

Audited Financial Statements and Other Financial
Information of

**CORPORATION OF THE
MUNICIPALITY OF PORT HOPE**

Year ended December 31, 2007

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Year ended December 31, 2007

| CORPORATION OF THE MUNICIPALITY OF PORT HOPE | | Page |
|--|--|------|
| Audited Financial Statements: | | |
| Auditors' Report | | 1 |
| Consolidated Statement of Financial Position | | 2 |
| Consolidated Statement of Financial Activities | | 3 |
| Consolidated Statement of Changes in Financial Position | | 4 |
| Notes to Consolidated Financial Statements | | 5 |
| Consolidated Schedule of Current Fund Operations | | 14 |
| Consolidated Schedule of Capital Fund Operations | | 15 |
| Consolidated Schedule of Reserves and Reserve Funds | | 16 |
| Other Financial Information: | | |
| Auditors' Report on Other Financial Information | | 17 |
| Heritage Business Improvement Area Statement of Revenue and Expenditures and Surplus | | 18 |
| Harbour Commission - Statement of Revenue and Expenditures and Surplus | | 19 |
| Unaudited Schedule: | | |
| Five-Year Financial Review | | 20 |
| TRUST FUNDS | | |
| Auditors' Report | | 21 |
| Statement of Financial Position | | 22 |
| Statement of Continuity | | 23 |
| Notes to Financial Statements | | 24 |
| PORT HOPE PUBLIC LIBRARY BOARD | | |
| Auditors' Report | | 25 |
| Statement of Financial Position | | 26 |
| Statement of Current Fund Operations | | 27 |
| Statement of Capital Fund Operations | | 28 |
| Statement of Changes in Financial Position | | 29 |
| Notes to Financial Statements | | 30 |
| Trust fund: | | |
| Auditors' Report | | 31 |
| Statement of Financial Position | | 32 |
| Statement of Continuity | | 32 |
| Note to Financial Statements | | 33 |

Audited Financial Statements and Other Financial Information of

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Year ended December 31, 2007

MUNICIPALITY OF PORT HOPE CEMETERY BOARD

| | |
|--------------------------------------|----|
| Auditors' Report | 34 |
| Statement of Financial Position | 35 |
| Statement of Current Fund Operations | 36 |
| Statement of Capital Fund Operations | 37 |
| Notes to Financial Statements | 38 |
| Trust fund: | |
| Auditors' Report | 40 |
| Statement of Financial Position | 41 |
| Statement of Continuity | 41 |
| Notes to Financial Statements | 42 |



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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, 2007 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, 2007 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.

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

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
March 17, 2008

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Financial Position

December 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|---|-----------------------|---------------------|
| Assets | | |
| Financial assets: | | |
| Cash | \$ 2,853,737 | \$ 1,589,191 |
| Taxes receivable | 4,287,962 | 3,409,982 |
| Accounts receivable | 2,847,013 | 3,773,814 |
| Investments, at cost (note 6) | 31,376,042 | 30,109,511 |
| | <u>41,364,754</u> | <u>38,882,498</u> |
| Liabilities: | | |
| Temporary borrowings (note 5) | 6,000,000 | — |
| Accounts payable and accrued liabilities | 4,690,786 | 4,482,363 |
| Employee future benefit obligations (note 8) | 1,552,360 | 1,440,283 |
| Deferred revenue - obligatory reserve funds (note 14) | 2,877,353 | 2,206,800 |
| Deferred revenue - other (note 15) | 20,752,760 | 20,714,327 |
| Net long-term liabilities (note 9) | 9,442,969 | 10,170,000 |
| | <u>45,316,228</u> | <u>39,013,773</u> |
| Net financial deficiency | (3,951,474) | (131,275) |
| Other non-financial assets: | | |
| Inventory and prepaid expenses | 82,505 | 94,839 |
| Total net asset deficiency | <u>\$ (3,868,969)</u> | <u>\$ (36,436)</u> |
| Municipal position: | | |
| Current fund (note 10) | \$ 306,838 | \$ 982,023 |
| Capital fund (note 10) | (9,114,714) | (2,786,065) |
| Reserves | 5,002,556 | 5,729,515 |
| Reserve funds | 10,931,680 | 7,648,374 |
| Fund balances | <u>7,126,360</u> | <u>11,573,847</u> |
| Amounts to be recovered from future revenues: | | |
| Employee future benefit obligations | (1,552,360) | (1,440,283) |
| Net long-term liabilities | (9,442,969) | (10,170,000) |
| | <u>(10,995,329)</u> | <u>(11,610,283)</u> |
| Commitments (notes 12 and 15(b)) | | |
| Contingent liabilities (note 13) | | |
| Total municipal position | <u>\$ (3,868,969)</u> | <u>\$ (36,436)</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, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|---|-----------------------|----------------------|
| Revenues: | | |
| Property taxation | \$ 12,815,578 | \$ 12,125,092 |
| Taxation from other governments | 348,471 | 330,565 |
| User charges | 6,615,412 | 5,892,642 |
| Government grants | 7,850,397 | 5,807,353 |
| Grants from other municipalities | 204,265 | 152,981 |
| Investment income | 1,208,605 | 1,347,479 |
| Penalties and interest on taxes | 477,106 | 464,096 |
| Transfer from deferred obligatory reserve funds | 478,137 | 570,595 |
| Donations | 240,909 | 65,718 |
| Other | 371,627 | 415,342 |
| Total revenues | 30,610,507 | 27,171,863 |
| Expenditures (note 16): | | |
| Current: | | |
| General government | 1,996,073 | 1,848,410 |
| Protection to persons and property | 5,800,472 | 5,298,549 |
| Transportation services | 3,408,140 | 3,108,000 |
| Environmental services | 3,203,550 | 2,985,021 |
| Cemetery | 75,170 | 113,964 |
| Library | 614,079 | 553,958 |
| Recreational and cultural services | 2,533,507 | 2,485,967 |
| Planning and development | 737,170 | 640,048 |
| Total current expenditures | 18,368,161 | 17,033,917 |
| Capital: | | |
| General government | 157,479 | 82,366 |
| Protection to persons and property | 291,741 | 137,832 |
| Transportation services | 1,918,916 | 1,195,559 |
| Environmental services | 13,100,049 | 4,766,508 |
| Cemeteries | 6,367 | 11,694 |
| Library | 9,946 | 54,388 |
| Hospitals | 300,000 | - |
| Recreation and cultural services | 207,266 | 333,211 |
| Planning and development | 70,781 | 188,458 |
| Total capital expenditures | 16,062,545 | 6,770,016 |
| Total expenditures | 34,430,706 | 23,803,933 |
| Net revenues (expenditures) | (3,820,199) | 3,367,930 |
| Financing and transfers: | | |
| New debt | - | 10,000,000 |
| Debt principal repayments (note 11) | (727,031) | (161,000) |
| Change in non-financial assets | (12,334) | 37,924 |
| Change in employee future benefit obligations to be recovered | 112,077 | 106,048 |
| | (627,288) | 9,982,972 |
| Increase (decrease) in fund balances | \$ (4,447,487) | \$ 13,350,902 |

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, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|--|----------------|--------------|
| Operations: | | |
| Net revenues (expenditures) | \$ (3,820,199) | \$ 3,367,930 |
| Net change in non-cash working capital items: | | |
| Increase in taxes receivable | (877,980) | (303,797) |
| Decrease (increase) in accounts receivable | 926,801 | (754,969) |
| Increase (decrease) in accounts payable and accrued liabilities | 208,423 | (1,044,092) |
| Increase in employee future benefit obligations | 112,077 | 106,048 |
| Increase in deferred revenue | 38,433 | 47,162 |
| Increase in deferred revenues - obligatory reserve funds | 670,553 | 639,883 |
| | 1,078,307 | (1,309,765) |
| Net change in cash from operations | (2,741,892) | 2,058,165 |
| Investing: | | |
| Decrease (increase) in investments | (1,266,531) | 195,925 |
| Financing: | | |
| Temporary borrowings | 6,000,000 | — |
| New debt | — | 10,000,000 |
| Debt principal repayments | (727,031) | (161,000) |
| | 5,272,969 | 9,839,000 |
| Increase in cash and cash equivalents | 1,264,546 | 12,093,090 |
| Cash and cash equivalents (bank indebtedness), beginning of year | 1,589,191 | (10,503,899) |
| Cash and cash equivalents, end of year | \$ 2,853,737 | \$ 1,589,191 |

The Municipality considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less, which includes bank indebtedness and capital loans.

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, 2007

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 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 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, 2007

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 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.

(d) Amounts to be recovered from future revenues:

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

(e) Investments:

Investments are recorded at cost. 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.

(f) 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. 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 | |
|-----------------------|---------------|--------------|--------------------------|--------------|
| | 2007 | 2006 | 2007 | 2006 |
| Amounts requisitioned | \$ 6,531,915 | \$ 6,460,144 | \$ 7,241,562 | \$ 6,836,630 |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

3. Trust funds:

Trust funds administered by the Municipality amounting to \$533,101 (2006 - \$693,711) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

4. 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, 2007, \$Nil (2006 - \$Nil) was drawn with interest at prime rate less .75%.

5. Temporary borrowings:

The Municipality has financial agreements with the Ontario Infrastructure Projects Corporation (OIPC) for temporary capital loans up to a maximum of \$8,000,000 for the interim financing of the upgrade to the Pollution Control Sewage Plant. As a December 31, 2007, the temporary capital loan balance is \$6,000,000 (2006 - \$Nil).

6. Investments:

| | 2007 | | 2006 | |
|---------------------------|---------------|---------------|---------------|---------------|
| | Cost | Market value | Cost | Market value |
| Cash and cash equivalents | \$ 744,315 | \$ 743,362 | \$ 1,225,699 | \$ 1,217,740 |
| Fixed income securities | 30,631,727 | 31,074,566 | 28,883,812 | 29,383,091 |
| | \$ 31,376,042 | \$ 31,817,928 | \$ 30,109,511 | \$ 30,600,831 |

7. 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 2007 was \$535,709 (2006 - \$510,848) 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, 2007

8. 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.

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, 2007.

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, 2007, the accrued benefit obligation was \$1,552,360 (2006 - \$1,440,283).

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:

| | 2007 | 2006 |
|---|--------------|--------------|
| Accrued benefit obligation, beginning of year | \$ 1,440,283 | \$ 1,334,235 |
| Expense recognized for the year | 60,960 | 57,583 |
| Interest cost | 87,164 | 80,811 |
| Benefits paid for the year | (36,047) | (32,346) |
| Accrued benefit obligation, end of year | \$ 1,552,360 | \$ 1,440,283 |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

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:

| | 2007 | 2006 |
|---|--------------|---------------|
| 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 | \$ 9,442,969 | \$ 10,170,000 |

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

| | 2008-2012 | 2013-2017 | 2018 onwards | Total |
|---|--------------|--------------|--------------|--------------|
| From general municipal revenues and user fees | \$ 3,002,530 | \$ 3,399,677 | \$ 3,040,762 | \$ 9,442,969 |

- (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, 2007

10. 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 \$306,838 (2006 – \$982,023) and \$(9,114,714) (2006 – \$(2,786,065)) respectively at the end of the year are comprised of the following:

| | 2007 | 2006 |
|---|----------------|----------------|
| To be recovered from operations of the operating fund | \$ 61,820 | \$ 902,473 |
| To be applied to operations of the Heritage Business Improvement Area | 23,255 | 15,824 |
| To be applied to operations of the Public Library Board | 53,797 | 7,853 |
| To be recovered from operations of the Cemetery Board | 29,512 | 898 |
| To be applied to operations of the Harbour Commission | 138,454 | 54,975 |
| | 306,838 | 982,023 |
| Acquisition of fixed assets to be financed from: | | |
| Proceeds of long-term liabilities | (6,000,000) | (431,193) |
| Taxation or user charges | (6,816,778) | (2,161,418) |
| Donations | – | (193,454) |
| Unexpended capital | 3,702,064 | – |
| | (9,114,714) | (2,786,065) |
| | \$ (8,807,876) | \$ (1,804,042) |

- (b) The balance available for the general reduction of taxation for the fiscal year ending December 31, 2007 has been reduced by an amount of \$930,141 (2006 - \$293,300) 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 \$991,961 (2006 - \$1,275,323).

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:

| | 2007 | 2006 |
|--------------------|------------|------------|
| Principal payments | \$ 727,031 | \$ 161,000 |
| Interest | 252,975 | 22,343 |
| | \$ 980,006 | \$ 183,343 |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

12. Commitments:

The Municipality has entered into an agreement to design environmental upgrades for the Sewage Treatment Plant at an estimated cost of \$1.4 million and construction costs at an estimated cost of \$28 million. Design and construction costs of \$3.2 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 budgeted project costs of approximately \$30 million with the remaining cost to be financed by debentures and future sewer rates.

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, 2007, 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:

| | 2007 | 2006 |
|---------------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 2,206,800 | \$ 1,566,917 |
| Federal grant – gasoline tax | 202,836 | 152,144 |
| Provincial grant – gasoline tax | 187,888 | 188,024 |
| Development contributions | 682,093 | 813,367 |
| Investment income | 75,874 | 56,943 |
| Transfers to capital fund | (184,116) | (570,595) |
| Transfers to operating fund | (94,021) | – |
| Transfers to reserve funds | (200,000) | – |
| Balance, end of year | \$ 2,877,354 | \$ 2,206,800 |
| Analyzed as follows: | | |
| Parkland | \$ 219,043 | \$ 153,034 |
| Development charges | 1,982,549 | 1,614,279 |
| Gasoline tax: | | |
| Provincial | 446,582 | 251,638 |
| Federal | 229,170 | 187,849 |
| | \$ 2,877,344 | \$ 2,206,800 |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2007

15. 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 hold the funds in trust 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 \$16,309, the accumulated balance is \$698,702 (2006 - \$682,393). No provision has been made in the financial statements for costs related to any future remedial action.

16. Supplementary information:

| | 2007 | 2006 |
|---|----------------------|----------------------|
| Current fund expenditure by object: | | |
| Salaries, wages and employee benefits | \$ 11,198,246 | \$ 10,270,937 |
| Long-term debt interest expense | 252,975 | 22,343 |
| Materials, services, rents and financial expenses | 4,005,895 | 3,971,452 |
| Transfers to others | 385,678 | 409,006 |
| Contracted services | 2,525,367 | 2,360,179 |
| Total | \$ 18,368,161 | \$ 17,033,917 |

17. Budget figures:

The Municipality reviews its operating and capital budgets annually. The approved operating and capital budgets for 2007 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, 2007

18. 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 affect on January 1, 2009.

As of December 31, 2007, the Municipality does not have the required information to disclose any of the tangible capital assets by major category. The Municipality has contracted an individual to assist in evaluating major assets and has also begun on establishing policies relating to Tangible Capital Asset reporting, including asset classifications, useful life and depreciation methods.

19. Comparative figures:

Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2007.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Schedule of Current Fund Operations

Year ended December 31, 2007, with comparative figures for 2006

| | Budget 2007 | Actual 2007 | Actual 2006 |
|--|-------------------------|-------------------|-------------------|
| | (Unaudited, note 16) | | |
| Revenues: | | | |
| Property taxation | \$ 12,781,861 | \$ 12,815,578 | \$ 12,125,092 |
| Taxation from other governments | 381,500 | 348,471 | 330,565 |
| User charges | 5,794,946 | 6,615,412 | 5,892,642 |
| Government grants | 995,980 | 1,061,723 | 861,717 |
| Grants from other municipalities | 40,000 | 204,265 | 152,981 |
| Investment income | 51,000 | 857,272 | 1,070,452 |
| Penalties and interest on taxes | 350,000 | 477,106 | 464,096 |
| Donations | 4,300 | 224,403 | 38,944 |
| Other | – | 354,027 | 415,342 |
| Transfer from deferred obligatory reserve fund | – | 94,021 | – |
| Total revenues | 20,399,587 | 23,052,278 | 21,351,831 |
| Expenditures: | | | |
| General government | 1,947,847 | 1,996,073 | 1,848,410 |
| Protection to persons and property | 6,034,780 | 5,800,472 | 5,298,549 |
| Transportation services | 3,449,948 | 3,408,140 | 3,108,000 |
| Environmental services | 4,488,590 | 3,203,550 | 2,985,021 |
| Cemetery | 117,600 | 75,170 | 113,964 |
| Library | 583,860 | 614,079 | 553,958 |
| Recreation and culture | 2,627,963 | 2,533,507 | 2,485,967 |
| Planning and development | 789,413 | 737,170 | 640,048 |
| Total expenditures | 20,040,001 | 18,368,161 | 17,033,917 |
| Net revenues | 359,586 | 4,684,117 | 4,317,914 |
| Financing and transfers: | | | |
| Debt principal repayments | (727,031) | (727,031) | (161,000) |
| Transfers to capital fund | (1,147,976) | (1,284,420) | (1,181,098) |
| Transfers to reserves and reserve funds | 1,515,421 | (3,447,594) | (2,198,545) |
| Change in non-financial assets | – | (12,334) | 37,924 |
| Change in employee future benefit obligations to be recovered | – | 112,077 | 106,048 |
| | (359,586) | (5,359,302) | (3,396,671) |
| Change in current fund balance | – | (675,185) | 921,243 |
| Opening current fund balance | – | 982,023 | 60,780 |
| Closing current fund balance | \$ – | \$ 306,838 | \$ 982,023 |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Schedule of Capital Fund Operations

Year ended December 31, 2007, with comparative figures for 2006

| | Budget 2007 | Actual 2007 | Actual 2006 |
|---|-------------------------|----------------|----------------|
| | (Unaudited, note 16) | | |
| Revenues: | | | |
| Donations | \$ 5,140 | \$ 16,506 | \$ 26,774 |
| Government grant | 9,860,000 | 6,788,674 | 4,945,636 |
| Transfers from deferred obligatory reserve funds (note 14) | 12,308,478 | 184,116 | 570,595 |
| Other | 70,000 | 17,600 | – |
| Total revenues | 22,243,618 | 7,006,896 | 5,543,005 |
| Expenditures: | | | |
| General government | 506,300 | 157,479 | 82,366 |
| Protection to persons and property | 284,500 | 291,741 | 137,832 |
| Transportation services | 2,453,000 | 1,918,916 | 1,195,559 |
| Environmental services | 39,093,500 | 13,100,049 | 4,766,508 |
| Cemeteries | 19,000 | 6,367 | 11,694 |
| Library | 23,000 | 9,946 | 54,388 |
| Hospitals | – | 300,000 | – |
| Recreational and cultural services | 376,000 | 207,266 | 333,211 |
| Planning and development | 250,500 | 70,781 | 188,458 |
| Total expenditures | 43,005,800 | 16,062,545 | 6,770,016 |
| Net expenditures | (20,762,182) | (9,055,649) | (1,227,011) |
| Financing and transfers: | | | |
| Transfers from reserves and reserve funds | 10,064,418 | 1,442,580 | 469,177 |
| Transfers from current fund | 1,147,976 | 1,284,420 | 1,181,098 |
| New debt issue | 9,549,788 | – | 10,000,000 |
| Net financing and transfers | 20,762,182 | 2,727,000 | 11,650,275 |
| Change in capital fund balance | – | (6,328,649) | 10,423,264 |
| Opening capital fund balance | – | (2,786,065) | (13,209,329) |
| Closing capital fund balance | \$ – | \$ (9,114,714) | \$ (2,786,065) |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Schedule of Reserves and Reserve Funds

Year ended December 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|---|---------------|---------------|
| Revenues: | | |
| Investment income | \$ 351,333 | \$ 277,027 |
| Transfers from deferred obligatory reserve funds | 200,000 | — |
| Net revenue | 551,333 | 277,027 |
| Net transfers from other funds: | | |
| Transfers from current fund | 3,447,594 | 2,198,545 |
| Transfers to capital fund | (1,442,580) | (469,177) |
| Total net transfers | 2,005,014 | 1,729,368 |
| Change in reserves and reserve fund balances | 2,556,347 | 2,006,395 |
| Opening reserves and reserve fund balance | 13,377,889 | 11,371,494 |
| Closing reserves and reserve fund balance | \$ 15,934,236 | \$ 13,377,889 |
| Analyzed as follows: | | |
| Reserves set aside for specific purposes by Council: | | |
| Working capital | \$ 2,170,924 | \$ 1,320,919 |
| Acquisition of fixed assets | 2,404,418 | 3,787,013 |
| Sick leave | 55,297 | 22,297 |
| Insurance | 44,953 | 44,953 |
| Other | 326,964 | 554,333 |
| Total reserves | 5,002,556 | 5,729,515 |
| Reserve funds set aside for specific purposes by Council: | | |
| Fire | 7,588 | 4,578 |
| Police | 2,455,735 | — |
| Waterworks system | 305,819 | 297,633 |
| Sanitary sewer | 1,248,605 | 713,349 |
| Hydro proceeds | 6,307,493 | 6,036,046 |
| Roads | 100,145 | 96,573 |
| Recreational services | 6,399 | 8,333 |
| Sunshine Heights | 83,744 | 80,757 |
| Other | 416,152 | 411,105 |
| Total reserve funds | 10,931,680 | 7,648,374 |
| Total reserves and reserve funds | \$ 15,934,236 | \$ 13,377,889 |



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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.

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 17, 2008

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Heritage Business Improvement Area

Statement of Revenues and Expenditures and Surplus

Year ended December 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|---------------------------------|------------------|------------------|
| Revenues: | | |
| Net levy | \$ 36,750 | \$ 35,325 |
| Contribution from Municipality | 20,000 | 10,000 |
| Other revenue | 948 | 12,315 |
| | <u>57,698</u> | <u>57,640</u> |
| Expenditures: | | |
| Stationery, supplies and office | 3,021 | 2,447 |
| Improvements | 24,478 | 23,632 |
| Advertising | 9,523 | 14,060 |
| Special events | 7,027 | 7,569 |
| Wages and employee benefits | 15,219 | 24,681 |
| | <u>59,268</u> | <u>72,389</u> |
| Net expenditures over revenues | (1,570) | (14,749) |
| Transfer from reserve | 9,000 | — |
| Surplus, beginning of year | 15,824 | 30,573 |
| Surplus, end of year | <u>\$ 23,254</u> | <u>\$ 15,824</u> |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Harbour Commission

Statement of Revenues and Expenditures and Surplus

Year ended December 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|----------------------------|-------------------|------------------|
| Surplus, beginning of year | \$ 54,975 | \$ 15,146 |
| Revenues: | | |
| Lease revenue | 79,824 | 60,824 |
| Interest | 3,655 | 898 |
| | <u>83,479</u> | <u>61,722</u> |
| Expenditures: | | |
| Other | – | 21,893 |
| Surplus, end of year | <u>\$ 138,454</u> | <u>\$ 54,975</u> |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Year end Financial Review
(Unaudited)

(All dollar amounts are in thousands of dollars)

| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 1. Assessment: | | | | | | |
| Taxable assessment upon which the year's rates of taxation were set | | | | | | |
| Residential and farm | 1,149,349 | 1,127,618 | 942,669 | 916,874 | 818,835 | 748,778 |
| Commercial, industrial and pipelines | 175,603 | 170,827 | 143,814 | 141,956 | 146,796 | 134,686 |
| Multi-residential | 35,003 | 35,288 | 31,982 | 32,232 | 31,871 | 27,930 |
| Total | 1,359,955 | 1,333,733 | 1,118,465 | 1,091,062 | 997,502 | 911,394 |
| 2. Tax rates – Ward 1: | | | | | | |
| Residential: | | | | | | |
| School | \$.002640 | \$.002640 | \$.002960 | \$.002960 | \$.003350 | \$.003730 |
| County | .004916 | .004784 | .005231 | .004931 | .004533 | .004585 |
| General | .010406 | .010059 | .011100 | .010737 | .010526 | .010322 |
| Total | \$.017962 | \$.017483 | \$.019291 | \$.018628 | \$.018409 | \$.018637 |
| Tax rates – Ward 2: | | | | | | |
| Residential: | | | | | | |
| School | \$.002640 | \$.002640 | \$.002960 | \$.002960 | \$.003350 | \$.003730 |
| County | .004916 | .004784 | .005231 | .004931 | .004533 | .004585 |
| General | .004524 | .004374 | .004830 | .004688 | .004577 | .004023 |
| Total | \$ 0.01208 | \$.011798 | \$.013021 | \$.012579 | \$.012460 | \$.012338 |
| 3. Revenues – Current fund: | | | | | | |
| Taxation | \$ 12,816 | \$ 12,125 | \$ 11,506 | \$ 10,706 | \$ 9,474 | \$ 8,479 |
| Payments in lieu of taxes | 348 | 331 | 347 | 334 | 386 | 401 |
| Government grants | 1,061 | 1,015 | 1,138 | 1,486 | 1,044 | 724 |
| User charges | 6,615 | 5,955 | 5,067 | 4,723 | 4,928 | 4,251 |
| Other | 2,212 | 2,020 | 1,887 | 1,727 | 1,913 | 1,366 |
| Total | \$ 23,052 | \$ 21,446 | \$ 19,945 | \$ 18,976 | \$ 17,745 | \$ 15,221 |
| 4. Tax Arrears: | | | | | | |
| Principal | \$ 3,694 | \$ 2,944 | \$ 2,685 | \$ 2,505 | \$ 2,091 | \$ 1,879 |
| Penalty and interest | 594 | 465 | 421 | 344 | 274 | 190 |
| Total | \$ 4,288 | \$ 3,409 | \$ 3,106 | \$ 2,849 | \$ 2,365 | \$ 2,069 |
| Percentage of current levy | 15.9% | 13.4% | 13.2% | 12.4% | 11.1% | 10.8% |
| 5. Schools and County Transfers: | | | | | | |
| County Education | \$ 7,242 | \$ 6,837 | \$ 6,509 | \$ 6,016 | \$ 5,039 | \$ 4,659 |
| Education | 6,532 | 6,460 | 6,054 | 6,022 | 5,805 | 5,814 |
| Total | \$ 13,774 | \$ 13,297 | \$ 12,563 | \$ 12,038 | \$ 10,844 | \$ 10,473 |
| 6. Capital Expenditures | | | | | | |
| | \$ 16,063 | \$ 6,692 | \$ 8,224 | \$ 15,918 | \$ 7,583 | \$ 3,357 |
| 7. Capital Financing: | | | | | | |
| Own funds | \$ 16,079 | \$ 1,650 | \$ 4,761 | \$ 4,355 | \$ 2,954 | \$ 1,490 |
| Grants | 6,789 | 4,946 | 653 | 6,695 | 509 | 662 |
| New debt | – | 10,000 | – | – | – | – |
| Donations | 17 | 27 | 170 | 114 | 188 | 104 |
| Other | 184 | 571 | 1,280 | 366 | 480 | 164 |
| Total | \$ 23,069 | \$ 17,194 | \$ 6,864 | \$ 11,530 | \$ 4,131 | \$ 2,420 |
| 8. Unfinanced Capital at year end | | | | | | |
| | \$ (9,115) | \$ (2,786) | \$ (13,209) | \$ (11,850) | \$ (7,461) | \$ (4,008) |
| 9. Net Revenue year end General | | | | | | |
| | \$ 307 | \$ 957 | \$ 13 | \$ (256) | \$ (328) | \$ (497) |



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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, 2007 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, 2007 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 ends under the 'P', serving as a decorative underline.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
March 17, 2008

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Trust Funds

Statement of Financial Position

Year ended December 31, 2007, with comparative figures for 2006

| | Cemetery Care and Maintenance Fund | Library Bequest | Developers Deposits | Total 2007 | Total 2006 |
|---|---|--------------------|------------------------|-------------------|-------------------|
| Assets | | | | | |
| Cash | \$ 11,509 | \$ 1,131 | \$ 84,699 | \$ 97,339 | \$ 284,697 |
| Accounts receivable | 3,428 | – | – | 3,428 | 4,565 |
| Investments, at cost (market value \$400,057) | 397,114 | – | – | 397,114 | 385,567 |
| Due from operating | 35,220 | – | – | 35,220 | 18,882 |
| | \$ 447,271 | \$ 1,131 | \$ 84,699 | \$ 533,101 | \$ 693,711 |
| Liabilities and Fund Balances | | | | | |
| Due to operating fund | \$ – | \$ – | \$ – | \$ – | \$ – |
| Trust fund: | | | | | |
| Balances: | | | | | |
| Capital | 344,835 | 1,131 | 84,699 | 430,665 | 602,938 |
| Income | 102,436 | – | – | 102,436 | 90,773 |
| | 447,271 | 1,131 | 84,699 | 533,101 | 693,711 |
| | \$ 447,271 | \$ 1,131 | \$ 84,699 | \$ 533,101 | \$ 693,711 |

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, 2007, with comparative figures for 2006

| | Cemetery Care and Maintenance Fund | Library Bequest | Developers Deposits | Total 2007 | Total 2006 |
|--|---|--------------------|------------------------|---------------|---------------|
| Funds balance at the beginning of the year | \$ 420,074 | \$ 1,130 | \$ 272,507 | \$ 693,711 | \$ 643,502 |
| Revenues: | | | | | |
| Cemetery care and maintenance | 15,534 | — | — | 15,534 | 14,306 |
| Other | — | — | — | — | 108,800 |
| Interest and dividends earned | 11,663 | 1 | 2,128 | 13,792 | 18,826 |
| | 27,197 | 1 | 2,128 | 29,326 | 141,932 |
| Expenditures: | | | | | |
| Payments to developers | — | — | 189,936 | 189,936 | 91,723 |
| Funds balance at the end of the year | \$ 447,271 | \$ 1,131 | \$ 84,699 | \$ 533,101 | \$ 693,711 |

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, 2007

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.



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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, 2007 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 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 donation 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, 2007 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 11, 2008

PORT HOPE PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|---|--------------------|---------------------|
| Assets | | |
| Financial assets: | | |
| Cash | \$ 34,163 | \$ 40,563 |
| Investments | 75,679 | – |
| GST receivable | 3,487 | 7,390 |
| | <u>113,329</u> | <u>47,953</u> |
| Liabilities: | | |
| Accounts payable and accrued liabilities | 2,157 | 2,941 |
| Deferred revenue | – | 17,496 |
| Due to the Municipality of Port Hope: | | |
| Capital | 125,051 | 193,454 |
| Operating | 57,375 | 19,663 |
| | <u>184,583</u> | <u>233,554</u> |
| Total net debt | \$ (71,254) | \$ (185,601) |
| Municipal position: | | |
| Current fund (note 2) | \$ 53,797 | \$ 7,853 |
| Capital fund, unfinanced balance to be recovered from donations and user charges | (125,051) | (193,454) |
| Total municipal position | \$ (71,254) | \$ (185,601) |

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, 2007, with comparative figures for 2006

| | 2007 (Budget) (Unaudited) | 2007 (Actual) | 2006 (Actual) |
|---|---------------------------------|------------------|------------------|
| Revenues: | | | |
| Municipal contributions - operating | \$ 509,832 | \$ 509,832 | \$ 456,215 |
| - books | - | - | 29,192 |
| Province of Ontario grant | 31,828 | 31,828 | 31,828 |
| Other government funding | 8,000 | 3,718 | 3,436 |
| Fines and fees | 13,000 | 15,422 | 14,949 |
| Interest and miscellaneous | 1,200 | 28,433 | 1,613 |
| Donation account (note 5) | - | 157,475 | 33,730 |
| | 563,860 | 746,708 | 570,963 |
| Expenditures: | | | |
| Salaries and benefits | 391,500 | 422,730 | 380,046 |
| Books, periodicals and newspapers | 70,260 | 61,847 | 60,830 |
| Utilities | 47,900 | 49,408 | 37,313 |
| Maintenance and cleaning | 30,100 | 23,344 | 19,457 |
| Miscellaneous | 4,800 | 1,524 | 1,118 |
| Insurance | 3,000 | 3,727 | 2,753 |
| Conferences and professional development | 2,300 | 1,824 | 1,517 |
| Office expense | 12,000 | 18,081 | 19,443 |
| Computer maintenance and training | 22,000 | 31,596 | 32,305 |
| Donation account (note 5) | - | 60,704 | 49,270 |
| Total expenditures | 583,860 | 674,785 | 604,052 |
| Net revenues (expenditures) | (20,000) | 71,923 | (33,089) |
| Financing and transfers: | | | |
| Transfer from reserve fund - municipal development charges | 20,000 | 14,021 | 20,898 |
| Transfer to capital | - | (40,000) | - |
| | 20,000 | (25,979) | 20,898 |
| Change in current fund balance | - | 45,944 | (12,191) |
| Current fund balance, beginning of year | - | 7,853 | 20,044 |
| Current fund balance, end of year | \$ - | \$ 53,797 | \$ 7,853 |

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, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|---|---------------------|---------------------|
| Revenue: | | |
| Donations | \$ - | \$ 4,298 |
| Municipal contributions | 24,349 | - |
| | <u>24,349</u> | <u>4,298</u> |
| Expenditure: | | |
| Computer equipment | 5,291 | 4,298 |
| Furniture and equipment | 4,655 | - |
| | <u>9,946</u> | <u>4,298</u> |
| Net revenues | 14,403 | - |
| Financing and transfers: | | |
| Transfer from reserves | 14,000 | 16,371 |
| Transfer from current fund | 40,000 | - |
| | <u>54,000</u> | <u>16,371</u> |
| Change in capital fund balance | 68,403 | 16,371 |
| Capital fund balance, beginning of year | (193,454) | (209,825) |
| Capital fund balance, end of year | <u>\$ (125,051)</u> | <u>\$ (193,454)</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, 2007

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. 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) 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. Current fund:

The current fund balance on the "Statement of Financial Position" of \$53,797 (2006 - \$7,853) at the end of the year is comprised of the following:

| | 2007 | 2006 |
|--|------------------|-----------------|
| To be recovered from operations of the current fund | \$ (31,138) | \$ (20,311) |
| To be applied to the library donation account (note 5) | 84,935 | 28,164 |
| | <u>\$ 53,797</u> | <u>\$ 7,853</u> |

PORT HOPE PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2007

3. Trust funds:

Trust Funds administered by the Board amounting to \$1,131 (2006 - \$1,130) have not been included in the "Statement of Financial Position" nor have their operations been included in the "Statement of Current Fund Operations".

4. 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 2007 was \$9,691 (2006 - \$9,219) for current service.

5. Donation account:

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

| | 2007 | 2006 |
|-------------------------------|-----------|-----------|
| Balance, beginning of year | \$ 28,164 | \$ 43,704 |
| Donations | 157,475 | 33,730 |
| Expenses: | | |
| Books and periodicals | 49,915 | 24,889 |
| Promotional fundraising items | 10,789 | 21,102 |
| Microfilming | — | 3,279 |
| Transfer to capital | 40,000 | — |
| | 100,704 | 49,270 |
| Balance, end of year | \$ 84,935 | \$ 28,164 |

6. Budget figures:

Budget figures are compiled from the 2007 fiscal year operating budget approved by the Board and are not subject to audit.

7. 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, 2007 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, 2007 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 11, 2008

PORT HOPE PUBLIC LIBRARY BOARD

Trust Fund Statement of Financial Position

December 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|-------------------------------------|----------|----------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 1,131 | \$ 1,130 |
| Liabilities and Fund Balance | | |
| Fund balance: | | |
| Capital | \$ 1,131 | \$ 1,130 |

Trust Fund Statement of Continuity

Year ended December 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|-------------------------------|----------|----------|
| Balance at beginning of year | \$ 1,130 | \$ 1,129 |
| Income: | | |
| Interest and dividends earned | 1 | 1 |
| Balance at end of year | \$ 1,131 | \$ 1,130 |

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, 2007

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, 2007 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 Municipality of Port Hope Cemetery Board as at December 31, 2007 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 horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
March 10, 2008

MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Statement of Financial Position

December 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|--|-----------|------------|
| Assets and Liabilities | | |
| Financial assets: | | |
| Due from Municipality of Port Hope | \$ 62,111 | \$ 19,780 |
| Due from the Municipality of Port Hope – capital | 22,633 | – |
| Total | 84,744 | 19,780 |
| Liabilities: | | |
| GST payable | 76 | – |
| Due to Care and Maintenance Trust Fund | 35,220 | 18,882 |
| Due to the Municipality of Port Hope - capital | – | 2,895 |
| | 35,296 | 21,777 |
| Net debt | \$ 49,448 | \$ (1,997) |

Municipal Position

| | | |
|---------------------------------|-----------|------------|
| Current fund | \$ 26,815 | \$ 898 |
| Capital fund (note 3) | 22,633 | (2,895) |
| Municipal position, end of year | \$ 49,448 | \$ (1,997) |

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

MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Statement of Current Fund Operations

Year ended December 31, 2007, with comparative figures for 2006

| | Budget 2007 (unaudited) (note 4) | Actual 2007 | Actual 2006 |
|--|---|------------------|----------------|
| Revenue: | | | |
| Provided by municipality from tax levy | \$ 37,040 | \$ 37,040 | \$ 48,000 |
| Sale of plots | 17,000 | 33,981 | 28,134 |
| Sale of columbarium | 16,000 | 12,950 | 20,350 |
| Interment charges | 20,500 | 32,451 | 16,960 |
| Rental income | 7,200 | — | 7,200 |
| Transfer from Care and Maintenance | | | |
| Trust Fund income account | 16,000 | — | — |
| Miscellaneous | 11,060 | 6,120 | 14,850 |
| Total revenues | 124,800 | 122,542 | 135,494 |
| Expenditures: | | | |
| Wages and employee benefits | 62,900 | 42,607 | 69,516 |
| Office expense | 600 | 652 | 395 |
| Supplies, utilities and maintenance | 41,600 | 29,297 | 23,307 |
| Interment costs | 2,500 | 4,215 | 2,670 |
| Columbarium inscriptions | 1,800 | 1,424 | 2,759 |
| Transfer to Care and Maintenance | | | |
| Trust Fund capital account | 8,200 | 15,535 | 14,306 |
| Interest on debt | — | — | 1,010 |
| Total expenditures | 117,600 | 93,730 | 113,963 |
| Net revenue | 7,200 | 28,812 | 21,531 |
| Transfer to capital fund | — | (2,895) | (17,297) |
| Change in current fund balance | — | 25,917 | 4,234 |
| Opening current fund balance | — | 898 | (3,336) |
| Closing current fund balance | \$ — | \$ 26,815 | \$ 898 |

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

MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Statement of Capital Fund Operations

Year ended December 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|---|------------------|-------------------|
| Revenue: | | |
| Municipal grant | \$ 16,750 | \$ 6,200 |
| Donation | 10,000 | — |
| | <u>26,750</u> | <u>6,200</u> |
| Expenditures: | | |
| Construction – replacement pillars | 1,757 | 9,318 |
| Equipment | 4,610 | 2,376 |
| | <u>6,367</u> | <u>11,694</u> |
| Net revenue (expenditures) | 20,383 | (5,494) |
| Financing and transfers: | | |
| Transfer from reserves | 2,250 | 5,494 |
| Transfer from current fund | 2,895 | 17,297 |
| Net financing and transfers | <u>5,145</u> | <u>22,791</u> |
| Change in capital fund balance | 25,528 | 17,297 |
| Capital fund balance, beginning of year | (2,895) | (20,192) |
| Capital fund balance, end of year | <u>\$ 22,633</u> | <u>\$ (2,895)</u> |

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, 2007

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 Capital Fund Operations" 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 \$ (2006 - \$420,074) has not been included in the "Statement of Financial Position" nor has its operations been included in the "Statement of Financial Activities".

3. Unfinanced/unexpended capital:

As at December 31, 2007, the Cemetery Board had an unfinanced/unexpended capital balance in the amount of \$22,633 (2006 - \$2,895). This represents the unexpended balance of \$22,633 for anticipated capital work in 2008.

4. Budget figures:

Budget figures are compiled from the 2007 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, 2007

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 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, 2007 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, 2007 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 long, horizontal, slightly curved line that serves as a decorative underline.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
March 10, 2008

MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Care and Maintenance Trust Fund Statement of Financial Position

December 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|-------------------------------|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 11,509 | \$ 11,060 |
| Accrued interest | 3,428 | 4,565 |
| Due from Operating Fund | 35,220 | 18,882 |
| | <u>50,157</u> | <u>34,507</u> |
| Investments, at cost (note 2) | 397,114 | 385,567 |
| Total assets | \$ 447,271 | \$ 420,074 |

Fund Balance

| | | |
|---|-------------------|-------------------|
| Capital | \$ 344,835 | \$ 329,301 |
| Income | 102,436 | 90,773 |
| Total liabilities and fund balance | \$ 447,271 | \$ 420,074 |

Care and Maintenance Trust Fund Statement of Continuity

Year ended December 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|--|-------------------|-------------------|
| Balance at beginning of year | \$ 420,074 | \$ 390,013 |
| Revenue: | | |
| Capital receipts, care and maintenance | 15,534 | 14,306 |
| Interest earned | 11,663 | 15,755 |
| | <u>27,197</u> | <u>30,061</u> |
| Expenditure: | | |
| Transfer to Operating Fund | — | — |
| Balance at end of year | \$ 447,271 | \$ 420,074 |

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, 2007

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 \$397,114 (2006 - \$385,567) reported on the statement of financial position at cost, have a market value of \$400,057 (2006 - \$380,624) at the end of the year.