

Audited Consolidated Financial Statements and
Other Financial Information of

**CORPORATION OF THE
MUNICIPALITY OF PORT HOPE**

Year ended December 31, 2018

Audited Consolidated Financial Statements and Other Financial Information of

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CORPORATION OF THE MUNICIPALITY OF PORT HOPE

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Municipality of Port Hope (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies is contained in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

A handwritten signature in blue ink, appearing to read 'DB', is written over a horizontal line.

David Baxter, CPA, CMA
Director of Finance



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of Port Hope

Opinion

We have audited the consolidated financial statements of Corporation of the Municipality of Port Hope (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated municipal equity for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

November 19, 2019

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Financial assets:		
Cash	\$ 1,121,514	\$ 509,932
Taxes receivable	2,213,329	1,999,978
Accounts receivable	3,680,864	3,624,916
Investments (note 4)	32,954,456	34,070,438
Land held for resale	1,114,782	1,114,782
	<u>41,084,945</u>	<u>41,320,046</u>
Liabilities and deferred revenue:		
Accounts payable and accrued liabilities	5,179,285	4,792,832
Employee future benefit liabilities (note 6)	3,064,312	3,041,086
Deferred revenue - obligatory reserve funds (note 7)	4,292,562	4,447,663
Deferred revenue - other	1,278,940	1,274,754
Net long-term liabilities (note 8)	32,723,977	34,605,180
	<u>46,539,076</u>	<u>48,161,515</u>
Net debt	(5,454,131)	(6,841,469)
Other non-financial assets:		
Tangible capital assets (note 10)	147,489,349	143,583,838
Inventories of supplies	163,311	206,329
Prepaid expenses	306,434	358,101
	<u>147,959,094</u>	<u>144,148,268</u>
Contingent liabilities (note 11)		
Commitments (note 12)		
Subsequent event (note 18)		
Accumulated municipal equity (note 13)	\$ 142,504,963	\$ 137,306,799

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Operations and Accumulated Municipal Equity

Year ended December 31, 2018, with comparative information for 2017

	Reconciled budget 2018 (note 14)	Actual 2018	Actual 2017
Revenue:			
Property taxation	\$ 17,468,440	\$ 16,934,268	\$ 17,171,395
Taxation from other governments	331,190	350,758	315,411
User charges	10,126,830	10,904,778	9,845,134
Government grants	2,002,970	1,849,194	1,673,974
Grants from other municipalities	133,618	142,380	132,256
Investment income	786,950	770,404	700,480
Penalties and interest on taxes	425,000	398,561	436,292
Donations	18,900	85,234	161,864
Transfers from obligatory reserve funds	60,000	–	9,450
Other	23,300	271,019	594,297
Total revenue	31,377,198	31,706,596	31,040,553
Expenses (notes 15 and 16):			
General government	3,785,426	3,575,092	4,119,489
Protection to persons and property	8,085,671	8,434,493	7,802,556
Transportation services	6,193,808	6,123,248	5,902,102
Environmental services	10,730,069	10,563,946	9,964,734
Cemetery	264,929	284,870	235,619
Library	890,942	880,614	842,582
Parks, recreation and culture	4,188,982	4,303,870	3,817,414
Planning and development	896,382	1,046,949	814,130
Total expenses	35,036,209	35,213,082	33,498,626
Annual operating deficit	(3,659,011)	(3,506,486)	(2,458,073)
Revenue related to capital:			
Property taxation	1,449,500	1,985,414	1,114,877
Government grants	1,978,000	1,557,932	2,119,887
Transfers from obligatory reserve funds	1,054,000	488,341	354,300
Contributions from others (tangible capital assets)	–	4,477,718	1,700,687
Donations	–	71,692	47,812
Other	179,000	123,553	1,015,090
Total revenue related to capital	4,660,500	8,704,650	6,352,653
Annual surplus	1,001,489	5,198,164	3,894,580
Accumulated municipal equity, beginning of year	–	137,306,799	133,412,219
Accumulated municipal equity, end of year (note 13)		\$ 142,504,963	\$ 137,306,799

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Change in Net Debt

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Annual surplus	\$ 5,198,164	\$ 3,894,580
Acquisition of tangible capital assets	(10,140,319)	(7,456,997)
Net proceeds of disposition of capital assets	–	68,234
Loss on disposal of tangible capital assets	320,804	639,767
Amortization of tangible capital assets	5,914,004	5,720,020
	<u>1,292,653</u>	<u>2,865,604</u>
Change in prepaid expenses and inventories of supplies	94,685	(68,384)
Change in net debt	<u>1,387,338</u>	<u>2,797,220</u>
Net debt, beginning of year	(6,841,469)	(9,638,689)
Net debt, end of year	<u>\$ (5,454,131)</u>	<u>\$ (6,841,469)</u>

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Operating transactions:		
Annual surplus	\$ 5,198,164	\$ 3,894,580
Items not involving cash:		
Amortization of tangible capital assets	5,914,004	5,720,020
Loss on disposal of tangible capital assets	320,804	639,767
Change in employee future benefits liabilities	23,226	64,458
Change in non-working capital items:		
Decrease (increase) in taxes receivable	(213,351)	1,102,278
Increase in accounts receivable	(55,948)	(430,411)
Decrease in land held for resale	—	157,180
Increase in accounts payable and accrued liabilities	386,453	442,305
Decrease in deferred revenue - obligatory reserve funds	(155,101)	(469,276)
Increase in deferred revenue - other	4,186	121,974
Decrease (increase) in inventories of supplies	43,018	(8,199)
Decrease (increase) in prepaid expenses	51,667	(60,185)
	6,318,958	7,279,911
Net change in cash from operations	11,517,122	11,174,491
Capital transactions:		
Cash used to acquire tangible capital assets	(10,140,319)	(7,456,997)
Net proceeds of disposition of capital assets	—	68,234
	(10,140,319)	(7,388,763)
Investing transactions:		
Net redemption (purchase) of investments	1,115,982	(1,666,964)
Financing transactions:		
Debt principal repayments	(1,881,203)	(1,863,238)
Increase in cash	611,582	255,526
Cash, beginning of year	509,932	254,406
Cash, end of year	\$ 1,121,514	\$ 509,932

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

1. Accounting policies:

The consolidated financial statements of the Corporation of the Municipality of Port Hope (the "Municipality") are the representation of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

These consolidated financial statements reflect the assets, liabilities, revenue and expenses 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

(ii) Accounting for County and School Board transactions:

The taxation, other revenue, expenses, 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 consolidated 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 Trust Funds Statement of Financial Position.

(b) Employee future benefit obligations:

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

Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued benefit obligation, are amortized over the average remaining service period of active employees.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Accounting policies (continued):

(c) Accrual accounting:

Revenue and expenses are reported on the accrual basis of accounting. Revenue is recognized in the year in which it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(d) Deferred revenue:

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

(e) Deferred revenue - obligatory reserve funds:

The Municipality receives restricted contributions under the authority of Provincial and Federal legislation and Municipal by-laws. These funds by their nature are restricted in their use, and until applied to applicable expenses, are recorded as deferred revenue. Amounts applied to qualifying costs are recorded as revenue in the fiscal period that they are expended.

(f) Investments:

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

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

(g) Government transfers:

Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made except when and to the extent that stipulations by the transferor give rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Accounting policies (continued):

(h) Use of estimates:

The preparation of consolidated financial statements 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 consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(i) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	15 to 40
Buildings and building improvements	20 to 50
Linear assets	20 to 75
Machinery and equipment	5 to 25
Technology and communications	3 to 10
Vehicles	2 to 20

Work-in-progress is not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Accounting policies (continued):

(i) Non-financial assets (continued):

(iv) Interest capitalization:

Interest is capitalized whenever debt is used to finance the construction of tangible capital assets up to the period of substantial completion.

(v) Inventories of supplies:

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(j) Property taxation:

The Municipality recognizes property tax revenue using the approved tax rate and the anticipated assessment. Taxes receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred. The standard requires that property tax revenue be reported net of tax concessions. Tax transfers are reported as an expense and taxes levied on behalf of others in a flow through arrangement are not reported in the Consolidated Statement of Operations and Accumulated Municipal Equity.

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	
	2018	2017	2018	2017
Amounts requisitioned	\$ 6,120,443	\$ 6,034,972	\$ 10,729,058	\$ 10,410,676

3. Trust funds:

Trust funds administered by the Municipality amounting to \$913,300 (2017 - \$888,354) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

4. Investments:

	2018		2017	
	Cost	Market value	Cost	Market value
Cash and cash equivalents	\$ 1,150,703	\$ 1,151,869	\$ 1,715,081	\$ 1,715,690
Fixed income securities	31,803,753	31,851,735	32,355,357	32,581,014
	<u>\$ 32,954,456</u>	<u>\$ 33,003,604</u>	<u>\$ 34,070,438</u>	<u>\$ 34,296,704</u>

The fixed income securities yield interest between 1.2% and 4.8% and have maturities ranging from March 2019 to June 2023. The March 2019 maturities were subsequently reinvested.

5. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 145 members of its staff. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2018. At that time, the plan reported a \$4.2 billion actuarial deficit (2017 - \$5.4 billion actuarial deficit).

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 2018 was \$978,791 (2017 - \$916,574) and is included as an expense on the Consolidated Statement of Operations and Accumulated Municipal Equity.

6. Employee future benefit liabilities:

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 Uniformed Police Association retirees who had been hired by the Port Hope Police Services Board prior to January 1, 2014; who after the age of 65 receive single coverage benefits for life.

Life insurance benefits: The Municipality does not provide for a retiree life insurance benefit to full-time retirees regardless of age of retirement with the exception a closed group. This group is eligible for a retiree life benefit of two (2) times salary at retirement to eligible full-time non-police members until age 65, provided they retired on or before January 1, 2012. At age 65, the participant may elect to pay the premium and remain insured under this benefit, the sum insured is reduced by 50%.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

6. Employee future benefit liabilities (continued):

Early retirement incentive: The Municipality provides Municipal uniform police with an early retirement incentive if they become eligible for an unreduced OMERS pension before age 60, provided they retire within 30 days of their eligible early retirement date.

An independent actuarial study of the employee non-pension retirement benefits has been undertaken. The most recent valuation of the employee future benefits was completed for 2017.

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, 2018, the accrued benefit liability was \$3,064,312 (2017 - \$3,041,086).

The significant actuarial assumptions adopted in estimating the Municipality's accrued benefit obligations are as follows:

Discount rate	4.00% per annum
Inflation rate	1.75% per annum
Dental benefits escalation	3.75% per annum
Health benefits escalation	Escalate at 5.25% in 2018 vs 2017, reducing by 0.333% per year at 3.75% in 2023 vs 2022 and 3.75% thereafter

Information with respect to the Municipality's non-pension retirement obligations is as follows:

	2018	2017
Accrued benefit liability, beginning of year	\$ 3,041,086	\$ 2,976,628
Expense recognized for the year	88,196	97,132
Interest cost	128,881	132,126
Benefits paid for the year	(212,952)	(149,893)
Amortization of actuarial loss (gain)	19,101	(14,907)
Accrued benefit liability, end of year	\$ 3,064,312	\$ 3,041,086

	2018	2017
Accrued benefit obligation at December 31	\$ 3,288,519	\$ 3,284,394
Unamortized actuarial loss	(224,207)	(243,308)
Accrued benefit liability at December 31	\$ 3,064,312	\$ 3,041,086

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

7. Deferred revenue - obligatory reserve funds:

A requirement of the CPA Canada Public Sector Accounting Handbook 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:

	2018	2017
Balance, beginning of year	\$ 4,447,663	\$ 4,916,939
Revenue as follows:		
Ontario Community Infrastructure fund	475,067	335,471
Ontario Main Street revitalization fund	52,466	-
Federal grant - gasoline tax	516,431	501,684
Provincial grant - gasoline tax	163,886	154,133
Development contributions	347,685	519,113
Investment income	56,414	121,094
Utilization as follows:		
Operating	(360,048)	(318,107)
Capital	(1,291,334)	(1,577,893)
Debt repayment	(94,157)	(166,324)
Direct payment to developer	(21,511)	(38,447)
Balance, end of year	\$ 4,292,562	\$ 4,447,663

	2018	2017
Analyzed as follows:		
Parkland	\$ 105,999	\$ 157,610
Development charges	1,503,587	1,595,367
Ontario Community Infrastructure fund	710,535	274,695
Ontario Main Street revitalization fund	21,240	-
Gasoline tax:		
Provincial	479,428	517,796
Federal	1,275,976	1,646,103
Building inspection	195,797	256,092
	\$ 4,292,562	\$ 4,447,663

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

8. 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:

	2018	2017
Infrastructure Ontario Debenture, bears interest at 4.73%, payable in semi-annual payments with a maturity date of January 17, 2051	\$ 24,773,125	\$ 25,535,375
Infrastructure Ontario Debenture, bears interest at 2.5%, payable in semi-annual payments with a maturity date of September 15, 2021	2,308,663	3,040,762
Infrastructure Ontario Debenture, bears interest at 3.06%, payable in semi-annual payments with a maturity date of March 15, 2036	2,625,000	2,775,000
Infrastructure Ontario Debenture, bears interest at 3.06%, payable in semi-annual payments with a maturity date of March 15, 2036	2,187,500	2,312,500
Infrastructure Ontario Debenture, bears interest at 4.7%, payable in semi-annual payments with a maturity date of June 15, 2024	325,600	384,800
Infrastructure Ontario Debenture, bears interest at 3.07%, payable in semi-annual payments with a maturity date of December 17, 2027	225,600	250,667
Infrastructure Ontario Debenture, bears interest at 3.35%, payable in semi-annual payments with a maturity date of May 1, 2027	140,989	157,576
Infrastructure Ontario Debenture, bears interest at 4.42%, payable in semi-annual payments with a maturity date of February 15, 2031	137,500	148,500
	\$ 32,723,977	\$ 34,605,180

- (b) Principal due on net long-term liabilities from general municipal revenues and user fees is summarized as follows:

2019	\$ 1,899,619
2020	1,918,500
2021	1,937,855
2022	1,149,104
2023	1,149,104
Thereafter	24,669,795
	\$ 32,723,977

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

8. Net long-term liabilities (continued):

(c) The long-term liabilities in (a) issued in the name of the Municipality 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.

9. Charges for net long-term liabilities:

Total charges for the year for net long-term liabilities are as follows:

	2018	2017
Principal payments	\$ 1,881,202	\$ 1,863,238
Interest	1,435,645	1,502,805
	\$ 3,316,847	\$ 3,366,043

10. Tangible capital assets:

Cost	Balance at December 31, 2017	Transfers and additions	Transfers, disposals and adjustments	Balance at December 31, 2018
Land	\$ 7,372,743	886,522	\$ 1,200	\$ 8,258,065
Land improvements	8,612,443	153,658	20,844	8,745,257
Buildings and building improvements	91,894,889	1,220,332	537,618	92,577,603
Linear assets	108,487,814	6,120,711	234,423	114,374,102
Machinery and equipment	2,363,137	138,364	99,590	2,401,911
Technology and communications	2,159,887	156,159	62,596	2,253,450
Vehicles	9,470,106	758,852	67,902	10,161,056
Work-in-progress	660,315	1,166,395	460,674	1,366,036
Total	\$ 231,021,334	\$ 10,600,993	\$ 1,484,847	\$ 240,137,480

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

10. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2017	Amortization expense	Transfers, disposals and adjustments	Balance at December 31, 2018
Land improvements	\$ 5,009,539	287,533	\$ 19,091	\$ 5,277,981
Buildings and building improvements	28,031,509	2,900,946	299,705	30,632,750
Linear assets	46,128,999	1,811,445	162,563	47,777,881
Machinery and equipment	1,294,268	169,818	91,513	1,372,573
Technology and communications	1,270,279	195,199	62,596	1,402,882
Vehicles	5,702,902	549,064	67,902	6,184,064
Total	\$ 87,437,496	\$ 5,914,005	\$ 703,370	\$ 92,648,131

	Net book value December 31, 2017	Net book value December 31, 2018
Land	\$ 7,372,743	\$ 8,258,065
Land improvements	3,602,904	3,467,276
Buildings and building improvements	63,863,380	61,944,853
Linear assets	62,358,815	66,596,221
Machinery and equipment	1,068,869	1,029,338
Technology and communications	889,608	850,568
Vehicles	3,767,204	3,976,992
Work-in-progress	660,315	1,366,036
Total	\$ 143,583,838	\$ 147,489,349

(a) Work-in-progress:

Assets under construction having a value of \$1,366,036 (2017 - \$660,315) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

During the year, there were \$4,477,718 (2017 - \$1,700,687) in contributed tangible capital assets.

(c) Works of art and historical treasures:

The Municipality manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Municipality sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(d) Write-down of tangible capital assets:

There were no write-downs of tangible capital assets.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

11. Contingent liabilities:

(a) 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, 2018, management believes that the Municipality has valid defences and appropriate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable; therefore no amount has been accrued in the consolidated financial statements.

(b) Liability for contaminated sites:

Since adopting PS3260 Liability for Contaminated Sites in 2015, the Municipality has continued to identify properties not in productive use and determine which may have risk of contamination. At this time, per the 2001 agreement "An Agreement for Clean-up and the Long Term Safe Management of Low Level Radioactive Waste situate in the Town of Port Hope and the Township of Hope", specific sites identified to be contaminated by historic low-level radioactive waste (LLRW) will be a Federal government responsibility, with cleanup work completed under the Port Hope Area Initiative to meet clean up criteria set by the Canadian Nuclear Safety Commission (CNSC). The site characterization and investigation of properties in Port Hope will determine what sites are impacted by the presence of LLRW. The site investigations commenced in 2015 and will continue through to approximately 2020.

There are four industrial sites that are known to have non-LLRW contamination present that are the responsibility of the Government of Canada by the Legal Agreement to be remediated on a risk based approach. The Municipality will be responsible for ongoing risk management measures, monitoring and maintenance at these four sites once the remediation is completed. The estimated post remediation cost for risk management measures for the four (4) industrial sites combined is \$800,000, over the first five (5) year period, and then \$10,000 annually thereafter.

There may be contaminated sites not subject to the clean-up agreement with the Federal government, however until those sites become identified, no reasonable estimate for liability can be determined. Therefore the Municipality has not accrued for any amounts related to clean-up of contaminated sites on the Consolidated Statement of Financial Position as at December 31, 2018 and the Consolidated Statement of Operations and Accumulated Municipal Equity for the year ended December 31, 2018.

12. Commitments:

(a) The Municipality has on-going capital and operating commitments as a regular part of operations. At December 31, 2018, the Municipality has outstanding capital project contractual commitments of approximately \$6.12 million.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

12. Commitments (continued):

(b) During the year, the Municipality made a commitment to Northumberland Hospice Care Centre of \$200,000 payable over the next three years for the construction of the Northumberland Hospice Care Centre. As at December 31, 2018, no payments have been made on this commitment.

13. Accumulated municipal equity:

	2018	2017	Change
Operating surplus (deficit) breakdown:			
General Operating Fund	\$ 267,590	\$ 615,951	\$ (348,361)
Employee Future Benefits Liability	(3,064,312)	(3,041,086)	(23,226)
Heritage Business Improvement Area	15,615	15,167	448
Public Library Board	154,374	128,122	26,252
Total operating deficit	(2,626,733)	(2,281,846)	(344,887)
Reserves set aside for specific purposes by Council:			
Working capital	3,781,571	3,791,581	(10,010)
Sick leave	85,297	85,297	-
Insurance	34,391	34,391	-
Waterfront	872,058	814,954	57,104
Parking Authority	127,843	346,326	(218,483)
Asset Replacement	1,690,000	1,190,000	500,000
Employee Future Benefits	1,046,819	1,035,306	11,513
Other	185,309	193,799	(8,490)
Total reserves	7,823,288	7,491,654	331,634
Reserve funds set aside for specific purposes by Council:			
Downtown Beautification	50,000	50,000	-
Water system	(3,646,047)	(3,471,063)	(174,984)
Wastewater system	(827,283)	433,469	(1,260,752)
Hydro proceeds	4,282,206	4,258,201	24,005
Pumping Station	283,238	280,122	3,116
Low level radioactive waste - urban area	10,950,016	10,711,742	238,274
Low level radioactive waste - rural area	10,281,370	10,248,679	32,691
Other	442,238	484,341	(42,103)
Total reserve funds	21,815,738	22,995,491	(1,179,753)
Investment in tangible capital assets:			
Tangible capital assets	147,489,350	143,583,838	3,905,511
Long-term liabilities	(32,723,977)	(34,605,180)	1,881,203
Unfinanced capital expenditures	(654)	(52,976)	52,323
Unexpended capital financing	727,951	175,818	522,133
Investment in tangible capital assets	115,492,670	109,101,500	6,361,170
Total accumulated municipal equity	\$ 142,504,963	\$ 137,306,799	\$ 5,168,164

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

14. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2018 operating and capital budgets approved by Council on December 19, 2017 and reconciled for comparison purposes to the actuals which are presented to comply with Public Sector Accounting Standards. In accordance with Ontario Regulation 284/09, the budget approved by Council excluded amortization and post-employment benefit expense. The budget was prepared on a modified accrual basis, while Public Sector Accounting Board (PSAB) reporting requirements requires a full accrual basis. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. The reconciliation of the budget adopted by Council for the purposes of comparison in these consolidated financial statements is shown in the following table:

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

14. Budget data (continued):

	2018 Annual Budget Adopted by Council	LLRW Usage	Amortization	Loss on Disposal of Assets	Employee Future Benefits	Reserve and Reserve Fund Reallocation	Debt Repayment Reallocation	Capital Reallocation	Library Operating to Capital	2018 Comparator (PSAB) Budget
Revenues:										
Property taxation	\$19,114,722	\$ (196,782)	-	-	\$ -	\$ -	\$ -	\$ (1,393,000)	\$(56,500)	\$17,468,440
Taxation from other governments	331,190	-	-	-	-	-	-	-	-	331,190
User charges	10,126,830	-	-	-	-	-	-	-	-	10,126,830
Government grants	3,975,970	-	-	-	-	-	-	(1,973,000)	-	2,002,970
Grants from other municipalities	138,618	-	-	-	-	-	-	(5,000)	-	133,618
Investment Income	786,950	-	-	-	-	-	-	-	-	786,950
Penalties and interest on taxes	425,000	-	-	-	-	-	-	-	-	425,000
Donations	18,900	-	-	-	-	-	-	-	-	18,900
Other	202,300	-	-	-	-	-	-	(179,000)	-	23,300
Transfers from Obligatory Reserve Funds	1,114,000	-	-	-	-	-	(700,000)	(344,000)	(10,000)	60,000
Transfers from Reserves / Reserve Funds	2,621,985	196,782	-	-	-	(837,767)	-	(1,981,000)	-	-
	38,856,465	-	-	-	-	(837,767)	(700,000)	(5,875,000)	(66,500)	31,377,198
Expenses:										
General government	4,844,707	-	151,918	1,200	23,226	(1,235,625)	-	-	-	3,785,426
Protection to persons and property	8,836,304	-	465,163	-	-	(143,942)	(236,854)	(835,000)	-	8,085,671
Transportation services	7,735,915	-	1,436,313	80,938	-	(222,358)	-	(2,837,000)	-	6,193,808
Environmental services	11,567,367	-	3,046,814	204,900	-	(663,663)	(1,494,349)	(1,931,000)	-	10,730,069
Cemetery	244,981	-	19,948	-	-	-	-	-	-	264,929
Library	840,061	-	107,381	-	-	-	-	-	(56,500)	890,942
Parks, recreation and culture	3,898,150	-	674,143	25,689	-	-	(150,000)	(259,000)	-	4,188,982
Planning and development	888,980	-	12,325	8,077	-	-	-	(13,000)	-	896,382
	38,856,465	-	5,914,005	320,804	23,226	(2,265,588)	(1,881,203)	(5,875,000)	(56,500)	35,036,209
Operating surplus (deficit)	-	-	(5,914,005)	(320,804)	(23,226)	1,427,821	1,181,203	-	(10,000)	(3,659,011)
Revenue related to capital:										
Property taxation for capital	-	-	-	-	-	-	-	1,393,000	56,500	1,449,500
Government grants	-	-	-	-	-	-	-	1,978,000	-	1,978,000
Transfer from obligatory reserve funds	-	-	-	-	-	-	700,000	344,000	10,000	1,054,000
Contribution from others	-	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-	-
Other capital revenue	-	-	-	-	-	-	-	179,000	-	179,000
	-	-	-	-	-	-	700,000	3,894,000	66,500	4,660,500
Annual surplus (deficit)	-	-	(5,914,005)	(320,804)	(23,226)	1,427,821	1,881,203	3,894,000	56,500	1,001,489
Plus - Capital transfer from reserve/ reserve fund	-	-	-	-	-	-	-	1,981,000	-	1,981,000
Plus - Operating transfer to reserve/ reserve fund	-	-	-	-	-	(1,427,821)	-	-	-	(1,427,821)
Less - Capital expenditures	-	-	-	-	-	-	-	(5,875,000)	(56,500)	(5,931,500)
Less - Debt repayment	-	-	-	-	-	-	(1,881,203)	-	-	(1,881,203)
Total budget	\$ -	\$ -	\$ (5,914,005)	\$(320,804)	\$ (23,226)	\$ -	\$ -	\$ -	\$ -	\$(6,258,035)

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

15. Supplementary information:

	2018 Reconciled budget	2018	2017
Operating expenses by object:			
Salaries, wages and employee benefits	\$ 15,580,507	\$ 15,588,874	\$ 14,075,536
Long-term debt interest	1,435,675	1,435,645	1,502,805
Materials	6,273,302	6,814,972	6,504,725
Contracted services	5,010,361	4,636,194	4,368,876
Rents and financial expenses	362,204	371,248	684,655
External transfers	460,155	452,145	642,009
	29,122,204	29,299,078	27,778,606
Amortization of tangible capital assets	5,914,005	5,914,004	5,720,020
Total	\$ 35,036,209	\$ 35,213,082	\$ 33,498,626

16. Segmented information:

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

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

(a) General Government:

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

(b) Protection to Persons and Property:

Includes policing, fire protection, conservation authority, protective inspection and control and emergency measures. The mandate of the police services is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes inspection, extinguishing and suppression services; emergency medical first response; and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

16. Segmented information (continued):

(c) Transportation Services:

This department provides the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts.

(d) Environmental Services:

Includes management and maintenance of water treatment and distribution, waste water plant and sanitary sewer services and storm sewer, waste collection and low level radioactive waste management and administration.

(e) Cemetery:

Includes the management and maintenance of municipal cemeteries.

(f) Library:

Includes allocations for the purpose of providing library services.

(g) Parks, Recreation and Culture:

Provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community centres, parks, recreation fields and the arena.

(h) Planning and Development:

Manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision of geomatics services.

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

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

16. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Cemetery Board	Library Board	Parks and recreation	Planning and Development	Total
Revenue:									
User charges	\$ 94,217	\$ 1,064,044	\$ 454,461	\$ 7,831,302	\$ 147,678	\$ 22,335	\$ 1,110,064	\$ 180,677	\$ 10,904,778
Government grants	389,533	113,031	909,072	1,624,928	-	37,972	257,838	74,752	3,407,126
Grants from other municipalities	-	7,500	32,716	98,919	-	-	3,245	-	142,380
Investment income	747,483	-	-	-	22,921	-	-	-	770,404
Penalties and interest on taxes	398,561	-	-	-	-	-	-	-	398,561
Donations	150	1,616	-	-	-	23,774	109,886	21,500	156,926
Transfer from deferred obligatory	240,977	33,968	50,569	25,239	33,020	114	10,685	-	394,572
Contributions from others (tangible) capital assets	4,477,718	-	-	-	-	-	-	-	4,477,718
	6,348,639	1,220,159	1,446,818	9,580,388	203,619	84,195	1,491,718	276,929	20,652,465
Expenses:									
Salaries, wages and employee benefits	1,951,382	5,802,831	1,844,112	2,639,283	178,314	554,834	2,102,270	515,848	15,588,874
Long-term debt interest expense	-	104,736	-	1,248,489	-	-	82,420	-	1,435,645
Materials	529,379	971,719	1,740,205	2,248,399	52,406	147,810	1,058,156	66,898	6,814,972
Contracted services	653,455	1,079,700	1,009,990	1,165,040	7,680	70,119	235,618	414,592	4,636,194
Rents and financial expenses	6,531	9,283	92,629	211,654	-	470	32,125	18,556	371,248
External transfers	282,428	1,060	-	4,268	26,522	-	119,137	18,730	452,145
Amortization	151,917	465,164	1,436,312	3,046,814	19,948	107,381	674,143	12,325	5,914,004
	3,575,092	8,434,493	6,123,248	10,563,947	284,870	880,614	4,303,869	1,046,949	35,213,082
Excess of revenue over expenses (expenses over revenue) before taxation	\$ 2,773,547	\$ (7,214,334)	\$ (4,676,430)	\$ (983,559)	\$ (81,251)	\$ (796,419)	\$ (2,812,151)	\$ (770,020)	\$ (14,560,617)
Funded through:									
Property taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,919,682
Taxation from other governments	-	-	-	-	-	-	-	-	350,758
Transfer from deferred obligatory reserve funds	-	-	-	-	-	-	-	-	488,341
Excess of revenue over expenses (expenses over revenue)	\$ 2,773,547	\$ (7,214,334)	\$ (4,676,430)	\$ (983,559)	\$ (81,251)	\$ (796,419)	\$ (2,812,151)	\$ (770,020)	\$ 5,198,164

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

17. Adoption of new accounting policies:

The Municipality adopted Canadian Public Sector Accounting Standards PS 2200 Related Party Disclosers, PS 3420 Inter-Entity Transactions, PS 3320 Contingent Assets, and PS 2208 Contractual Rights effective January 1, 2018. The adoption of these standards did not result in any adjustments to the consolidated financial statements as at January 1, 2018.

18. Subsequent event:

Subsequent to year-end, the 2011 Water Emergency Settlement was finalized and this recovery will be recorded in the Municipality's consolidated financial statements in 2019.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Schedule A: Heritage Business Improvement Area

Statement of Revenue and Expenses and Surplus

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Net levy	\$ 53,833	\$ 51,270
Contribution from Municipality	21,855	4,000
Other revenue	21,500	14,100
Advertising revenue	6,463	4,561
	<u>103,651</u>	<u>73,931</u>
Expenses:		
Stationery, supplies and office	9,233	3,480
Improvements	40,477	11,900
Advertising	18,779	19,964
Special events	2,593	2,225
Wages and employee benefits	32,121	26,795
	<u>103,203</u>	<u>64,364</u>
Excess of revenue over expenses	448	9,567
Surplus, beginning of year	15,167	5,600
Surplus, end of year	<u>\$ 15,615</u>	<u>\$ 15,167</u>



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of Port Hope

Opinion

We have audited the financial statements of the trust funds of the Corporation of the Municipality of Port Hope (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the continuity of trust funds for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and the continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

November 19, 2019

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance and Developer Deposits Trust Funds

Statement of Financial Position

Year ended December 31, 2018, with comparative information for 2017

	Cemetery Care and Maintenance Fund	Developer Deposits	Total 2018	Total 2017
Assets				
Cash	\$ 46,380	\$ —	\$ 46,380	\$ 28,722
Accrued interest receivable	3,006	—	3,006	3,061
Investments (market value \$847,913)	866,921	—	866,921	859,632
Due to operating fund	(3,007)	—	(3,007)	(3,061)
	<u>\$ 913,300</u>	<u>\$ —</u>	<u>\$ 913,300</u>	<u>\$ 888,354</u>

Liabilities and Fund Balances

Trust fund:				
Balances:				
Capital	\$ 792,615	\$ —	\$ 792,615	\$ 767,202
Income	120,685	—	120,685	121,152
	<u>\$ 913,300</u>	<u>\$ —</u>	<u>\$ 913,300</u>	<u>\$ 888,354</u>

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance and Developer Deposits Trust Funds

Statement of Continuity

Year ended December 31, 2018, with comparative information for 2017

	Cemetery Care and Maintenance Fund	Developer Deposits	Total 2018	Total 2017
Funds balances, beginning of year	\$ 888,354	\$ —	\$ 888,354	\$ 640,878
Revenue and Capital Contributions:				
Cemetery care and maintenance	26,522	—	26,522	22,075
Assumption of Cemetery Trust	—	—	—	293,137
Interest and dividends earned	21,405	—	21,405	16,426
	<u>47,927</u>	<u>—</u>	<u>47,927</u>	<u>331,638</u>
Expenses:				
Transfer to operating fund	22,981	—	22,981	84,162
Funds balances, end of year	\$ 913,300	\$ —	\$ 913,300	\$ 888,354

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance and Developer Deposits Trust Funds

Notes to Financial Statements

Year ended December 31, 2018

1. Significant accounting policies:

The financial statements of the Corporation of the Municipality of Port Hope Trust Funds (the "Trusts") are prepared by management in accordance with Canadian public sector accounting standards.

(a) Basis of presentation:

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

(b) Basis of accounting:

Revenue and expenses are recorded on an accrual basis.

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

(c) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(d) Investments:

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

Interest earned on investments are reported as revenue in the period earned.

2. Statement of cash flows:

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance and Developer Deposits Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2018

3. Providence Cemetery:

On January 1, 2018 the Corporation of the Municipality of Port Hope assumed all general operating responsibilities of the Providence Cemetery at the request of its Board. The Municipality continues to work with the Bereavement Authority (BAO) to complete the voluntary transfer of the Providence Cemetery. As of December 31, 2018, the final transfer has not been completed. The Care & Maintenance Trust Account is in the care of the Public Guardian and Trustee, and is anticipated to be transferred into the Port Hope Cemeteries Board in 2020.