

Audited Financial Statements and Other Financial
Information of

**CORPORATION OF THE
MUNICIPALITY OF PORT HOPE**

Year ended December 31, 2006

Audited Financial Statements and Other Financial Information of

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Year ended December 31, 2006

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Audited Financial Statements and Other Financial Information of

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Year ended December 31, 2006

MUNICIPALITY OF PORT HOPE CEMETERY BOARD

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KPMG LLP
Chartered Accountants
863 Princess Street Suite 400
PO Box 1600 Stn Main
Kingston ON K7L 5C8
Canada

Telephone (613) 549-1550
Telefax (613) 549-6349
www.kpmg.ca

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, 2006 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, 2006 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'. 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

Kingston, Canada
March 22, 2007

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Financial Position

December 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Financial assets:		
Cash	\$ 1,589,191	\$ 53,993
Taxes receivable (note 2)	3,409,982	3,106,185
Accounts receivable	3,773,814	3,018,845
Investments, at cost (note 6)	30,109,511	30,305,436
	<u>38,882,498</u>	<u>36,484,459</u>
Liabilities:		
Bank indebtedness (note 4)	–	1,907,892
Capital loans (note 5)	–	8,650,000
Accounts payable and accrued liabilities	4,482,363	5,526,455
Employee future benefit obligations (note 8)	1,440,283	1,334,235
Deferred revenue – obligatory reserve funds (note 14)	2,206,800	1,566,917
Deferred revenue – other (note 15)	20,714,327	20,667,165
Net long-term liabilities (note 9)	10,170,000	331,000
	<u>39,013,773</u>	<u>39,983,664</u>
Net financial deficiency	(131,275)	(3,499,205)
Other non-financial assets:		
Inventory and prepaid expenses	94,839	56,915
Total net asset deficiency	<u>\$ (36,436)</u>	<u>\$ (3,442,290)</u>
Municipal position:		
Current fund (note 10)	\$ 982,023	\$ 60,780
Capital fund (note 10)	(2,786,065)	(13,209,329)
Reserves	5,729,515	4,836,857
Reserve funds	7,648,374	6,534,637
Fund balances	<u>11,573,847</u>	<u>(1,777,055)</u>
Amounts to be recovered from future revenues:		
Employee future benefit obligations	(1,440,283)	(1,334,235)
Net long-term liabilities	(10,170,000)	(331,000)
	<u>(11,610,283)</u>	<u>(1,665,235)</u>
Commitments (notes 12 and 15(b))		
Contingent liabilities (note 13)		
Total municipal position	<u>\$ (36,436)</u>	<u>\$ (3,442,290)</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, 2006, with comparative figures for 2005

	2006	2005
Revenues:		
Property taxation	\$ 12,125,092	\$ 11,505,901
Taxation from other governments	330,565	346,831
User charges	5,892,642	5,067,241
Government grants	5,807,353	1,790,775
Grants from other municipalities	152,981	146,685
Investment income	1,347,479	1,410,154
Penalties and interest on taxes	464,096	420,641
Transfer from deferred obligatory reserve funds	570,595	1,280,178
Donations	65,718	212,788
Other	415,342	184,822
Total revenues	27,171,863	22,366,016
Expenditures (note 16):		
Current:		
General government	1,848,410	1,735,017
Protection to persons and property	5,298,549	5,092,214
Transportation services	3,108,000	3,014,813
Environmental services	2,985,021	2,201,099
Cemetery	113,964	100,091
Library	553,958	536,997
Recreational and cultural services	2,102,847	1,958,677
Planning and development	1,023,168	875,440
Total current expenditures	17,033,917	15,514,348
Capital:		
General government	82,366	415,429
Protection to persons and property	137,832	464,174
Transportation services	1,195,559	2,506,369
Environmental services	4,766,508	4,164,038
Cemeteries	11,694	29,506
Library	54,388	63,268
Recreation and cultural services	333,211	401,336
Planning and development	188,458	179,716
Total capital expenditures	6,770,016	8,223,836
Total expenditures	23,803,933	23,738,184
Net revenues (expenditures)	3,367,930	(1,372,168)
Financing and transfers:		
New debt	10,000,000	-
Debt principal repayments (note 11)	(161,000)	(151,000)
Change in non-financial assets	37,924	37,902
Change in employee future benefit obligations to be recovered	106,048	92,398
	9,982,972	(20,700)
Decrease in fund balances	\$ 13,350,902	\$ (1,392,868)

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, 2006, with comparative figures for 2005

	2006	2005
Operations:		
Net revenues (expenditures)	\$ 3,367,930	\$ (1,372,168)
Net change in non-cash working capital items:		
Increase in taxes receivable	(303,797)	(257,179)
Decrease (increase) in accounts receivable	(754,969)	2,267,177
Decrease in accounts payable and accrued liabilities	(1,044,092)	(851,622)
Increase in employee future benefit obligations	106,048	92,398
Increase in deferred revenue	47,162	35,103
Increase (decrease) in deferred revenues - obligatory reserve funds	639,883	(109,674)
	(1,309,765)	1,176,203
Net change in cash from operations	2,058,165	(195,965)
Investing:		
Decrease (increase) in investments	195,925	(1,229,778)
Financing:		
New debt	10,000,000	-
Debt principal repayments	(161,000)	(151,000)
	9,839,000	(151,000)
Increase (decrease) in cash and cash equivalents	12,093,090	(1,576,743)
Bank indebtedness, beginning of year	(10,503,899)	(8,927,156)
Cash and cash equivalents (bank indebtedness), end of year	\$ 1,589,191	\$ (10,503,899)

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, 2006

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, 2006

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	
	2006	2005	2006	2005
Amounts requisitioned	\$ 6,460,144	\$ 6,054,390	\$ 6,836,630	\$ 6,508,697

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

3. Trust funds:

Trust funds administered by the Municipality amounting to \$693,711 (2005 - \$644,559) 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, 2006, \$Nil (2005 - \$1,907,892) was drawn with interest at prime rate less .75%.

5. Capital loans:

The Municipality had a financial agreement with the Ontario Strategic Infrastructure Financial Authority (OSIFA) for a capital loan up to a maximum of \$10 million for the interim financing of the new Water Treatment Plant. During the year, the Municipality had received the full advance of \$10 million and as of September 15, 2006 a new debenture was issued and OSIFA funds were reimbursed. Therefore the balance of the interim financing as of December 31, 2006 was \$Nil.

6. Investments:

	2006		2005	
	Cost	Market value	Cost	Market value
Cash and cash equivalents	\$ 1,225,699	\$ 1,217,740	\$ 588,918	\$ 588,918
Fixed income securities	28,883,812	29,383,091	29,716,518	30,300,937
	\$ 30,109,511	\$ 30,600,831	\$ 30,305,436	\$ 30,889,855

7. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 121 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 2006 was \$510,848 (2005 - \$435,373) 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, 2006

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, 2006.

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, 2006, the accrued benefit obligation was \$1,440,283 (2005 - \$1,334,235).

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:

	2006	2005
Accrued benefit obligation, beginning of year	\$ 1,334,235	\$ 1,241,837
Expense recognized for the year	57,583	54,342
Interest cost	80,811	75,031
Benefits paid for the year	(32,346)	(36,975)
Accrued benefit obligation, end of year	\$ 1,440,283	\$ 1,334,235

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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:

	2006	2005
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	\$ 10,170,000	\$ 331,000

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

	2007-2011	2012-2016	2017 onwards	Total
From general municipal revenues and user fees	\$ 3,098,851	\$ 3,316,253	\$ 3,754,896	\$ 10,170,000

- (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, 2006

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 \$982,023 (2005 – \$60,780) and \$(2,786,065) (2005 – \$(13,209,329)) respectively at the end of the year are comprised of the following:

	2006	2005
To be recovered from operations of the operating fund	\$ 957,448	\$ 124,499
To be recovered from LLWR interest income – Ward 2	–	(111,000)
To be applied to operations of the Heritage Business Improvement Area	15,824	30,573
To be applied to operations of the Public Library Board	7,853	20,044
To be recovered from operations of the Cemetery Board	898	(3,336)
	982,023	60,780
Acquisition of fixed assets to be financed from:		
Proceeds of long-term liabilities	(431,193)	(11,967,288)
Taxation or user charges	(2,161,418)	(877,304)
Donations	(193,454)	(364,737)
	(2,786,065)	(13,209,329)
	\$ (1,804,042)	\$ (13,148,549)

- (b) The balance available for the general reduction of taxation for the fiscal year ending December 31, 2006 has been reduced by an amount of \$293,300 (2005 - \$1,385,074) 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 \$1,275,323 (2005 - \$1,399,073).

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:

	2006	2005
Principal payments	\$ 161,000	\$ 151,000
Interest	22,343	32,346
	\$ 183,343	\$ 183,346

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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, 2006, 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:

	2006	2005
Balance, beginning of year	\$ 1,566,917	\$ 1,676,591
Federal grant – gasoline tax	152,144	152,143
Provincial grant – gasoline tax	188,024	35,656
Development contributions	813,367	922,739
Investment income	56,943	59,966
Transfers to capital fund	(570,595)	(1,280,178)
Balance, end of year	\$ 2,206,800	\$ 1,566,917
Analyzed as follows:		
Parkland	\$ 153,034	\$ 9,760
Development charges	1,614,279	1,346,789
Gasoline tax:		
Provincial	251,638	58,225
Federal	187,849	152,143
	\$ 2,206,800	\$ 1,566,917

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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 \$30,933, the accumulated balance is \$682,393 (2005 - \$651,460). No provision has been made in the financial statements for costs related to any future remedial action.

16. Supplementary information:

	2006	2005
Current fund expenditure by object:		
Salaries, wages and employee benefits	\$ 10,197,042	\$ 9,340,811
Long-term debt interest expense	96,238	32,346
Materials, services, rents and financial expenses	3,971,452	4,096,029
Transfers to others	409,006	338,697
Contracted services	2,360,179	1,706,465
Total	\$ 17,033,917	\$ 15,514,348

17. Budget figures:

The Municipality reviews its operating and capital budgets annually. The approved operating and capital budgets for 2006 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.

18 Comparative figures:

Certain 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2006.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Schedule of Current Fund Operations

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

	Budget 2006	Actual 2006	Actual 2005
	(Unaudited, note 17)		
Revenues:			
Property taxation	\$ 12,046,142	\$ 12,125,092	\$ 11,505,901
Taxation from other governments	385,100	330,565	346,832
User charges	5,081,965	5,892,642	5,067,241
Government grants	708,488	861,717	1,138,299
Grants from other municipalities	40,000	152,981	146,685
Investment income	6,000	1,070,452	1,092,220
Penalties and interest on taxes	417,500	464,096	420,641
Donations	1,000	38,944	42,443
Other	130,000	415,342	184,822
Total revenues	18,816,195	21,351,831	19,945,084
Expenditures:			
General government	1,855,571	1,848,410	1,735,017
Protection to persons and property	5,263,780	5,298,549	5,092,214
Transportation services	3,318,823	3,108,000	3,014,813
Environmental services	2,717,145	2,985,021	2,201,100
Cemetery	109,100	113,964	100,091
Library	509,015	553,958	536,997
Recreation and culture	2,164,876	2,102,847	1,958,677
Planning and development	1,049,098	1,023,168	875,439
Total expenditures	16,987,408	17,033,917	15,514,348
Net revenues	1,828,787	4,317,914	4,430,736
Financing and transfers:			
Debt principal repayments	(161,000)	(161,000)	(151,000)
Transfers to capital fund	(1,129,569)	(1,181,098)	(1,710,644)
Transfers to reserves and reserve funds	(538,218)	(2,198,545)	(2,447,646)
Change in non-financial assets	-	37,924	37,902
Change in employee future benefit obligations to be recovered	-	106,048	92,398
	(1,828,787)	(3,396,671)	(4,178,990)
Change in current fund balance	-	921,243	251,746
Opening current fund balance	-	60,780	(190,966)
Closing current fund balance	\$ -	\$ 982,023	\$ 60,780

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Schedule of Capital Fund Operations

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

	Budget 2006	Actual 2006	Actual 2005
	(Unaudited, note 17)		
Revenues:			
Donations	\$ 5,000	\$ 26,774	\$ 170,344
Government grant	10,366,409	4,945,636	652,476
Transfers from deferred obligatory reserve funds (note 14)	10,261,059	570,595	1,280,178
Total revenues	20,632,468	5,543,005	2,102,998
Expenditures:			
General government	282,700	82,366	415,429
Protection to persons and property	190,150	137,832	464,174
Transportation services	3,002,325	1,195,559	2,506,369
Environmental services	24,190,637	4,766,508	4,164,038
Cemeteries	11,694	11,694	29,506
Library	57,000	54,388	63,268
Recreational and cultural services	345,400	333,211	401,336
Planning and development	252,200	188,458	179,716
Total expenditures	28,332,106	6,770,016	8,223,836
Net expenditures	(7,699,638)	(1,227,011)	(6,120,838)
Financing and transfers:			
Transfers from reserves and reserve funds	5,757,169	469,177	3,050,466
Transfers from current fund	1,129,569	1,181,098	1,710,644
New debt issue	812,900	10,000,000	—
Net financing and transfers	7,699,638	11,650,275	4,761,110
Change in capital fund balance	—	10,423,264	(1,359,728)
Opening capital fund balance	—	(13,209,329)	(11,849,601)
Closing capital fund balance	\$ —	\$(2,786,065)	\$ (13,209,329)

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Schedule of Reserves and Reserve Funds

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

	2006	2005
Revenues:		
Investment income	\$ 277,027	\$ 317,934
Net revenue	277,027	317,934
Net transfers from other funds:		
Transfers from current fund	2,198,545	2,447,646
Transfers to capital fund	(469,177)	(3,050,466)
Total net transfers	1,729,368	(602,820)
Change in reserves and reserve fund balances	2,006,395	(284,886)
Opening reserves and reserve fund balance	11,371,494	11,656,380
Closing reserves and reserve fund balance	\$ 13,377,889	\$ 11,371,494
Analyzed as follows:		
Reserves set aside for specific purposes by Council:		
Working capital	\$ 1,320,919	\$ 1,678,704
Acquisition of fixed assets	3,787,013	2,456,729
Sick leave	22,297	22,297
Insurance	44,953	30,453
Other	554,333	648,674
Total reserves	5,729,515	4,836,857
Reserve funds set aside for specific purposes by Council:		
Fire	4,578	4,426
Waterworks system	297,633	-
Sanitary sewer	713,349	115,112
Hydro proceeds	6,036,046	5,853,487
Roads	96,573	93,374
Recreational services	8,333	10,957
Sunshine Heights	80,757	78,082
Other	411,105	379,199
Total reserve funds	7,648,374	6,534,637
Total reserves and reserve funds	\$ 13,377,889	\$ 11,371,494



KPMG LLP
Chartered Accountants
863 Princess Street Suite 400
PO Box 1600 Stn Main
Kingston ON K7L 5C8
Canada

Telephone (613) 549-1550
Telefax (613) 549-6349
www.kpmg.ca

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. A horizontal line is drawn underneath the signature, extending from the left side of the 'K' towards the right.

Chartered Accountants

Kingston, Canada
March 22, 2007

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Heritage Business Improvement Area

Statement of Revenues and Expenditures and Surplus

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

	2006	2005
Revenues:		
Net levy	\$ 35,325	\$ 33,500
Contribution from Municipality	10,000	10,000
Other revenue	12,315	8,319
	<u>57,640</u>	<u>51,819</u>
Expenditures:		
Stationery, supplies and office	2,447	23
Improvements	23,632	12,048
Advertising	14,060	23,605
Special events	7,569	—
Wages and employee benefits	24,681	—
	<u>72,389</u>	<u>35,676</u>
Net revenues over expenditures (expenditures over revenues)	(14,749)	16,143
Surplus, beginning of year	30,573	14,430
Surplus, end of year	<u>\$ 15,824</u>	<u>\$ 30,573</u>

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Year end Financial Review
(Unaudited)

(All dollar amounts are in thousands of dollars)

	2006	2005	2004	2003	2002	2001
1. Assessment:						
Taxable assessment upon which the year's rates of taxation were set						
Residential and farm	1,127,618	942,669	916,874	818,835	748,778	734,195
Commercial, industrial and pipelines	170,827	143,814	141,956	146,796	134,686	133,924
Multi-residential	35,288	31,982	32,232	31,871	27,930	26,308
Total	1,333,733	1,118,465	1,091,062	997,502	911,394	894,427
2. Tax rates – Ward 1:						
Residential:						
School	\$.002640	\$.002960	\$.002960	\$.003350	\$.003730	\$.003730
County	.004784	.005231	.004931	.004533	.004585	.004292
General	.010059	.011100	.010737	.010526	.010322	.009813
Total	\$.017483	\$ 0.019291	\$.018628	\$.018409	\$.018637	\$.017813
Tax rates – Ward 2:						
Residential:						
School	\$.002640	\$.002960	\$.002960	\$.003350	\$.003730	\$.003730
County	.004784	.005231	.004931	.004533	.004585	.004292
General	.004374	.004830	.004688	.004577	.004023	.003882
Total	\$.011798	\$ 0.013021	\$.012579	\$.012460	\$.012338	\$.011904
3. Revenues – Current fund:						
Taxation	\$ 12,125	\$ 11,506	\$ 10,706	\$ 9,474	\$ 8,479	\$ 8,006
Payments in lieu of taxes	331	347	334	386	401	426
Government grants	1,015	1,138	1,486	1,044	724	877
User charges	5,955	5,067	4,723	4,928	4,251	3,870
Other	2,020	1,887	1,727	1,913	1,366	892
Total	\$ 21,446	\$ 19,945	\$ 18,976	\$ 17,745	\$ 15,221	\$ 14,071
4. Tax Arrears:						
Principal	\$ 2,944	\$ 2,685	\$ 2,505	\$ 2,091	\$ 1,879	\$ 1,959
Penalty and interest	465	421	344	274	190	226
Total	\$ 3,409	\$ 3,106	\$ 2,849	\$ 2,365	\$ 2,069	\$ 2,185
Percentage of current levy	13.4%	13.2%	12.4%	11.1%	10.8%	11.4%
5. Schools and County Transfers:						
County	\$ 6,837	\$ 6,509	\$ 6,016	\$ 5,039	\$ 4,659	\$ 4,419
Education	6,460	6,054	6,022	5,805	5,814	6,502
Total	\$ 13,297	\$ 12,563	\$ 12,038	\$ 10,844	\$ 10,473	\$ 10,921
6. Capital Expenditures	\$ 6,692	\$ 8,224	\$ 15,918	\$ 7,583	\$ 3,357	\$ 7,356
7. Capital Financing:						
Own funds	\$ 1,650	\$ 4,761	\$ 4,355	\$ 2,954	\$ 1,490	\$ (4,795)
Grants	4,946	653	6,695	509	662	-
New debt	10,000	-	-	-	-	-
Proceeds from sale of Port Hope Hydro	-	-	-	-	-	9,607
Donations	27	170	114	188	104	641
Other	571	1,280	366	480	164	116
Total	\$ 17,194	\$ 6,864	\$ 11,530	\$ 4,131	\$ 2,420	\$ 5,569
8. Unfinanced Capital at year end	\$ (2,786)	\$ (13,209)	\$ (11,850)	\$ (7,461)	\$ (4,008)	\$ (3,070)
9. Net Revenue year end General	\$ 957	\$ 13	\$ (256)	\$ (328)	\$ (497)	\$ (368)



KPMG LLP
Chartered Accountants
863 Princess Street Suite 400
PO Box 1600 Stn Main
Kingston ON K7L 5C8
Canada

Telephone (613) 549-1550
Telefax (613) 549-6349
www.kpmg.ca

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, 2006 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, 2006 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 horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

Kingston, Canada
March 22, 2007

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Trust Funds

Statement of Financial Position

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

	Cemetery Care and Maintenance Fund	Library Bequest	Developers Deposits	Total 2006	Total 2005
Assets					
Cash	\$ 11,060	\$ 1,130	\$ 272,507	\$ 284,697	\$ 487,244
Accounts receivable	4,565	-	-	4,565	6,534
Investments, at cost (market value \$380,624)	385,567	-	-	385,567	150,781
Due from operating	18,882	-	-	18,882	-
	\$ 420,074	\$ 1,130	\$ 272,507	\$ 693,711	\$ 644,559
Liabilities and Fund Balances					
Due to operating fund	\$ -	\$ -	\$ -	\$ -	\$ 1,057
Trust fund:					
Balances:					
Capital	329,301	1,130	272,507	602,938	568,484
Income	90,773	-	-	90,773	75,018
	420,074	1,130	272,507	693,711	643,502
	\$ 420,074	\$ 1,130	\$ 272,507	\$ 693,711	\$ 644,559

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, 2006, with comparative figures for 2005

	Cemetery Care and Maintenance Fund	Library Bequest	Developers Deposits	Total 2006	Total 2005
Funds balance at the beginning of the year	\$ 390,013	\$ 1,129	\$ 252,360	\$ 643,502	\$ 622,608
Revenues:					
Cemetery care and maintenance	14,306	—	—	14,306	11,143
Other	—	—	108,800	108,800	21,500
Interest and dividends earned	15,755	1	3,070	18,826	12,691
	30,061	1	111,870	141,932	45,334
Expenditures:					
Contributions to operating fund	—	—	—	—	9,567
Payments to developers	—	—	91,723	91,723	14,626
Other	—	—	—	—	247
	—	—	91,723	91,723	24,440
Funds balance at the end of the year	\$ 420,074	\$ 1,130	\$ 272,507	\$ 693,711	\$ 643,502

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, 2006

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.



KPMG LLP
Chartered Accountants
863 Princess Street Suite 400
PO Box 1600 Stn Main
Kingston ON K7L 5C8
Canada

Telephone (613) 549-1550
Telefax (613) 549-6349
www.kpmg.ca

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, 2006 and the statements of current fund operations, capital fund operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of 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, 2006 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

Kingston, Canada
March 14, 2007

PORT HOPE PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Financial assets:		
Cash	\$ 40,563	\$ 38,847
GST receivable	7,390	4,533
	<u>47,953</u>	<u>43,380</u>
Liabilities:		
Accounts payable and accrued liabilities	2,941	405
Deferred revenue	17,496	-
Due to the Municipality of Port Hope:		
Capital	193,454	209,825
Operating	19,663	22,931
	<u>233,554</u>	<u>233,161</u>
Total net debt	\$ (185,601)	\$ (189,781)
Municipal position:		
Current fund (note 2)	\$ 7,853	\$ 20,044
Capital fund, unfinanced balance to be recovered from donations and user charges	(193,454)	(209,825)
Total municipal position	\$ (185,601)	\$ (189,781)

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, 2006, with comparative figures for 2005

	2006 (Budget) (Unaudited)	2006 (Actual)	2005 (Actual)
Revenues:			
Municipal contributions - operating	\$ 456,215	\$ 456,215	\$ 408,000
- books	-	29,192	35,699
Province of Ontario grant	31,800	31,828	31,828
Other government funding	6,500	3,436	6,025
Fines and fees	13,500	14,949	13,207
Interest and miscellaneous	1,000	1,613	2,143
Donation account (note 5)	-	33,730	38,980
	509,015	570,963	535,882
Expenditures:			
Salaries and benefits	377,815	380,046	358,970
Books, periodicals and newspapers	60,600	60,830	50,953
Utilities	39,000	37,313	29,386
Maintenance and cleaning	20,100	19,457	29,936
Miscellaneous	5,800	1,117	1,792
Insurance	3,000	2,753	2,801
Conferences and professional development	1,500	1,517	1,049
Office expense	15,000	19,443	17,813
Computer maintenance and training	36,200	32,305	28,871
Donation account (note 5)	-	49,270	66,354
Total expenditures	559,015	604,052	587,925
Net expenditures	(50,000)	(33,089)	(52,043)
Financing and transfers:			
Transfer from reserve fund - municipal development charges	9,850	20,898	15,229
Change in current fund balance	(40,150)	(12,191)	(36,814)
Current fund balance, beginning of year	-	20,044	56,858
Current fund balance, end of year	\$ (40,150)	\$ 7,853	\$ 20,044

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, 2006, with comparative figures for 2005

	2006	2005
Revenue	\$ 4,298	\$ 16,153
Expenditure:		
Computer equipment	4,298	12,340
Net revenues	–	3,813
Financing and transfers:		
Transfer from reserves	16,371	–
Change in capital fund balance	16,371	3,813
Capital fund balance, beginning of year	(209,825)	(213,638)
Capital fund balance, end of year	\$ (193,454)	\$ (209,825)

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

PORT HOPE PUBLIC LIBRARY BOARD

Statement of Changes in Financial Position

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

	2006	2005
Cash provided by (used in):		
Operations:		
Net revenues (expenditures):		
- current fund	\$ (33,089)	\$ (52,043)
- capital fund	-	3,813
	<u>(33,089)</u>	<u>(48,230)</u>
Net change in non-cash working capital items:		
GST receivable	(2,857)	(3,804)
Deferred revenue	2,536	-
Accounts payable	17,496	(2,639)
Due to the Municipality of Port Hope	(3,268)	5,828
	<u>13,907</u>	<u>(615)</u>
Financing:		
Transfers from municipal reserves	20,898	15,229
Increase (decrease) in cash and cash equivalents	<u>1,716</u>	<u>(33,616)</u>
Cash and cash equivalents, beginning of year	38,847	72,463
Cash and cash equivalents, end of year	<u>\$ 40,563</u>	<u>\$ 38,847</u>

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

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

PORT HOPE PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2006

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 \$7,853 (2005 - \$20,044) at the end of the year is comprised of the following:

	2006	2005
To be recovered from operations of the current fund	\$ (20,311)	\$ (23,660)
To be applied to the library donation account	28,164	43,704
	<u>\$ 7,853</u>	<u>\$ 20,044</u>

PORT HOPE PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2006

3. Trust funds:

Trust Funds administered by the Board amounting to \$1,130 (2005 - \$1,129) 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 2006 was \$9,219 (2005 - \$8,051) for current service.

5. Donation account:

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

	2006	2005
Balance, beginning of year	\$ 43,704	\$ 71,078
Donations	33,730	38,980
Expenses:		
Books and periodicals	24,889	27,816
Promotional fundraising items	21,102	14,328
Computer software and support	-	16,991
Microfilming	3,279	7,219
	49,270	66,354
Balance, end of year	\$ 28,164	\$ 43,704

6. Budget figures:

Budget figures are compiled from the 2006 fiscal year operating budget approved by the Board and are not subject to audit.



KPMG LLP
Chartered Accountants
863 Princess Street Suite 400
PO Box 1600 Stn Main
Kingston ON K7L 5C8
Canada

Telephone (613) 549-1550
Telefax (613) 549-6349
www.kpmg.ca

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, 2006 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, 2006 and the continuity of the trust fund for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Kingston, Canada

March 14, 2007

PORT HOPE PUBLIC LIBRARY BOARD

Trust Fund Statement of Financial Position

December 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Current assets:		
Cash	\$ 1,130	\$ 1,129
Liabilities and Fund Balance		
Fund balance:		
Capital	\$ 1,130	\$ 1,129

Trust Fund Statement of Continuity

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

	2006	2005
Balance at beginning of year	\$ 1,129	\$ 1,124
Income:		
Interest and dividends earned	1	5
Balance at end of year	\$ 1,130	\$ 1,129

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, 2006

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.



KPMG LLP
Chartered Accountants
863 Princess Street Suite 400
PO Box 1600 Stn Main
Kingston ON K7L 5C8
Canada

Telephone (613) 549-1550
Telefax (613) 549-6349
www.kpmg.ca

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, 2006 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, 2006 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 horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

Kingston, Canada
March 13, 2007

MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Statement of Financial Position

December 31, 2006, with comparative figures for 2005

	2006	2005
Assets and Liabilities		
Financial assets:		
GST receivable	\$ -	\$ 1,123
Due from Municipality of Port Hope	19,780	117
Total	19,780	1,240
Liabilities:		
Due to Care and Maintenance Trust Fund	18,882	4,576
Due to the Municipality of Port Hope - capital	2,895	20,192
	21,777	24,768
Net debt	\$ (1,997)	\$ (23,528)

Municipal Position

Current fund	\$ 898	\$ (3,336)
Capital fund (note 3)	(2,895)	(20,192)
Municipal position, end of year	\$ (1,997)	\$ (23,528)

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, 2006, with comparative figures for 2005

	Budget 2006 (unaudited) (note 4)	Actual 2006	Actual 2005
Revenue:			
Provided by municipality from tax levy	\$ 48,000	\$ 48,000	\$ 40,000
Sale of plots	17,000	28,134	24,350
Sale of columbarium	16,000	20,350	9,350
Interment charges	15,000	16,960	30,373
Rental income	7,200	7,200	7,200
Transfer from Care and Maintenance			
Trust Fund income account	16,000	—	8,866
Miscellaneous	8,900	14,850	2,185
Total revenues	128,100	135,494	122,324
Expenditures:			
Wages and employee benefits	63,900	69,516	56,775
Office expense	600	395	2,626
Supplies, utilities and maintenance	44,100	23,307	20,436
Interment costs	3,700	2,670	5,123
Columbarium inscriptions	1,800	2,759	2,018
Transfer to Care and Maintenance			
Trust Fund capital account	8,200	14,306	11,143
Interest on debt	—	1,010	1,970
Total expenditures	122,300	113,963	100,091
Net revenue	5,800	21,531	22,233
Transfer to capital fund	(5,800)	(17,297)	(19,193)
Change in current fund balance	—	4,234	3,040
Opening current fund balance	—	(3,336)	(6,376)
Closing current fund balance	\$ —	\$ 898	\$ (3,336)

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, 2006, with comparative figures for 2005

	2006	2005
Revenue:		
Municipal grant	\$ 6,200	\$ 35,000
Expenditures:		
Construction – replacement pillars	9,318	29,506
Equipment	2,376	–
	11,694	29,506
Net revenue (expenditures)	(5,494)	5,494
Financing and transfers:		
Transfer from (to) reserves	5,494	(5,494)
Transfer from current fund	17,297	19,193
Net financing and transfers	22,791	13,699
Change in capital fund balance	17,297	19,193
Capital fund balance, beginning of year	(20,192)	(39,385)
Capital fund balance, end of year	\$ (2,895)	\$ (20,192)

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, 2006

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 \$420,074 (2005 - \$390,013) has not been included in the "Statement of Financial Position" nor has its operations been included in the "Statement of Financial Activities".

3. Unfinanced capital:

As at December 31, 2006, the Cemetery Board had an unfinanced capital balance in the amount of \$2,895 (2005 - \$20,192). This represents the unfinanced balance of \$2,895 (2005 - \$20,192) for the new columbarium that will be funded from a portion of the future sale of niches.

4. Budget figures:

Budget figures are compiled from the 2006 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, 2006

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.



KPMG LLP
Chartered Accountants
863 Princess Street Suite 400
PO Box 1600 Strn Main
Kingston ON K7L 5C8
Canada

Telephone (613) 549-1550
Telefax (613) 549-6349
www.kpmg.ca

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, 2006 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, 2006 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 horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Accountants

Kingston, Canada
March 13, 2007

MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Care and Maintenance Trust Fund Statement of Financial Position

December 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Current assets:		
Cash	\$ 11,060	\$ -
Accrued interest	4,565	1,958
Due from Operating Fund	18,882	4,576
	<u>34,507</u>	<u>6,534</u>
Investments, at cost (note 2)	385,567	383,479
Total assets	\$ 420,074	\$ 390,013

Fund Balance

Capital	\$ 329,301	\$ 314,995
Income	90,773	75,018
Total liabilities and fund balance	\$ 420,074	\$ 390,013

Care and Maintenance Trust Fund Statement of Continuity

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

	2006	2005
Balance at beginning of year	\$ 390,013	\$ 378,870
Revenue:		
Capital receipts, care and maintenance	14,306	11,143
Interest earned	15,755	8,866
	<u>30,061</u>	<u>20,009</u>
Expenditure:		
Transfer to Operating Fund	-	(8,866)
Balance at end of year	\$ 420,074	\$ 390,013

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, 2006

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 \$385,567 (2005 - \$383,479) reported on the statement of financial position at cost, have a market value of \$380,624 (2005 - \$383,049) at the end of the year.