



Consolidated Financial Report

The Corporation of the City of Elliot Lake

December 31, 2007

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Grant Thornton

Auditors' report

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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, 2007 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the 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, 2007 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
June 16, 2008

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

2007

2006

Assets

Cash and temporary investments (Note 2)	\$ 14,402,126	\$ 13,436,603
Taxes receivable	378,925	715,911
Accounts receivable	1,645,214	1,409,093
Prepaid expenses	96,884	336,921
Other assets	50,180	30,049
Mortgage receivable (Note 3)	852,549	288,609
Annuity (Note 4)	<u>208,938</u>	<u>304,271</u>

Total assets

\$ 17,634,816 \$ 16,521,457

Liabilities

Accounts payable and accrued liabilities	\$ 2,005,969	\$ 2,081,593
Other liabilities	400,493	265,312
Deferred revenue	54,224	82,309
Long-term debt (Note 5)	1,512,347	1,577,939
Accrued sick leave (Note 6)	157,899	151,495
Accrued vacation pay	382,312	398,614
Accrued landfill closure and post-closure (Note 7)	2,009,295	1,774,002
Accrued retirement and post employment benefits (Note 8)	<u>1,005,454</u>	<u>920,549</u>

Total liabilities

7,527,993 7,251,813

Municipal position

Amounts to be recovered from future revenues	<u>(3,328,090)</u>	<u>(2,823,328)</u>
Fund balances		
Operating fund	422,108	(820,203)
Capital fund (Note 9)	4,937,148	3,587,130
Reserves and reserve funds (Note 10)	<u>8,075,657</u>	<u>9,326,045</u>
Fund balances	<u>13,434,913</u>	<u>12,092,972</u>

10,106,823 9,269,644

Total liabilities and municipal position

\$ 17,634,816 \$ 16,521,457

Subsequent event (Note 23)

On behalf of City Council

_____ Mayor _____ Councillor

See accompanying notes to the financial statements.

The Corporation of the City of Elliot Lake

Consolidated Statement of Financial Activities

For the Year Ended December 31 Budget 2007 2006
 (unaudited)

Revenue

Taxation (Note 11)	\$ 10,477,751	\$ 10,477,586	\$ 10,461,062
User charges (Note 12)	4,115,108	4,358,615	4,070,500
Grants (Note 14)	8,154,901	8,392,485	7,318,400
Other (Note 15)	<u>4,027,387</u>	<u>4,874,465</u>	<u>4,378,649</u>

Total revenue 26,775,147 28,103,151 26,228,611

Expenditures

Current

General government	3,065,093	2,551,848	2,361,478
Protection to persons and property	4,359,395	4,317,207	4,105,580
Transportation services	3,177,193	3,288,856	3,139,284
Environmental services	2,929,524	2,994,036	2,890,354
Health services	1,072,162	1,062,184	1,130,527
Social and family services	1,737,581	1,742,460	1,674,572
Social housing	412,595	406,780	391,683
Recreation and culture services	2,459,094	2,420,208	2,296,134
Planning and development	<u>1,162,844</u>	<u>1,221,221</u>	<u>1,234,909</u>

20,375,481 20,004,800 19,224,521

Capital

General government	851,777	272,007	627,884
Protection to persons and property	48,100	50,453	867,305
Transportation services	3,689,038	3,723,968	2,354,023
Environmental services	562,770	280,923	323,778
Health services	620,136	40,461	56,776
Recreation and culture	320,368	184,715	149,702
Planning and development	<u>2,005,875</u>	<u>2,203,883</u>	<u>2,881,444</u>

8,098,064 6,756,410 7,260,912

Total expenditures \$ 28,473,545 \$ 26,761,210 26,485,433

Net revenue (expenditures) \$ (1,698,398) \$ 1,341,941 \$ (256,822)

See accompanying notes to the financial statements.

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

For the Year Ended December 31

2007

2006

Increase (decrease) in cash and cash equivalents

Operating activities

Net revenue (expenditures)	\$ 1,341,941	\$ (142,688)
Decrease in taxes receivable	336,986	2,120
Decrease (increase) in accounts receivables	(236,121)	577,737
Decrease (increase) in prepaid expenses	240,037	(108,928)
Decrease (increase) in other assets	(20,131)	22,835
Increase (decrease) in accounts payable and accrued liabilities	(75,624)	589,638
Increase in other liabilities	135,181	196,610
Decrease in deferred revenue	(28,085)	(418,760)
Increase (decrease) in accrued sick leave	6,404	(21,902)
Increase (decrease) in accrued vacation pay	(16,302)	72,854
Increase in accrued landfill closure and post-closure	235,293	12,661
Increase in accrued post-employment benefits	<u>84,905</u>	<u>-</u>
	<u>2,004,484</u>	<u>782,177</u>

Investing activities

Decrease (increase) in mortgage receivable	(563,940)	19,636
Decrease in annuity	<u>95,333</u>	<u>89,692</u>
	<u>(468,607)</u>	<u>109,328</u>

Financing activities

Repayment of on long-term debt	(65,592)	(61,629)
Decrease (increase) in amounts to be recovered from future revenue	<u>(504,762)</u>	<u>61,629</u>
	<u>(570,354)</u>	<u>-</u>

Net increase in cash and cash equivalents **965,523** 891,505

Cash and temporary investments

Beginning of year	<u>13,436,603</u>	<u>12,545,098</u>
End of year	<u>\$ 14,402,126</u>	<u>\$ 13,436,603</u>

See accompanying notes to the financial statements.

The Corporation of the City of Elliot Lake

Schedule of Current Fund Operations

For the Year Ended December 31	Budget	2007	2006
	(unaudited)		
Revenue			
Taxation (Note 11)	\$ 10,477,751	\$ 10,477,586	\$ 10,461,062
User charges (Note 12)	4,115,108	4,358,615	4,070,500
Grants (Note 14)	5,463,937	5,524,828	5,443,728
Other (Note 15)	<u>558,287</u>	<u>1,218,451</u>	<u>1,110,104</u>
Total revenue	<u>20,615,083</u>	<u>21,579,480</u>	<u>21,085,394</u>
Expenditures			
General government	3,065,093	2,551,848	2,361,478
Protection to persons and property	4,359,395	4,317,207	4,105,580
Transportation services	3,177,193	3,288,856	3,139,284
Environmental services	2,929,524	2,994,036	2,890,354
Health services	1,072,162	1,062,184	1,130,527
Social and family services	1,737,581	1,742,460	1,674,572
Social housing	412,595	406,780	391,683
Recreation and culture services	2,459,094	2,420,208	2,296,134
Planning and development	<u>1,162,844</u>	<u>1,221,221</u>	<u>1,234,909</u>
Total expenditures	<u>20,375,481</u>	<u>20,004,800</u>	<u>19,224,521</u>
Net revenue	<u>239,602</u>	<u>1,574,680</u>	<u>1,860,873</u>
Financing and transfers			
Transfers to capital fund	(1,619,451)	(1,559,014)	(827,787)
Transfers from (to) reserves and reserve funds	<u>1,105,544</u>	<u>1,226,645</u>	<u>(1,129,192)</u>
Net financing and transfers	<u>(513,907)</u>	<u>(332,369)</u>	<u>(1,956,979)</u>
Change in current fund	(274,305)	1,242,311	(96,106)
Deficit, beginning of year	<u>-</u>	<u>(820,203)</u>	<u>(724,097)</u>
Current fund balance (deficit), end of year	<u>\$ (274,305)</u>	<u>\$ 422,108</u>	<u>\$ (820,203)</u>

See accompanying notes to the financial statements.

The Corporation of the City of Elliot Lake

Schedule of Capital Fund Operations

For the Year Ended December 31	Budget	2007	2006
	(unaudited)		
Revenue			
Grants (Note 14)	\$ 2,690,964	\$ 2,867,657	\$ 1,874,672
Other (Note 15)	<u>3,469,100</u>	<u>3,351,001</u>	<u>2,966,328</u>
Total revenue	<u>6,160,064</u>	<u>6,218,658</u>	<u>4,841,000</u>
Expenditures			
General government	851,777	272,007	627,884
Protection to persons and property	48,100	50,453	867,305
Transportation services	3,689,038	3,723,968	2,354,023
Environmental services	562,770	280,923	323,778
Health services	620,136	40,461	56,776
Recreation and culture	320,368	184,715	149,702
Planning and development	<u>2,005,875</u>	<u>2,203,883</u>	<u>2,881,444</u>
Total expenditures	<u>8,098,064</u>	<u>6,756,410</u>	<u>7,260,912</u>
Net expenditures	<u>(1,938,000)</u>	<u>(537,752)</u>	<u>(2,419,912)</u>
Transfers			
Transfers from current fund	1,619,451	1,559,014	827,787
Transfers from reserve fund	<u>319,746</u>	<u>328,756</u>	<u>2,116,985</u>
Net transfers	<u>1,939,197</u>	<u>1,887,770</u>	<u>2,944,772</u>
Change in capital fund balance	1,197	1,350,018	524,860
Capital fund balance, beginning of year	<u>3,655,401</u>	<u>3,587,130</u>	<u>3,062,270</u>
Capital fund balance, end of year	<u>\$ 3,656,598</u>	<u>\$ 4,937,148</u>	<u>\$ 3,587,130</u>

See accompanying notes to the financial statements.

The Corporation of the City of Elliot Lake

Schedule of Reserves and Reserve Funds

For the Year Ended December 31	Budget	2007	2006
	(unaudited)		
Revenue			
Investment income (Note 15)	\$ -	\$ 305,013	\$ 302,217
Transfers			
Transfers from (to) current fund	(1,105,544)	(1,226,645)	1,129,192
Transfers from (to) capital fund	<u>(319,747)</u>	<u>(328,756)</u>	<u>(2,116,985)</u>
Net transfers	<u>(1,425,291)</u>	<u>(1,555,401)</u>	<u>(987,793)</u>
Change in reserve and reserve fund balance	(1,425,291)	(1,250,388)	(685,576)
Reserves and reserve funds, beginning of year	<u>10,405,743</u>	<u>9,326,045</u>	<u>10,011,621</u>
Reserves and reserve funds, end of year	\$ <u>8,980,452</u>	\$ <u>8,075,657</u>	\$ <u>9,326,045</u>

See accompanying notes to the financial statements.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

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, 2007

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 expenditures, 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, 2007

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 and 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, 2007

2. Cash and temporary investments 2007 2006

Unrestricted cash and temporary investments are comprised of:

Cash on hand	\$ 4,100	\$ 4,200
Cash held in banks	<u>3,092,128</u>	<u>4,219,939</u>
	<u>3,096,228</u>	<u>4,224,139</u>

Restricted cash and temporary investments are comprised of:

Cash held in banks	6,823,828	4,908,851
Temporary investments (market value 2007: \$4,447,188; 2006: \$4,324,118)	<u>4,482,070</u>	<u>4,303,613</u>
	<u>11,305,898</u>	<u>9,212,464</u>

Total cash	<u>\$14,402,126</u>	<u>\$13,436,603</u>
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3. Mortgage receivable 2007 2006

The City holds a first mortgage on the property. 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.

<u>\$ 852,549</u>	<u>\$ 288,609</u>
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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, 2007 was \$208,938 (2006: \$304,271).

5. Long-term debt 2007 2006

Long-term care debt	<u>\$ 1,512,347</u>	<u>\$ 1,577,939</u>
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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 Municipality paid \$96,763 (2006: \$100,727) 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, 2007

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 11. The balance of the Sick Leave Reserve Fund is \$157,899 (2006: \$151,495).

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 214,000 (2006: 226,000) cubic metres and an estimated remaining life of 10 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 11. The balance of the Landfill Closure and Post-Closure Reserve Fund is \$1,199,006 (2006: \$936,713).

8. Retirement and post-employment benefits

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 \$67,216 (2006: \$61,934). The plan is unfunded and requires no contributions from employees. The adjusted retirement benefit liability at December 31, 2007 is \$1,005,454 (2006: \$920,549).

As at January 1, 2005, 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, 2006 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 assumptions used reflect the Municipality's best estimates. The expected inflation rate is 3.0%. The discount rate used to determine the accrued benefit obligation is 5.25%.

The obligation at January 1, 2005 was based on membership data as at January 1, 2005, and was measured with a discount rate of 5.25%.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

8. Retirement and post-employment benefits (continued)

Accrued retirement and post-employment benefits (continued)

The Fiscal 2007 expense was also determined using a discount rate of 5.25%. Updating the membership data and changing the discount rate resulted in an experience loss at January 1, 2005 which will be amortized over the plan's average remaining service period to retirement. A portion of this experience loss was recognized in the Fiscal 2007 expense.

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

	<u>2007</u>	<u>2006</u>
Current period benefit cost	\$ 54,100	\$ 51,400
Interest cost	65,300	63,900
Amortization loss	32,700	32,700

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

9. Capital fund

	<u>2007</u>	<u>2006</u>
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The capital fund is comprised of the following:

General government	\$ 586,816	\$ 98,599
Protection to persons and property	30,854	77,139
Transportation	275,091	1,188,725
Environmental services	147,134	192,072
Health	1,139,893	563,592
Recreation and culture	143,441	15,308
Commercial and industrial land	145,336	108,549
Planning and development	<u>2,468,583</u>	<u>1,343,146</u>
	<u>\$ 4,937,148</u>	<u>\$3,587,130</u>

10. Reserves and reserve funds

	<u>2007</u>	<u>2006</u>
Reserves set aside for specific purposes by Council		
Working capital	\$ 1,035,709	\$ 2,735,697
Loan guarantee	150,000	150,000
Elections	<u>54,682</u>	<u>45,457</u>
Total reserves	<u>1,240,391</u>	<u>2,931,154</u>

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

10. Reserves and reserve funds (continued)	<u>2007</u>	<u>2006</u>
Reserve funds set aside for specific purposes by Council		
Capital expenditures	5,754,077	5,071,463
Landfill closure and post closure	1,199,006	899,149
Sick leave	157,899	151,496
Economic development	132,356	106,497
Library rental and taxes annuity	208,938	304,271
Waterfront development	62,860	303,929
Legislative requirements	636,670	608,731
MNR firefighting	40,365	-
Total reserve funds	<u>8,192,171</u>	<u>7,445,536</u>
 Total reserves and reserve funds	 9,432,562	 10,376,690
Less reserve funds included in liabilities:		
Sick leave	(157,899)	(151,496)
Landfill closure and post-closure	(1,199,006)	(899,149)
Total net reserves and reserve funds	<u>\$ 8,075,657</u>	<u>\$ 9,326,045</u>

11. Taxation	<u>Budget</u> (unaudited)	<u>2007</u>	<u>2006</u>
Real property	\$ 10,137,751	\$ 10,141,386	\$ 10,149,187
From other governments			
Payments in lieu of taxes	<u>340,000</u>	<u>336,200</u>	<u>311,875</u>
	<u>\$ 10,477,751</u>	<u>\$ 10,477,586</u>	<u>\$ 10,461,062</u>
Residential	\$ 7,176,748	\$ 7,184,329	\$ 7,158,186
Multi-residential	1,438,857	1,438,857	1,451,870
Commercial and industrial	<u>1,862,146</u>	<u>1,854,400</u>	<u>1,851,006</u>
Net taxes available for municipal purposes	<u>\$ 10,477,751</u>	<u>\$ 10,477,586</u>	<u>\$ 10,461,062</u>

12. User charges	<u>Budget</u> (unaudited)	<u>2007</u>	<u>2006</u>
Fees and service charges	\$ 1,130,386	\$ 1,322,918	\$ 1,152,911
Direct water billings	2,787,797	2,754,683	2,703,844
Licences and permits	<u>196,925</u>	<u>281,014</u>	<u>213,745</u>
Total user charges	<u>\$ 4,115,108</u>	<u>\$ 4,358,615</u>	<u>\$ 4,070,500</u>

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

13. Collections for school boards

Total taxation, user charges and development charges received or receivable on behalf of the school boards were as follows:

	<u>2007</u>	<u>2006</u>
English public	\$ 857,069	\$ 862,616
English separate	288,742	291,193
French public	25,423	24,448
French separate	<u>95,847</u>	<u>99,106</u>
	<u>\$ 1,267,081</u>	<u>\$ 1,277,363</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).

14. Grants	<u>Budget</u> (unaudited)	<u>2007</u>	<u>2006</u>
Current fund			
Province of Ontario	\$ 5,453,534	\$ 5,480,987	\$ 5,366,140
Government of Canada	<u>10,403</u>	<u>43,841</u>	<u>77,588</u>
Total current fund grants	<u>5,463,937</u>	<u>5,524,828</u>	<u>5,443,728</u>
Capital fund			
Province of Ontario	2,355,153	2,529,758	1,459,885
Government of Canada	<u>335,811</u>	<u>337,899</u>	<u>414,787</u>
Total capital grants	<u>2,690,964</u>	<u>2,867,657</u>	<u>1,874,672</u>
Total grants	<u>\$ 8,154,901</u>	<u>\$ 8,392,485</u>	<u>\$ 7,318,400</u>

15. Other revenue	<u>Budget</u> (unaudited)	<u>2007</u>	<u>2006</u>
Current fund			
Penalties and interest on taxes	\$ 120,000	\$ 71,532	\$ 123,836
Interest income	115,000	638,664	258,116
Other	<u>323,287</u>	<u>508,255</u>	<u>728,152</u>
Total current fund	<u>558,287</u>	<u>1,218,451</u>	<u>1,110,104</u>
Capital fund			
Other	<u>3,469,100</u>	<u>3,351,001</u>	<u>2,966,328</u>
Reserves and reserve funds			
Investment income	<u>-</u>	<u>305,013</u>	<u>302,217</u>
Total other revenue	<u>\$ 4,027,387</u>	<u>\$ 4,874,465</u>	<u>\$ 4,378,649</u>

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

16. Expenditures by object

	<u>2007</u>	<u>2006</u>
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The Consolidated Statement of Financial Activities presents the expenditures by function; the following classifies those same expenditures by object:

Salaries, wages and employee benefits	\$ 7,571,124	\$ 7,298,411
Operating materials and supplies	4,739,780	4,398,212
Rents and financial expenses	132,309	154,786
Contracted services	4,533,186	4,181,209
External transfers to others	2,866,046	3,029,478
Tangible capital assets	6,756,410	7,260,912
Debt service	<u>162,355</u>	<u>162,425</u>
Total expenditures by object	<u>\$ 26,761,210</u>	<u>\$ 26,485,433</u>

17. 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, \$360,802 (2006: \$340,335) was contributed to OMERS.

18. Trust funds

The Care and Maintenance Trust Fund administered by the Municipality amounting to \$245,947 (2006: \$217,398) has not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Financial Activities.

19. 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.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

20. 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.

21. 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.

22. Tangible capital assets

Transitional provisions

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

During 2007, The Municipality continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007, the Municipality has obtained a listing and values for all significant asset classes. The process of determining the accumulated amortization is currently underway and is expected to be completed by December 31, 2008.

23. Subsequent event

In February, 2007 Council passed By-law 07-14 to authorize entering into a Memorandum of Understanding (MOU) with Non-Profit Retirement Residences of Elliot Lake Inc. (ELRL) with respect to the purchase and sale of 426 acres of City-owned land located at the end of Spine Road. Council agreed to the Purchase Price of \$500,000 inclusive of GST, to be paid by ELRL in the form of a letter or other document acceptable to the Treasurer of the City of Elliot Lake acknowledging the forgiveness of the entire debt owed to it by the City for ELRL's outstanding contribution of the construction cost of the Elliot Lake Golf Course clubhouse.

Subsequent to the year end, in April 2008, Council passed By-law 08-19 to authorize an Agreement of Purchase and Sale respecting the above-noted property requiring payment on the assets to ELRL. As a result, a capital expenditure of \$500,000 was recorded in the Schedule of Capital Fund Operations, planning and development and in the Consolidated Statement of Financial Position in accounts payable and accrued liabilities.



Financial Statements

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

December 31, 2007

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Grant Thornton

Auditors' report

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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, 2007 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, 2007 and the continuity of the Fund for the year then ended in accordance with Canadian generally accepted accounting principles.

Sault Ste. Marie, Ontario
June 16, 2008

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	2007	2006
Assets		
Cash	\$ 114,156	\$ 83,419
Investments	<u>148,221</u>	<u>141,739</u>
	<u>\$ 262,377</u>	<u>\$ 225,158</u>
Liabilities		
Payable to municipality	\$ 16,430	\$ 7,760
Fund balance	<u>245,947</u>	<u>217,398</u>
	<u>\$ 262,377</u>	<u>\$ 225,158</u>

Statement of Fund Balance Continuity

For the Year Ended December 31	2007	2006
Balance, at the beginning of the year	<u>\$ 217,398</u>	<u>\$ 217,152</u>
Revenue		
Contribution from municipality	27,914	30,966
Interest earned	<u>9,304</u>	<u>8,422</u>
	<u>37,218</u>	<u>39,388</u>
Expenditure		
Contribution to municipality	<u>8,669</u>	<u>39,142</u>
Balance, at the end of the year	<u>\$ 245,947</u>	<u>\$ 217,398</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, 2007

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.