



Consolidated Financial Report

The Corporation of the City of Elliot Lake

December 31, 2008

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Grant Thornton

Auditors' report

Grant Thornton LLP
5th Floor, Station Tower
421 Bay Street
Sault Ste. Marie, ON
P6A 1X3
T (705) 945-9700
F (705) 945-9705
www.GrantThornton.ca

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the City of Elliot Lake

We have audited the consolidated statement of financial position of The Corporation of the City of Elliot Lake as at December 31, 2008 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the City'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 City as at December 31, 2008 and the results of its financial activities and changes in financial position for the year then ended in accordance with generally accepted accounting principles.

Sault Ste. Marie, Ontario

March 12, 2009

Grant Thornton LLP

Chartered accountants

Licensed public accountants

The Corporation of the City of Elliot Lake

Consolidated Statement of Financial Position

As at December 31

2008

2007

Assets

Cash and temporary investments (Note 2)	\$ 17,819,489	\$ 14,402,126
Taxes receivable	328,855	378,925
Accounts receivable	575,976	1,645,214
Prepaid expenses	95,232	96,884
Other assets	52,654	50,180
Mortgage receivable (Note 3)	852,549	852,549
Loan receivable	100,000	-
Annuity (Note 4)	<u>107,631</u>	<u>208,938</u>

Total assets	<u>\$ 19,932,386</u>	<u>\$ 17,634,816</u>
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Liabilities

Accounts payable and accrued liabilities	\$ 1,639,988	\$ 2,005,969
Other liabilities	232,381	400,493
Deferred revenue	94,133	54,224
Long-term debt (Note 5)	1,533,080	1,512,347
Accrued sick leave (Note 6)	106,939	157,899
Accrued vacation pay	437,559	382,312
Accrued landfill closure and post-closure (Note 7)	2,430,294	2,009,295
Accrued retirement and post employment benefits (Note 8)	<u>1,010,300</u>	<u>1,005,454</u>

Total liabilities	<u>7,484,674</u>	<u>7,527,993</u>
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Municipal position

Amounts to be recovered from future revenues	<u>(3,638,708)</u>	<u>(3,328,090)</u>
Fund balances		
Operating fund	(222,701)	422,108
Capital fund (Note 9)	7,595,578	4,940,856
Reserves and reserve funds (Note 10)	<u>8,713,543</u>	<u>8,124,937</u>
Fund balances	<u>16,086,420</u>	<u>13,487,901</u>

	<u>12,447,712</u>	<u>10,159,811</u>
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Total liabilities and municipal position	<u>\$ 19,932,386</u>	<u>\$ 17,687,804</u>
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On behalf of City Council

_____ Mayor _____ Councillor

See accompanying notes to the consolidated financial statements.

The Corporation of the City of Elliot Lake

Consolidated Statement of Financial Activities

For the Year Ended December 31 Budget 2008 2007
 (unaudited)

Revenue

Taxation (Note 11)	\$ 10,551,553	\$ 10,693,065	\$ 10,477,586
User charges (Note 12)	4,156,954	4,397,885	4,358,615
Grants (Note 14)	8,268,492	9,246,497	8,392,485
Other (Note 15)	<u>4,373,108</u>	<u>4,278,050</u>	<u>4,874,465</u>

Total revenue 27,350,107 28,615,497 28,103,151

Expenditures

Current

General government	3,051,311	3,054,641	2,551,848
Protection to persons and property	4,665,814	4,509,554	4,317,207
Transportation services	3,214,303	3,596,052	3,288,856
Environmental services	3,047,541	3,184,153	2,994,036
Health services	1,345,669	1,216,365	1,062,184
Social and family services	1,524,787	1,531,563	1,742,460
Social housing	468,995	468,995	406,780
Recreation and culture services	2,591,435	2,756,401	2,420,208
Planning and development	<u>1,511,014</u>	<u>1,410,253</u>	<u>1,221,221</u>

21,420,869 21,727,977 20,004,800

Capital

General government	265,548	63,826	272,007
Protection to persons and property	212,462	143,252	50,453
Transportation services	1,909,625	2,274,412	3,723,968
Environmental services	366,167	235,252	280,923
Health services	300,483	240,812	40,461
Recreation and culture	400,761	419,809	184,715
Planning and development	<u>2,686,908</u>	<u>911,638</u>	<u>2,203,883</u>

6,141,954 4,289,001 6,756,410

Total expenditures \$ 27,562,823 \$ 26,016,978 \$ 26,761,210

Net revenue (expenditure) \$ (212,716) \$ 2,598,519 \$ 1,341,941

See accompanying notes to the consolidated financial statements.

The Corporation of the City of Elliot Lake Consolidated Statement of Changes in Financial Position

For the Year Ended December 31

2008

2007

Increase (decrease) in cash and cash equivalents

Operating activities

Net revenue (expenditures)	\$ 2,598,519	\$ 1,341,941
Decrease in taxes receivable	50,071	336,986
Decrease (increase) in accounts receivables	1,069,237	(236,121)
Decrease (increase) in prepaid expenses	3,792	240,037
Decrease (increase) in other assets	(2,474)	(20,131)
Increase (decrease) in accounts payable and accrued liabilities	(365,981)	(75,624)
Increase (decrease) in other liabilities	(168,112)	135,181
Increase (decrease) in deferred revenue	39,909	(28,085)
Increase (decrease) in accrued sick leave	(50,960)	6,404
Increase (decrease) in accrued vacation pay	55,247	(16,302)
Increase in accrued landfill closure and post-closure	420,999	235,293
Increase in accrued post-employment benefits	4,846	84,905
	<u>3,655,093</u>	<u>2,004,484</u>

Investing activities

Decrease (increase) in mortgage receivable	-	(563,940)
(Increase) in loan receivable	(100,000)	-
Decrease in annuity	101,307	95,333
	<u>1,307</u>	<u>(468,607)</u>

Financing activities

Repayment of on long-term debt	(69,811)	(65,592)
Increase in long term debt	90,544	-
Decrease (increase) in amounts to be recovered from future revenue	(310,618)	(504,762)
	<u>(289,885)</u>	<u>(570,354)</u>

Net increase in cash and cash equivalents

3,366,515 965,523

Cash and temporary investments

Beginning of year	<u>14,452,974</u>	<u>13,487,451</u>
End of year	<u>\$ 17,819,489</u>	<u>\$ 14,452,974</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the City of Elliot Lake

Schedule of Current Fund Operations

For the Year Ended December 31	Budget (unaudited)	2008	2007
Revenue			
Taxation (Note 11)	\$ 10,551,553	\$ 10,693,065	\$ 10,477,586
User charges (Note 12)	4,156,954	4,397,885	4,358,615
Grants (Note 14)	5,775,065	6,964,128	5,524,828
Other (Note 15)	<u>677,308</u>	<u>1,061,709</u>	<u>1,218,451</u>
Total revenue	<u>21,160,880</u>	<u>23,116,787</u>	<u>21,579,480</u>
Expenditures			
General government	3,051,311	3,054,641	2,551,848
Protection to persons and property	4,665,814	4,509,554	4,317,207
Transportation services	3,214,303	3,596,052	3,288,856
Environmental services	3,047,541	3,184,153	2,994,036
Health services	1,345,669	1,216,365	1,062,184
Social and family services	1,524,787	1,531,563	1,742,460
Social housing	468,995	468,995	406,780
Recreation and culture services	2,591,435	2,756,401	2,420,208
Planning and development	<u>1,511,014</u>	<u>1,410,253</u>	<u>1,221,221</u>
Total expenditures	<u>21,420,869</u>	<u>21,727,977</u>	<u>20,004,800</u>
Net revenue (loss)	<u>(259,989)</u>	<u>1,388,810</u>	<u>1,574,680</u>
Financing and transfers			
Transfers to capital fund	(574,181)	(574,180)	(1,559,014)
Transfers from (to) reserves and reserve funds	<u>57,854</u>	<u>(1,459,439)</u>	<u>1,226,645</u>
Net financing and transfers	<u>(516,327)</u>	<u>(2,033,619)</u>	<u>(332,369)</u>
Change in current fund	(776,316)	(644,809)	1,242,311
Balance (deficit), beginning of year	<u>776,316</u>	<u>422,108</u>	<u>(820,203)</u>
Current fund balance (deficit), end of year	\$ <u>-</u>	\$ <u>(222,701)</u>	\$ <u>422,108</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the City of Elliot Lake

Schedule of Capital Fund Operations

For the Year Ended December 31	Budget (unaudited)	2008	2007
Revenue			
Grants (Note 14)	\$ 2,493,427	\$ 2,282,369	\$ 2,867,657
Other (Note 15)	<u>3,695,800</u>	<u>2,943,024</u>	<u>3,351,001</u>
Total revenue	<u>6,189,227</u>	<u>5,225,393</u>	<u>6,218,658</u>
Expenditures			
General government	265,548	63,826	272,007
Protection to persons and property	212,462	143,252	50,453
Transportation services	1,909,625	2,274,412	3,723,968
Environmental services	366,167	235,252	280,923
Health services	300,483	240,812	40,461
Recreation and culture	400,761	419,809	184,715
Planning and development	<u>2,686,908</u>	<u>911,638</u>	<u>2,203,883</u>
Total expenditures	<u>6,141,954</u>	<u>4,289,001</u>	<u>6,756,410</u>
Net revenue (expenditures)	<u>47,273</u>	<u>936,392</u>	<u>(537,752)</u>
Transfers			
Transfers from current fund	574,181	574,180	1,559,014
Transfers from reserve fund	<u>1,313,544</u>	<u>1,144,150</u>	<u>328,756</u>
Net transfers	<u>1,887,725</u>	<u>1,718,330</u>	<u>1,887,770</u>
Change in capital fund balance	1,934,998	2,654,722	1,350,018
Capital fund balance, beginning of year	<u>4,387,891</u>	<u>4,940,856</u>	<u>3,590,838</u>
Capital fund balance, end of year	<u>\$ 6,322,889</u>	<u>\$ 7,595,578</u>	<u>\$ 4,940,856</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the City of Elliot Lake Schedule of Reserves and Reserve Funds

For the Year Ended December 31	Budget (unaudited)	2008	2007
Revenue			
Investment income (Note 15)	\$ -	\$ <u>273,317</u>	\$ <u>305,013</u>
Transfers			
Transfers from (to) current fund	(57,854)	1,459,439	(1,226,645)
Transfers from (to) capital fund	<u>(1,313,544)</u>	<u>(1,144,150)</u>	<u>(328,756)</u>
Net transfers	<u>(1,371,398)</u>	<u>315,289</u>	<u>(1,555,401)</u>
Change in reserve and reserve fund balance	(1,371,398)	588,606	(1,250,388)
Reserves and reserve funds beginning of year	<u>9,359,466</u>	<u>8,124,937</u>	<u>9,375,325</u>
Reserves and reserve funds, end of year	<u>\$ 7,988,068</u>	<u>\$ 8,713,543</u>	<u>\$ 8,124,937</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2008

1. Significant accounting policies

The consolidated financial statements of The Corporation of the City of Elliot Lake (the Municipality) are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances and in financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality and which are owned or controlled by the Municipality. In addition to general government tax-supported operations, they include the following:

Elliot Lake Public Library Board
Elliot Lake Mining and Nuclear Museum
Elliot Lake Board of Commissioners of Police
Elliot Lake Residential Development Commission

Interdepartmental and organizational transactions and balances are eliminated.

The statements exclude trust assets that are administered for the benefit of external parties (Note 18).

(b) Basis of accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) Fund accounting

Funds within the consolidated financial statements consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(d) Cash

Cash is represented by cash on hand and on deposit in chartered banks.

(e) Temporary investments and annuity

Temporary investments and annuity are valued at the lower of cost and market value.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2008

1. Significant accounting policies (continued)

(f) Capital assets

The historical cost and accumulated depreciation for 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.

(g) Deferred revenue

Receipts that are restricted by legislation of senior governments or by agreement with external parties are deferred. When qualifying expenditures are incurred deferred revenues are brought into revenue at equal amounts. Revenues received in advance of expenditures that will be incurred in a later period are deferred until they are earned by being matched against those expenditures.

(h) Accrued landfill closure and post-closure

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

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

(i) Accrued retirement and post-employment benefits

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

(j) Reserves for future expenditures

Certain amounts, as approved by Municipal Council, are set aside in reserves and reserve funds for future operation and capital expenditures. Transfers to and from reserves and reserve funds are reflected as an adjustment to the respective fund.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2008

1. Significant accounting policies (continued)

(k) Taxation

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by City Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment.

Once a supplementary roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Assessments of the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the school boards, as appropriate.

(l) Grants

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

(m) School board transactions

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

(n) Use of estimates

The preparation of financial statements in accordance 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 expenditures during the reporting period. Actual results could differ from those estimates.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2008

2. Cash and temporary investments 2008 2007

Unrestricted cash and temporary investments are comprised of:

Cash on hand	\$ 4,250	\$ 4,100
Cash held in banks	<u>4,702,476</u>	<u>3,092,128</u>
	<u>4,706,726</u>	<u>3,096,228</u>

Restricted cash and temporary investments are comprised of:

Cash held in banks	8,481,708	6,823,828
Temporary investments (market value 2008: \$4,238,086; 2007: \$4,447,188)	<u>4,631,055</u>	<u>4,482,070</u>
	<u>13,112,763</u>	<u>11,305,898</u>

Total cash \$ 17,819,489 \$ 14,402,126

3. Mortgage receivable 2008 2007

The City holds a first mortgage on the property known as the ELNOS building. Commencing in 2007, subject to an agreement dated October 19, 2006, there are no annual payments required so long as the borrower remains the owner of the property. On the sale of the property, the City will be entitled to the principal amount of the mortgage plus interest at the rate of 2% calculated from the date of advance of the funds.

\$ 852,549 \$ 852,549

4. Annuity

In 1989 a \$725,000 annuity was purchased to finance library rental and municipal taxes. The amount is being amortized over a twenty-year period. The market value of the annuity at December 31, 2008 was \$ 107,631 (2007: \$208,938).

5. Long-term debt 2008 2007

Long-term care debt	\$ 1,442,536	\$ 1,512,347
Airport hanger loan	<u>90,544</u>	<u>-</u>
	<u>\$ 1,533,080</u>	<u>\$ 1,512,347</u>

Long-term care debt consists of a bank loan amortized over twenty years, with a ten-year term at 6.25% annual interest, to be renegotiated in 2012. Principal and interest repayments of \$162,341 are due each year in monthly payments of \$13,530.

The airport hanger loan is repayable in quarterly instalments of principal and interest of \$6,243 at an interest rate of 6%. The maturity date of the loan is November 25, 2012.

The Municipality paid \$99,320 (2007: \$96,763) interest on long-term debt during the year.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2008

6. Sick leave

The Municipality, by way of a memorandum of agreement, provides sick leave employee benefits to certain employees, which can only be accessed upon request, termination or retirement. The liability represents the value of the expenditures required to cover the sick leave plan.

The Municipality has established reserve funds to fully mitigate the future impact of this obligation as detailed in Note 10. The balance of the Sick Leave Reserve Fund is \$106,939 (2007: \$157,899).

7. Landfill closure and post-closure

The liability represents management's estimate of closure and post closure costs related to the Municipality's landfill site. The liability represents the present value of the estimated expenditure required for closure and post-closure. The site has an estimated remaining capacity of 192,600 (2007: 214,000) cubic metres and an estimated remaining life of 9 years. Post closure care is estimated to require 25 years.

The Municipality has established reserve funds to mitigate the future impact of this obligation as detailed in Note 10. The balance of the Landfill Closure and Post-Closure Reserve Fund is \$1,334,966 (2007: \$1,199,006).

8. Accrued retirement and post-employment benefits

In addition to the contributions to the Ontario Municipal Employees Retirement Fund (OMERS), as described in Note 17, the Municipality pays certain health, dental and life insurance benefits on behalf of retired employees.

Total benefit payments paid on behalf of retirees during the year were \$82,820 (2007: \$67,216). The plan is unfunded and requires no contributions from employees. The adjusted retirement benefit liability at December 31, 2008 is \$ 1,010,300 (2007: \$1,005,454).

As at January 1, 2008, an actuarial valuation of the Municipality's obligation for retirement benefits other than pensions was done for accounting purposes using the "projected benefit method prorated on services". The accrued benefit obligation projected for December 31, 2008 is based on this valuation, adjusted for actual contributions made.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical and dental inflation rates, salary increases, employee turnover and mortality. The discount rate used to determine the accrued benefit obligation is 5.50%.

The obligation at January 1, 2008 was based on membership data as at January 1, 2008.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2008

8. Accrued retirement and post-employment benefits (continued)

The Fiscal 2008 expense was also determined using a discount rate of 5.50%.

The total expenditures related to retirement benefits other than pensions include the following components:

	<u>2008</u>	<u>2007</u>
Current period benefit cost	\$ 82,700	\$ 54,100
Interest cost	68,700	65,300
Amortization loss	34,100	32,700

The retirement benefit expenditure/expense is included in the Statement of Financial Activities as a component of program expenditures.

9. Capital fund

The capital fund is comprised of the following:

	<u>2008</u>	<u>2007</u>
General government	\$ 1,093,321	\$ 586,816
Protection to persons and property	19,619	30,854
Transportation	127,940	275,091
Environmental services	85,446	147,134
Health	992,318	1,143,601
Recreation and culture	(60,624)	143,441
Commercial and industrial land	213,622	145,336
Planning and development	5,123,936	2,468,583
	<u>\$ 7,595,578</u>	<u>\$4,940,856</u>

10. Reserves and reserve funds

Reserves set aside for specific purposes by Council

Working capital	\$ 899,164	\$ 1,035,709
Loan guarantee	-	150,000
Elections	64,245	54,682
Total reserves	<u>963,409</u>	<u>1,240,391</u>

Reserve funds set aside for specific purposes by Council

Capital expenditures	6,732,453	5,754,077
Cemetery capital development	15,554	49,280
Landfill closure and post closure	1,334,966	1,199,006
Sick leave	106,939	157,899
Economic development	145,156	132,356
Library rental and taxes annuity	107,631	208,938
Waterfront development	-	62,860
Miner's Heritage	3,733	-
Civic centre theater improvements	18,578	-
Legislative requirements	685,176	636,670
MNR firefighting	41,853	40,365
Total reserve funds	<u>9,192,039</u>	<u>8,241,451</u>

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2008

10. Reserves and reserve funds (continued)	<u>2008</u>	<u>2007</u>
Total reserves and reserve funds	\$ 10,155,448	\$ 9,481,842
Less reserve funds included in liabilities:		
Sick leave	(106,939)	(157,899)
Landfill closure and post-closure	<u>(1,334,966)</u>	<u>(1,199,006)</u>
Total net reserves and reserve funds	<u>\$ 8,713,543</u>	<u>\$ 8,124,937</u>

11. Taxation	Budget (unaudited)	<u>2008</u>	<u>2007</u>
Real property	\$ 10,211,553	\$ 10,361,875	\$ 10,141,386
From other governments			
Payments in lieu of taxes	<u>340,000</u>	<u>331,190</u>	<u>336,200</u>
	<u>\$ 10,551,553</u>	<u>\$ 10,693,065</u>	<u>\$ 10,477,586</u>
Residential	\$ 7,245,953	\$ 7,294,245	\$ 7,184,329
Multi-residential	1,439,133	1,439,133	1,438,857
Commercial and industrial	<u>1,866,467</u>	<u>1,959,687</u>	<u>1,854,400</u>
Net taxes available for municipal purposes	<u>\$ 10,551,553</u>	<u>\$ 10,693,065</u>	<u>\$ 10,477,586</u>

12. User charges	Budget (unaudited)	<u>2008</u>	<u>2007</u>
Fees and service charges	\$ 1,100,019	\$ 1,228,226	\$ 1,322,918
Direct water billings	2,845,090	2,827,428	2,754,683
Licences and permits	<u>211,845</u>	<u>342,231</u>	<u>281,014</u>
Total user charges	<u>\$ 4,156,954</u>	<u>\$ 4,397,885</u>	<u>\$ 4,358,615</u>

13. Collections for school boards	<u>2008</u>	<u>2007</u>
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Total taxation, user charges and development charges received or receivable on behalf of the school boards were as follows:

English public	\$ 877,624	\$ 857,069
English separate	293,342	288,742
French public	25,394	25,423
French separate	<u>94,490</u>	<u>95,847</u>
	<u>\$ 1,290,850</u>	<u>\$ 1,267,081</u>

The Municipality is required to levy and collect taxes on behalf of the school boards. These taxes are remitted to the school boards at the amounts levied. The taxes levied over (under) the amounts requisitioned are recorded as accounts payable (receivable).

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2008

14. Grants	Budget (unaudited)	<u>2008</u>	<u>2007</u>
Current fund			
Province of Ontario	\$ 5,766,630	\$ 6,916,078	\$ 5,480,987
Government of Canada	<u>8,435</u>	<u>48,050</u>	<u>43,841</u>
Total current fund grants	<u>5,775,065</u>	<u>6,964,128</u>	<u>5,524,828</u>
Capital fund			
Province of Ontario	2,113,427	453,055	2,529,758
Government of Canada	<u>380,000</u>	<u>1,829,314</u>	<u>337,899</u>
Total capital grants	<u>2,493,427</u>	<u>2,282,369</u>	<u>2,867,657</u>
Total grants	<u>\$ 8,268,492</u>	<u>\$ 9,246,497</u>	<u>\$ 8,392,485</u>

15. Other revenue	Budget (unaudited)	<u>2008</u>	<u>2007</u>
Current fund			
Penalties and interest on taxes	\$ 85,000	\$ 69,573	\$ 71,532
Interest income	167,618	218,771	638,664
Other	<u>424,690</u>	<u>773,365</u>	<u>508,255</u>
Total current fund	<u>677,308</u>	<u>1,061,709</u>	<u>1,218,451</u>
Capital fund			
Other	<u>3,695,800</u>	<u>2,943,024</u>	<u>3,351,001</u>
Reserves and reserve funds			
Investment income	-	273,317	305,013
Total other revenue	<u>\$ 4,373,108</u>	<u>\$ 4,278,050</u>	<u>\$ 4,874,465</u>

16. Pension agreements

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

Commencing January 1, 2007 contribution rates ranged from 6.5% to 9.6% depending on the proposed retirement age and the level of earnings. As a result, \$369,063 (2007: \$360,802) was contributed to OMERS.

17. Trust funds

The Care and Maintenance Trust Fund administered by the Municipality amounting to \$206,581 (2007: \$195,101) has not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Financial Activities.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2008

18. Measurement uncertainty

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. All assessed property values in the Municipality were reviewed and new values established based on a common valuation date that was used by the Municipality in computing the property tax bills. However, the property tax revenue and tax receivables of the Municipality are subject to measurement uncertainty as a number of appeals submitted by taxpayers have yet to be heard. Any adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the school boards, as appropriate.

19. Financial instruments

Financial instruments of the Municipality consist of cash and temporary investments, taxes receivable, accounts receivable, mortgage receivable, annuity, accounts payable and accrued liabilities, and long term debt. The book value of these financial instruments approximates carrying value as the instruments are either current in nature or bear interest at market rates.

20. Credit risk

The Municipality has taxes receivable and accounts receivable that potentially expose it to a concentration of credit risk. The Municipality performs ongoing credit evaluation of accounts and maintains allowances for potential credit losses.

21. Tangible capital assets

During 2008, The Municipality has compiled a complete listing of tangible capital assets to adhere to Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA").

The following classifies the tangible capital assets by object:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Land	\$ 2,810,739	\$ -	\$ 2,810,739
Land improvements	9,124,200	5,649,833	3,474,367
Buildings	14,559,811	12,691,249	1,868,562
Machinery and equipment	2,647,831	1,507,111	1,140,720
Vehicles	8,012,214	5,037,524	2,974,690
Linear assets	43,555,564	34,007,098	9,548,466
Information technology	21,471	11,978	9,493
Parks Infrastructure	2,475,576	1,700,894	774,682
Plants equipment	13,932,486	9,373,178	4,559,308
Capital work in progress	206,931	-	206,931
	<u>\$ 97,346,823</u>	<u>\$ 69,978,865</u>	<u>\$ 27,367,958</u>

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2008

21. Tangible capital assets (continued)

The following classifies the tangible capital assets by department:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
General government	\$ 4,523,887	\$ 2,268,913	\$ 2,254,974
Protective services	2,505,816	1,249,567	1,256,249
Transportation	48,319,510	35,576,558	12,742,952
Environmental	26,973,924	22,198,873	4,775,051
Health	227,776	48,289	179,487
Recreation and culture	8,045,880	5,703,480	2,342,400
Planning and development	6,750,030	2,933,185	3,816,845
	<u>\$ 97,346,823</u>	<u>\$ 69,978,865</u>	<u>\$ 27,367,958</u>

22. Segmented information

The City of Elliot Lake is a diversified municipal government institution that provides a wide range of services to its citizens, including fire, recreation, roads maintenance, public transit and water and sewer service. As well, the City provides funding to agencies for services related to health care, policing, care for the aged and social services. For management reporting purposes the Government's operations and activities are organized and reported by department. The annual budget is distributed based on department activity and size. The City maintains reserve funds, operating funds and capital funds for their respective purposes.

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

General Government

The General Government segment is comprised of three categories: governance, corporate management and program support. These categories encompass the CAO's office, Mayor and Council, Clerks and Elections, Administrative Buildings, Treasury Financial, Budgets and bill collection. Administrative services to other departments include the IT and HR departments.

Protection to Persons and Property

Protection includes services provided by the City's fire department, Building Controls department for by-law enforcement and transfers to the Ontario Provincial Police for policing services. The fire department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention and detection or extinguishment of fires.

The City's Building Controls department ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. The department is responsible for the application and enforcement of zoning and other by-laws, the processing of building permit applications, and animal control.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2008

22. Segmented information (continued)

Transportation

The Transportation department is responsible for providing local public transportation service. Public works is involved with the planning, development and maintenance of city roads and streets, transit operations, airport operations and street lighting.

Environmental Services

The Water and Waste department consists of three distinct utilities: water, wastewater and solid waste disposal. The department provides drinking water to citizens of Elliot Lake, collecting and treating wastewater. In addition, the City provides collection, disposal and waste minimization programs and facilities, including recycling, for solid waste.

Health and Social Services

Health and Social Services includes external transfers to the Algoma Public Health Unit, expenditures related to Cemetery maintenance, transfer for funding related to welfare, child care, social housing, housing for the aged and social assistance, as well as transfer payments for ambulance services. The health and social services expenditure include costs related to physician recruitment.

Recreation and Culture

The Parks and Recreation Department provides public services that contribute to the health and well being of the City's residents through the provision of recreation and leisure services such as parks maintenance, arena and pool operation, civic centre operation, recreational programming and trail maintenance. The City contributes towards the information needs of its citizens through the provision of library services. The City also runs a mining museum to preserve the mining history of the area.

Planning and Development

The Planning and Development department provides a diverse bundle of services. It manages urban development for business interests, environmental concerns, community development and waterfront planning. It facilitates economic development by providing services for the approval of all land development plans.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2008

22. Segmented Information (continued)

	General Government	Protection	Transportation	Environmental	Health	Social Services and Housing	Recreation/ Culture	Planning/ Development	Total 2008	Total 2007
Revenue										
Taxation	\$ 1,475,303	\$ 2,898,956	\$ 1,807,436	\$ 393,597	\$ 847,656	\$ 1,318,276	\$ 1,373,361	\$ 578,480	\$ 10,693,065	\$ 10,477,586
User charges	55,124	357,885	679,492	2,834,378	83,390	387,616	-	-	4,397,885	4,358,615
Grants	1,866,146	1,584,143	3,248,390	203,656	467,919	772,937	753,759	349,547	9,246,497	8,392,485
Other	569,379	63,372	166,864	132,315	8,588	108,638	291,072	2,937,822	4,278,050	4,874,465
Total Revenue	3,965,952	4,904,356	5,902,182	3,563,946	1,407,553	2,587,467	2,418,192	3,865,849	28,615,497	28,103,151
Expenses										
Salaries, wages and employee benefits	1,740,626	1,467,024	1,504,198	1,105,216	228,744	-	1,610,276	560,965	8,217,049	7,625,382
Long term debt	-	-	-	-	-	169,131	-	-	169,131	162,355
Operating materials and supplies	763,440	253,950	1,258,204	1,628,140	49,088	-	794,083	485,514	5,232,419	4,685,523
Contracted services	541,509	2,788,580	833,650	450,797	2,807	-	142,249	350,529	5,110,121	4,533,185
Rents and financial services	9,066	-	-	-	-	-	107,967	13,245	130,278	132,309
Capital asset	63,826	143,252	2,274,411	235,252	240,810	-	419,810	911,640	4,289,001	6,756,410
External transfers to others	-	-	-	-	935,726	1,831,427	101,826	-	2,868,979	2,866,046
Total Expenses	3,118,467	4,652,806	5,870,463	3,419,405	1,457,175	2,000,558	3,176,211	2,321,893	26,016,978	26,761,210
Net Surplus (Deficit)	\$ 847,485	\$ 251,550	\$ 31,719	\$ 144,541	\$ (49,622)	\$ 586,909	\$ (758,019)	\$ 1,543,956	\$ 2,598,519	\$ 1,341,941

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2008

23. Subsequent event

Subsequent to the year end, on May 1, 2009, the Board of Directors of the Elliot Lake Residential Development Commission recommended to the Council of the City of Elliot Lake that the Commission office be closed.

The operations of the Elliot Lake Residential Development Commission are included in the consolidated financial statements of the City in the planning and development department. As a result of the closure of the office, the City was required to terminate the four employees of the Commission, which resulted in the requirement to pay approximately \$180,000 of termination and severance costs which will be recorded as an expense in the December 31, 2009 year end.

24. Comparative amounts

Certain prior year amounts have been reclassified to conform with current year consolidated financial statement presentation.



Financial Statements

The Corporation of the City of Elliot Lake Care and
Maintenance Trust Fund

December 31, 2008

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Grant Thornton

Auditors' report

Grant Thornton LLP
5th Floor, Station Tower
421 Bay Street
Sault Ste. Marie, ON
P6A 1X3
T (705) 945-9700
F (705) 945-9705
www.GrantThornton.ca

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the City of Elliot Lake

We have audited the statement of financial position of the Care and Maintenance Trust Fund of The Corporation of the City of Elliot Lake as at December 31, 2008 and the statement of fund balance continuity for the year then ended. These financial statements are the responsibility of the City'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 City as at December 31, 2008 and the continuity of the Fund for the year then ended in accordance with Canadian generally accepted accounting principles.

Sault Ste. Marie, Ontario

March 12, 2009

Grant Thornton LLP

Chartered accountants

Licensed public accountants

**The Corporation of the City of Elliot Lake
Care and Maintenance Trust Fund
Statement of Financial Position**

As at December 31	2008	2007
Assets		
Cash	\$ 76,840	\$ 63,310
Investments	<u>154,211</u>	<u>148,221</u>
	<u>\$ 231,051</u>	<u>\$ 211,531</u>
Liabilities		
Payable to municipality	\$ 24,470	\$ 16,430
Fund balance	<u>206,581</u>	<u>195,101</u>
	<u>\$ 231,051</u>	<u>\$ 211,531</u>

Statement of Fund Balance Continuity

For the Year Ended December 31	2008	2007
Balance, at the beginning of the year	<u>\$ 195,101</u>	<u>\$ 217,398</u>
Revenue		
Contribution from municipality	11,480	10,464
Interest earned	<u>8,041</u>	<u>6,482</u>
	<u>19,521</u>	<u>16,946</u>
Expenditure		
Contribution to municipality	<u>8,041</u>	<u>6,482</u>
Balance, at the end of the year	<u>\$ 206,581</u>	<u>\$ 195,101</u>

See accompanying notes to the financial statements.

The Corporation of the City of Elliot Lake Care and Maintenance Trust Fund Notes to the Financial Statements

For the Year Ended December 31, 2008

1. Significant accounting policies

The financial statements of The Corporation of the City of Elliot Lake Care and Maintenance Trust Fund are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Reporting entity

The financial statements reflect the assets, liabilities, revenues and expenditures of the reporting entity.

(b) Basis of accounting

The basis of accounting followed in the financial statements presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired.

(c) Use of estimates

The preparation of financial statements in accordance 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 expenditures during the reporting period. Actual results could differ from those estimates.

(d) Revenue recognition

Contribution from the municipality is recognized when received. Interest is recognized when earned.

(e) Investment

Investments are carried at cost, which approximates market value.

2. Cash

Cash is represented by funds on deposit in chartered banks, plus accrued interest.