, services, rents and financial expenses	4,816,220	4,005,895
Transfers to others	450,960	385,678
Contracted services	2,498,913	2,525,367
Total	\$ 19,795,082	\$ 18,368,161

18. Budget figures:

The Municipality reviews its operating and capital budgets annually. The approved operating and capital budgets for 2008 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.

Budgets established for capital funds are based on a project-oriented basis, the costs of which may be carried out over one or more years.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

19. Future accounting standards:

Commencing with the fiscal year beginning January 1, 2009, the Municipality will be adopting CICA Public Sector Accounting Handbook Section PS 3150, "Tangible Capital Assets". This section establishes standards on how to account for and report tangible capital assets in government financial statements. Tangible capital assets include such diverse items as roads, bridges, buildings, vehicles, equipment, land, water systems and other utility systems.

Effective January 1, 2007, the Municipality adopted Public Sector Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets by way of a note to the financial statements until Section 3150 – Tangible Capital Assets comes into effect on January 1, 2009.

The Municipality has contracted an individual to assist in evaluating major assets and has also started to establish policies relating to Tangible Capital Asset ("TCA") reporting, including asset classifications, useful life and depreciation methods. As of December 31, 2008, the Municipality has completed an inventory of Municipal assets and much of the associated valuation. A draft TCA policy will be presented to Council for approval pending the audit of opening balances and inventory/valuation processes.

20. Segmented information:

The Municipality is a municipal government institution that provides a range of services to its citizens, including police, fire, transportation, recreational and environmental. For management reporting purposes the Municipality's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

- (a) Administration: Includes administration, corporate services and governance of the Municipality. Administration as a segment includes human resource management, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status as well as frontline reception and customer service.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2008

20. Segmented information (continued):

- (b) Protection Services: Includes policing, fire protection, conservation authority, protective inspection and control and emergency measures. The mandate of the police services is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes inspection, extinguishing and suppression services; emergency medical first response; and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.
- (c) Transportation Services: This department provides the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts.
- (d) Environmental Services: Includes the management and maintenance of water treatment and distribution as well as the wastewater plant and sanitary sewer services and low level radioactive waste management and administration.
- (e) Cemetery Board: Includes the management and maintenance of municipal cemeteries.
- (f) Parks, Recreation and Culture: Provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields and the arena.
- (g) Planning and Development: Manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision of geomatics services.

For each segment separately reported, the segment revenue and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. These municipal services are funded primarily by property tax revenue. Taxation and payments-in-lieu of taxes are apportioned to these services based on the net surplus. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

21. Comparative figures:

Certain 2007 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2008.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Schedule of Current Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

	Budget 2008	Actual 2008	Actual 2007
	(Unaudited, note 18)		
Revenue:			
Property taxation	\$ 13,253,190	\$ 13,284,154	\$ 12,815,578
Taxation from other governments	404,000	365,252	348,471
User charges	5,966,175	6,364,027	6,615,412
Government grants	934,100	1,011,295	1,061,723
Grants from other municipalities	47,700	270,277	204,265
Investment income	32,000	849,845	857,272
Penalties and interest on taxes	450,000	564,290	477,106
Donations	6,300	61,373	224,403
Other	247,100	299,858	354,027
Transfer from deferred obligatory reserve fund (note 15)	629,800	211,437	94,021
Total revenue	21,970,365	23,281,808	23,052,278
Expenditures:			
General government	1,934,400	2,292,445	1,996,073
Protection to persons and property	6,454,410	6,116,490	5,800,472
Transportation services	3,338,650	3,860,333	3,408,140
Environmental services	3,142,620	3,325,085	3,203,550
Cemetery	36,400	115,939	75,170
Library	576,500	582,860	614,079
Recreation and culture	2,807,855	2,746,566	2,533,507
Planning and development	657,600	755,364	737,170
Total expenditures	18,948,435	19,795,082	18,368,161
Net revenue	3,021,930	3,486,726	4,684,117
Financing and transfers:			
Debt principal repayments	(571,000)	(571,043)	(727,031)
Transfers to capital fund	(1,138,000)	(2,073,968)	(1,284,420)
Transfers to reserves and reserve funds	(1,248,930)	(1,725,175)	(3,447,594)
Change in non-financial assets	–	(53,499)	(12,334)
Change in employee future benefit obligations to be recovered	–	123,485	112,077
	(2,957,930)	(4,300,200)	(5,359,302)
Change in current fund balance	64,000	(813,474)	(675,185)
Opening current fund balance	–	306,838	982,023
Closing current fund balance	\$ 64,000	\$ (506,636)	\$ 306,838

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Schedule of Capital Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

	Budget 2008	Actual 2008	Actual 2007
	(Unaudited, note 18)		
Revenue:			
Donations	\$ 61,000	\$ 162,863	\$ 16,506
Government grant	1,496,480	6,413,146	6,788,674
Transfers from deferred obligatory reserve funds (note 15)	536,000	333,031	184,116
Other	3,713,520	223,690	17,600
Total revenues	5,807,000	7,132,730	7,006,896
Expenditures:			
General government	432,000	160,869	157,479
Protection to persons and property	1,108,000	1,373,234	291,741
Transportation services	960,000	1,794,584	1,918,916
Environmental services	4,678,000	15,100,518	13,100,049
Cemeteries	18,000	20,526	6,367
Library	9,000	79,188	9,946
Hospitals	—	—	300,000
Recreational and cultural services	644,000	411,254	207,266
Planning and development	90,000	66,695	70,781
Total expenditures	7,939,000	19,006,868	16,062,545
Net expenditures	(2,132,000)	(11,874,138)	(9,055,649)
Financing and transfers:			
Transfers (to) from reserves and reserve funds	994,000	(2,841,024)	1,442,580
Transfers from current fund	1,138,000	2,073,968	1,284,420
Net financing and transfers	2,132,000	(767,056)	2,727,000
Change in capital fund balance	—	(12,641,194)	(6,328,649)
Opening capital fund balance	—	(9,114,714)	(2,786,065)
Closing capital fund balance	\$ —	\$(21,755,908)	\$ (9,114,714)

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Schedule of Reserves and Reserve Funds

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Investment income	\$ 419,646	\$ 351,333
Transfers from deferred obligatory reserve funds (note 15)	200,000	200,000
Net revenue	619,646	551,333
Net transfers from other funds:		
Transfers from current fund	1,725,175	3,447,594
Transfers to capital fund	2,841,024	(1,442,580)
Total net transfers	4,566,199	2,005,014
Change in reserves and reserve fund balances	5,185,845	2,556,347
Opening reserves and reserve fund balance	15,934,236	13,377,889
Closing reserves and reserve fund balance	\$ 21,120,081	\$ 15,934,236
Analyzed as follows:		
Reserves set aside for specific purposes by Council:		
Working capital	\$ 1,086,287	\$ 2,170,924
Acquisition of fixed assets	4,504,340	2,404,418
Sick leave	—	55,297
Insurance	—	44,953
Other	368,507	326,964
Total reserves	5,959,134	5,002,556
Reserve funds set aside for specific purposes by Council:		
Fire	—	7,588
Police	2,911,309	2,455,735
Waterworks system	2,192,130	305,819
Sanitary sewer	1,299,516	1,248,605
Hydro proceeds	6,801,599	6,307,493
Roads	1,867,660	100,145
Recreational services	88,733	90,143
Other	—	416,152
Total reserve funds	15,160,947	10,931,680
Total reserves and reserve funds	\$ 21,120,081	\$ 15,934,236

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Schedule of Segment Information

Year ended December 31, 2008

	Administration	Protection Services	Transportation Services	Environmental Services	Cemetery Board	Parks and Recreation	Planning and Development	Total
Revenue:								
Taxation	\$ 303,230	\$ 5,324,574	\$ 3,943,248	\$ 337,152	\$ 36,000	\$ 2,603,118	\$ 736,832	\$ 13,284,154
Payments in lieu of taxation	365,252	—	—	—	—	—	—	365,252
Penalties and interest	564,290	—	—	—	—	—	—	564,290
Investment income	828,000	—	—	—	16,000	5,845	—	849,845
Government Unconditional								
Grants	685,885	109,500	—	—	—	—	—	795,385
Government conditional grants	144,815	—	—	—	—	71,095	—	215,910
Other municipalities	—	122,309	69,116	78,852	—	—	—	270,277
Licenses, permits and rents	108,515	—	—	—	350	—	—	108,865
User fees and service charges	264,235	940,456	230,711	3,612,744	71,878	959,189	25,532	6,104,745
Other	172,076	2,548	137,322	140,864	—	58,838	—	511,648
	3,436,298	6,499,387	4,380,397	4,169,612	124,228	3,698,085	762,364	23,070,371
Expenditures:								
Salaries, wages and employee benefits	1,393,145	4,818,060	1,739,187	1,273,060	67,773	1,887,483	498,447	11,677,155
Materials	328,378	538,884	1,526,556	1,244,023	48,166	837,946	106,247	4,630,200
Contracted services	316,680	744,088	638,662	556,577	—	113,853	129,053	2,498,913
Rents and financial expenses	122,118	4,149	9,427	251,425	—	63,107	17,642	467,868
External transfers	8,639	11,309	—	—	—	427,037	3,975	450,960
	2,168,960	6,116,490	3,913,832	3,325,085	115,939	3,329,426	755,364	19,725,096
Net expenditures	1,267,338	382,897	466,565	844,527	8,289	368,659	7,000	3,345,275
Financing and transfers								
Transfers to other funds	1,245,776	497,658	1,027,756	971,588	8,289	643,837	15,000	4,409,904
Transfers from other funds	—	(114,761)	—	(600,000)	—	(99,437)	(8,000)	(822,198)
Long-term debt repayment (principal)	—	—	—	571,043	—	—	—	571,043
	1,245,776	382,897	1,027,756	942,631	8,289	544,400	7,000	4,158,749
Excess of revenue over expenditures (expenditures over revenue)	\$ 21,562	\$ —	\$ (561,191)	\$ (98,104)	\$ —	\$ (175,741)	\$ —	\$ (813,474)

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Heritage Business Improvement Area

Statement of Revenue and Expenditures and Surplus

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Net levy	\$ 38,588	\$ 36,750
Contribution from Municipality	20,000	20,000
Other revenue	925	948
	<u>59,513</u>	<u>57,698</u>
Expenditures:		
Stationery, supplies and office	3,601	3,021
Improvements	28,169	24,478
Advertising	10,035	9,523
Special events	3,975	7,027
Wages and employee benefits	21,755	15,219
	<u>67,535</u>	<u>59,268</u>
Net expenditures over Revenue	(8,022)	(1,570)
Transfer from reserve	8,000	9,000
Surplus, beginning of year	23,254	15,824
Surplus, end of year	<u>\$ 23,232</u>	<u>\$ 23,254</u>

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Harbour Commission

Statement of Revenue and Expenditures and Surplus

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Surplus, beginning of year	\$ 138,454	\$ 54,975
Revenue:		
Lease revenue	93,741	79,824
Interest	4,713	3,655
	<u>98,454</u>	<u>83,479</u>
Expenditures:		
Transfers to municipal capital	45,000	–
Surplus, end of year	<u>\$ 191,908</u>	<u>\$ 138,454</u>

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Year end Financial Review
(Unaudited)

(All dollar amounts are in thousands of dollars)

	2008	2007	2006	2005	2004	2003
1. Assessment:						
Taxable assessment upon which the year's rates of taxation were set						
Residential and farm	1,163,103	1,149,349	1,127,618	942,669	916,874	818,835
Commercial, industrial and pipelines	167,723	175,603	170,827	143,814	141,956	146,796
Multi-residential	56,835	35,003	35,288	31,982	32,232	31,871
Total	1,387,661	1,359,955	1,333,733	1,118,465	1,091,062	997,502
2. Tax rates – Ward 1:						
Residential:						
School	\$.002640	\$.002640	\$.002640	\$.002960	\$.002960	\$.003350
County	.005218	.004916	.004784	.005231	.004931	.004533
General	.010688	.010406	.010059	.011100	.010737	.010526
Total	\$.018546	\$.017962	\$.017483	\$.019291	\$.018628	\$.018409
Tax rates – Ward 2:						
Residential:						
School	\$.002640	\$.002640	\$.002640	\$.002960	\$.002960	\$.003350
County	.005218	.004916	.004784	.005231	.004931	.004533
General	.004646	.004524	.004374	.004830	.004688	.004577
Total	\$.012504	\$ 0.01208	\$.011798	\$.013021	\$.012579	\$.012460
3. Revenue – Current fund:						
Taxation	\$ 13,284	\$ 12,816	\$ 12,125	\$ 11,506	\$ 10,706	\$ 9,474
Payments in lieu of taxes	365	348	331	347	334	386
Government grants	1,011	1,061	1,015	1,138	1,486	1,044
User charges	6,364	6,615	5,955	5,067	4,723	4,928
Other	2,258	2,212	2,020	1,887	1,727	1,913
Total	\$ 23,282	\$ 23,052	\$ 21,446	\$ 19,945	\$ 18,976	\$ 17,745
4. Tax Arrears:						
Principal	\$ 2,981	\$ 3,694	\$ 2,944	\$ 2,685	\$ 2,505	\$ 2,091
Penalty and interest	585	594	465	421	344	274
Total	\$ 3,566	\$ 4,288	\$ 3,409	\$ 3,106	\$ 2,849	\$ 2,365
Percentage of current levy	13.3%	15.9%	13.4%	13.2%	12.4%	11.1%
5. Schools and County Transfers:						
County	\$ 7,724	\$ 7,242	\$ 6,837	\$ 6,509	\$ 6,016	\$ 5,039
Education	6,442	6,532	6,460	6,054	6,022	5,805
Total	\$ 14,166	\$ 13,774	\$ 13,297	\$ 12,563	\$ 12,038	\$ 10,844
6. Capital Expenditures	\$ 19,007	\$ 16,063	\$ 6,692	\$ 8,224	\$ 15,918	\$ 7,583
7. Capital Financing:						
Own funds	\$ (434)	\$ 16,079	\$ 1,650	\$ 4,761	\$ 4,355	\$ 2,954
Grants	6,413	6,789	4,946	653	6,695	509
New debt	—	—	10,000	—	—	—
Donations	163	17	27	170	114	188
Other	224	184	571	1,280	366	480
Total	\$ 6,366	\$ 23,069	\$ 17,194	\$ 6,864	\$ 11,530	\$ 4,131
8. Unfinanced Capital at year end	\$ (21,756)	\$ (9,115)	\$ (2,786)	\$ (13,209)	\$ (11,850)	\$ (7,461)
9. Net Revenue year end General	\$ (507)	\$ 307	\$ 957	\$ 13	\$ (256)	\$ (328)



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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, 2008 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, 2008 and the continuity of trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
March 27, 2009

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Trust Funds

Statement of Financial Position

Year ended December 31, 2008, with comparative figures for 2007

	Cemetery Care and Maintenance Fund	Library Bequest	Developers Deposits	Total 2008	Total 2007
Assets					
Cash	\$ 15,072	–	\$ 79,180	\$ 94,252	\$ 97,339
Accounts receivable	4,100	–	–	4,100	3,428
Investments, at cost (market value \$475,905)	449,871	–	–	449,871	397,114
Due from operating	–	–	–	–	35,220
	\$ 469,043	\$ –	\$ 79,180	\$ 548,223	\$ 533,101
Liabilities and Fund Balances					
Due to operating fund	\$ 3,009	\$ –	\$ –	\$ 3,009	\$ –
Trust fund:					
Balances:					
Capital	341,826	–	79,180	421,006	430,665
Income	124,208	–	–	124,208	102,436
	466,034	–	79,180	545,214	533,101
	\$ 469,043	\$ –	\$ 79,180	\$ 548,223	\$ 533,101

The accompanying note is an integral part of this financial statement.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Trust Funds

Statement of Continuity

Year ended December 31, 2008, with comparative figures for 2007

	Cemetery Care and Maintenance Fund	Library Bequest	Developers Deposits	Total 2008	Total 2007
Funds balance at the beginning of the year	\$ 447,271	\$ 1,131	84,699	\$ 533,101	\$ 693,711
Revenue:					
Cemetery care and maintenance	12,991	—	—	12,991	15,534
Interest and dividends earned	21,772	—	786	22,558	13,792
	<u>34,763</u>	<u>—</u>	<u>786</u>	<u>35,549</u>	<u>29,326</u>
Expenditures:					
Payments to developers	—	—	6,305	6,305	189,936
Transfer to operating fund	16,000	1,131	—	17,131	—
	<u>16,000</u>	<u>1,131</u>	<u>6,305</u>	<u>23,436</u>	<u>189,936</u>
Funds balance at the end of the year	\$ 466,034	\$ —	\$ 79,180	\$ 545,214	\$ 533,101

The accompanying note is an integral part of this financial statement.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Trust Funds

Note to Financial Statements

Year ended December 31, 2008

1. Significant accounting policies:

The financial statements of the Corporation of the Municipality of Port Hope Trust funds are prepared by management 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.

(a) Basis of presentation:

These statements reflect the assets, liabilities, revenue and expenditures of the Trusts.

(b) Basis of accounting:

Revenue and expenditures are recorded on an accrual basis.

The accrual basis recognizes revenue as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

(c) 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 revenue and expenditures during the period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

2. Statement of changes in financial position:

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



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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, 2008 and the statements of current fund operations and capital fund operations 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 revenue, 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 donations revenue 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, 2008 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.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
March 27, 2009

PORT HOPE PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Financial assets:		
Cash	\$ —	\$ 34,163
Investments (note 3)	72,199	75,679
Accounts receivable	315	—
Prepaid accounts	13,799	—
GST receivable	4,340	3,487
	<u>90,653</u>	<u>113,329</u>
Liabilities:		
Bank indebtedness	27	—
Accounts payable and accrued liabilities	—	2,157
Due to the Corporation of the Municipality of Port Hope (note 4):		
Capital	104,105	125,051
Operating	64,796	57,375
	<u>168,928</u>	<u>184,583</u>
Total net debt	\$ (78,275)	\$ (71,254)
Municipal position:		
Current fund (note 5)	\$ 25,830	\$ 53,797
Capital fund, unfinanced balance to be recovered from donations and user charges	(104,105)	(125,051)
Total municipal position	\$ (78,275)	\$ (71,254)

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, 2008, with comparative figures for 2007

	2008 (Budget) (Unaudited)	2008 (Actual)	2007 (Actual)
Revenue:			
Municipal contributions - operating	\$ 526,500	\$ 526,500	\$ 509,832
Province of Ontario grant	31,800	31,828	31,828
Other government funding	8,000	8,000	3,718
Fines and fees	15,000	14,995	15,422
Interest and miscellaneous	2,200	1,584	28,433
Donation account (note 8)	–	67,936	157,475
	583,500	650,843	746,708
Expenditures:			
Salaries and benefits	411,700	437,510	422,730
Periodicals and newspapers	20,600	20,705	61,847
Books	50,000	56,519	–
Utilities	57,100	44,117	49,408
Maintenance and cleaning	21,400	24,509	23,344
Miscellaneous	500	3,840	1,524
Insurance	3,000	3,871	3,727
Conferences and professional development	2,600	3,857	1,824
Office expense	13,600	19,059	18,081
Computer maintenance and training	23,000	22,209	31,596
Donation account (note 8)	–	30,182	60,704
Total expenditures	603,500	666,378	674,785
Net revenue (expenditures)	(20,000)	(15,535)	71,923
Financing and transfers:			
Transfer from reserve fund - municipal development charges	20,000	11,437	14,021
Transfer to capital fund (note 8)	–	(25,000)	(40,000)
Transfer from trust fund	–	1,131	–
	20,000	(12,432)	(25,979)
Change in current fund balance	–	(27,967)	45,944
Current fund balance, beginning of year	–	53,797	7,853
Current fund balance, end of year	\$ –	\$ 25,830	\$ 53,797

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, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Donations	\$ 3,363	\$ —
Municipal contributions	9,000	24,349
	<u>12,363</u>	<u>24,349</u>
Expenditures:		
Computer equipment	22,669	5,291
Furniture and equipment	—	4,655
	<u>22,669</u>	<u>9,946</u>
Net revenue (expenditures)	(10,306)	14,403
Financing and transfers:		
Transfer from reserves	6,252	14,000
Transfer from current fund	25,000	40,000
	<u>31,252</u>	<u>54,000</u>
Change in capital fund balance	20,946	68,403
Capital fund balance, beginning of year	(125,051)	(193,454)
Capital fund balance, end of year	<u>\$ (104,105)</u>	<u>\$ (125,051)</u>

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

PORT HOPE PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2008

1. Significant accounting policies:

The financial statements of the Board are prepared by management 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 ("CICA"). 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. Property and building assets are reported as an expenditure on the "Statement of Capital Fund Operations" in the year of acquisition. All other capital assets are reported as an expenditure on the "Statement of Current Fund Operations" in the year of acquisition.

(c) Revenue recognition:

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

(d) Investments:

Investments are recorded at cost plus accrued interest. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

(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 revenue and expenditures during the period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

PORT HOPE PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2008

2. Change in accounting policies:

Commencing with the fiscal year beginning January 1, 2009, the Library will be adopting CICA Public Sector Accounting Handbook Section PS 3150, *Tangible Capital Assets*. This section establishes standards on how to account for and report tangible capital assets in government financial statements. Tangible capital assets include such diverse items as roads, bridges, buildings, vehicles, equipment, land, water systems and other utility systems.

As of December 31, 2008, the Library does not have adequate information to disclose any of the tangible capital assets by major category.

3. Investments:

Investments of \$72,199 (2007 - \$75,679) reported on the "Statement of Financial Position" were written down to market value as of December 31, 2008 of \$72,199 from actual cost of \$75,679 as these investments were sold in 2009 and permanent impairment of \$3,480 was confirmed.

4. Due to the Corporation of the Municipality of Port Hope:

During the year, the Library Board is provided with financial and payroll services by the Corporation of the Municipality of Port Hope. As at December 31, 2008, the Library Board had an amount due to the Corporation of the Municipality of Port Hope representing the net balance of cash receipts, year end payroll accruals and disbursements processed on behalf of the Library Board in the amount of \$64,796 (2007 - \$57,375) for operating costs and \$104,105 (2007 - \$125,051) for capital expenditures.

5. Current fund:

The current fund balance on the "Statement of Financial Position" of \$25,830 (2007 - \$53,797) at the end of the year is comprised of the following:

	2008	2007
To be applied to (recovered from) operations of the current fund	\$ 25,830	\$ 53,797
	\$ 25,830	\$ 53,797

6. Trust fund:

Trust Fund representing a donation to the Library Board, administered by the Board amounting to \$Nil (2007 - \$1,131) has not been included in the "Statement of Financial Position" nor has its operations been included in the "Statement of Current Fund Operations".

PORT HOPE PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2008

7. 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 amount contributed to OMERS for 2008 was \$9,959 (2007 - \$9,691) for current service.

8. Donation account:

The donation account received revenues and incurred expenditures during the year as follows:

	2008	2007
Donations	\$ 67,936	\$ 157,475
Expenditures:		
Books and periodicals	—	49,915
Library programs	30,182	10,789
Transfer to capital	25,000	40,000
Total expenditures and transfers	\$ 55,182	\$ 100,704

9. Budget figures:

Budget figures are compiled from the 2008 fiscal year operating budget approved by the Board and are not subject to audit.

10. Statement of changes in financial position:

The changes in financial position are readily apparent from the financial statements and as such a statement of changes in financial position would not provide additional information.



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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, 2008 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, 2008 and the continuity of the trust fund for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

March 27, 2009

PORT HOPE PUBLIC LIBRARY BOARD

Trust Fund Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	\$ -	\$ 1,131
Liabilities and Fund Balance		
Fund balance:		
Capital	\$ -	\$ 1,131

Trust Fund Statement of Continuity

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Balance at beginning of year	\$ 1,131	\$ 1,130
Income:		
Interest and dividends earned	-	1
Transfer to current fund	1,131	-
Balance at end of year	\$ -	\$ 1,131

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, 2008

1. Significant accounting policies:

The financial statements of the Port Hope Public Library Board Trust Fund are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute for Chartered Accountants.

(a) Basis of accounting:

These statements reflect the assets, liabilities, revenue and expenditures of the Trust.

(b) Revenue recognition:

(i) The financial statements are prepared on the accrual basis of accounting.

(ii) The accrual basis of accounting recognizes revenue 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. Statement of changes in financial position:

A statement of changes in financial position has not been included in these financial statements 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 Port Hope

We have audited the statement of financial position of the Corporation of the Municipality of Port Hope Cemetery Board as at December 31, 2008 and the statements of current fund operations and capital fund operations 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 Corporation of the Municipality of Port Hope Cemetery Board as at December 31, 2008 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single, long, horizontal stroke that tapers at both ends, resembling a flourish or a checkmark.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
March 27, 2009

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets and Liabilities		
Financial assets:		
Due from the Corporation of the Municipality of Port Hope (note 5)	\$ 28,206	\$ 62,111
Due from Care and Maintenance Trust Fund	3,009	–
Due from the Corporation of the Municipality of Port Hope – capital (note 5)	–	22,633
Total	31,215	84,744
Liabilities:		
GST payable	–	76
Due to Care and Maintenance Trust Fund	–	35,220
Due to the Corporation of the Municipality of Port Hope – capital (note 5)	2,465	–
	2,465	35,296
Net debt	\$ 28,750	\$ 49,448
Board Position		
Current fund	\$ 31,215	\$ 26,815
Capital fund (note 4)	(2,465)	22,633
Board position, end of year	\$ 28,750	\$ 49,448

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Statement of Current Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

	Budget 2008	Actual 2008	Actual 2007
	(unaudited) (note 6)		
Revenue:			
Provided by municipality from tax levy	\$ 36,400	\$ 36,400	\$ 37,040
Sale of plots	27,000	28,210	33,981
Sale of columbarium	12,000	11,380	12,950
Interment charges	16,000	19,320	32,451
Rental income	7,200	—	—
Transfer from Care and Maintenance			
Trust Fund income account	16,000	16,000	—
Miscellaneous	10,400	13,318	6,120
Total revenue	125,000	124,628	122,542
Expenditures:			
Wages and employee benefits	82,100	67,774	42,607
Office expense	600	4,061	652
Supplies, utilities and maintenance	26,000	25,746	29,297
Interment costs	2,500	3,635	4,215
Columbarium inscriptions	1,200	1,732	1,424
Transfer to Care and Maintenance			
Trust Fund capital account	12,600	12,991	15,535
Total expenditures	125,000	115,939	93,730
Net revenue	—	8,689	28,812
Transfer to capital fund	—	(4,289)	(2,895)
Change in current fund balance	—	4,400	25,917
Opening current fund balance	—	26,815	898
Closing current fund balance	\$ —	\$ 31,215	\$ 26,815

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Statement of Capital Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Municipal grant	\$ 4,000	\$ 16,750
Donation	-	10,000
	4,000	26,750
Expenditures:		
Construction – replacement pillars	-	1,757
Equipment	8,289	4,610
Monument repairs	2,465	-
Fencing	9,772	-
	20,526	6,367
Net revenue (expenditures)	(16,526)	20,383
Financing and transfers:		
Transfer from (to) reserves	(12,861)	2,250
Transfer from current fund	4,289	2,895
Net financing and transfers	(8,572)	5,145
Change in capital fund balance	(25,098)	25,528
Capital fund balance, beginning of year	22,633	(2,895)
Capital fund balance, end of year	\$ (2,465)	\$ 22,633

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Notes to Financial Statements

Year ended December 31, 2008

1. Significant accounting policies:

The financial statements of the Corporation of the Municipality of Port Hope Cemetery Board are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. These financial statements reflect the assets, liabilities, revenue and expenditures of the Cemetery Board.

(a) 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) Basis of accounting:

Revenues and expenditures are recorded on an accrual basis.

The accrual basis recognizes revenues as they are earned 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.

(c) 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 "Statement of Capital Fund Operations" in the year of acquisition.

(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 revenue and expenditures during the period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

2. Changes in accounting policies:

Commencing with the fiscal year beginning January 1, 2009, the Cemetery Board will be adopting CICA Public Sector Accounting Handbook Section PS 3150, *Tangible Capital Assets*. This section establishes standards on how to account for and report tangible capital assets in government financial statements. Tangible capital assets include such diverse items as roads, bridges, buildings, vehicles, equipment, land, water systems and other utility systems.

As of December 31, 2008, the Cemetery Board does not have adequate information to disclose any of the tangible assets by major category.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2008

3. Trust fund:

The Care and Maintenance Trust Fund, representing accumulated net revenue from the sales of plots dedicated for future care and maintenance of respective cemeteries, administered by the Board, amounting to \$466,034 (2007 - \$447,271) has not been included in the "Statement of Financial Position" nor has its operations been included in the "Statement of Financial Activities".

4. Capital fund:

As at December 31, 2008, the Cemetery Board had an unexpended (unfinanced) capital balance in the amount of (\$2,465) (2007 - \$22,633). This represents the unfinanced balance of \$2,465 to be funded in 2009.

5. Due from (to) the Corporation of the Municipality of Port Hope:

During the year, the Cemetery Board is provided with financial and payroll services by the Corporation of the Municipality of Port Hope. As at December 31, 2008, the Cemetery Board had an amount due from (to) the Corporation of the Municipality of Port Hope representing the net balance of cash receipts, year end payroll accruals and disbursements processed on behalf of the Cemetery Board in the amount of \$28,206 (2007 - \$62,111) for current fund operations and (\$2,465) (2007 - \$22,633) for capital fund operations.

6. Budget figures:

Budget figures are compiled from the 2008 fiscal year operating budget approved by the Board and are not subject to audit.

7. 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 Port Hope

We have audited the statement of financial position of the Care and Maintenance Trust Fund of the Corporation of the Municipality of Port Hope Cemetery Board as at December 31, 2008 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 Corporation of the Municipality of Port Hope Cemetery Board as at December 31, 2008 and the continuity of the Care and Maintenance Trust Fund for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single, long, horizontal stroke that tapers at both ends, serving as a decorative underline.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
March 27, 2009

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Care and Maintenance Trust Fund Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	\$ 15,072	\$ 11,509
Accrued interest	4,100	3,428
Due from Operating Fund	—	35,220
	19,172	50,157
Investments, at cost (note 2)	449,871	397,114
Total assets	\$ 469,043	\$ 447,271

Liabilities and Fund Balance

Due to operating fund	\$ 3,009	\$ —
Capital	341,826	344,835
Income	124,208	102,436
	466,034	447,271
Total liabilities and fund balance	\$ 469,043	\$ 447,271

Care and Maintenance Trust Fund Statement of Continuity

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Balance at beginning of year	\$ 447,271	\$ 420,074
Revenue:		
Capital receipts, care and maintenance	12,991	15,534
Interest earned	21,772	11,663
	34,763	27,197
Expenditure:		
Transfer to Operating Fund	16,000	—
Balance at end of year	\$ 466,034	\$ 447,271

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Notes to Care and Maintenance Trust Fund Financial Statements

Year ended December 31, 2008

1. Significant accounting policies:

The financial statements of the Corporation of the Municipality of Port Hope Cemetery Board Care and Maintenance Trust Fund are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Basis of accounting:

These statements reflect the assets, liabilities, revenue and expenditures of the Trust.

(b) Revenue recognition:

(i) Receipts and expenditures are reported on the accrual basis of accounting.

(ii) The accrual basis of accounting recognizes revenue 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.

(c) Investments:

Investments are recorded at cost plus accrued interest and amortization of purchase premiums and discounts. If the market value of investments becomes lower than the cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

2. Investments:

Total investments of \$449,871 (2007 - \$397,114) reported on the statement of financial position at cost, have a market value of \$475,905 (2007 - \$400,057) at the end of the year.

3. Statement of changes in financial position:

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