

Audited Consolidated Financial Statements and
Other Financial Information of

**CORPORATION OF THE
MUNICIPALITY OF PORT HOPE**

Year ended December 31, 2019

Audited Consolidated Financial Statements and Other Financial Information of

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Year ended December 31, 2019

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.



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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, 2019
- 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, 2019, 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

August 4, 2020

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Financial assets:		
Cash	\$ 50,092	\$ 1,121,514
Taxes receivable	1,982,014	2,213,329
Accounts receivable	5,243,706	3,680,864
Investments (note 4)	33,317,531	32,954,456
Land held for resale (note 10(d))	538,704	1,114,782
	<u>41,132,047</u>	<u>41,084,945</u>
Liabilities and deferred revenue:		
Accounts payable and accrued liabilities	5,254,410	5,179,285
Employee future benefit liabilities (note 6)	3,071,514	3,064,312
Deferred revenue - obligatory reserve funds (note 7)	2,741,688	4,292,562
Deferred revenue - other	1,454,163	1,278,940
Net long-term liabilities (note 8)	30,824,358	32,723,977
Total liabilities	<u>43,346,133</u>	<u>46,539,076</u>
Net debt	(2,214,086)	(5,454,131)
Other non-financial assets:		
Tangible capital assets (note 10)	152,319,273	147,489,349
Inventories of supplies	190,262	163,311
Prepaid expenses	328,939	306,434
Total non-financial assets	<u>152,838,474</u>	<u>147,959,094</u>
Contingent liabilities (note 11)		
Commitments (note 12)		
Subsequent event (note 16)		
Accumulated municipal equity	<u>\$ 150,624,388</u>	<u>\$ 142,504,963</u>

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, 2019, with comparative information for 2018

	Reconciled budget 2019 (note 13)	Actual 2019	Actual 2018
Revenue:			
Property taxation	\$ 18,090,761	\$ 18,319,112	\$ 16,934,268
Taxation from other governments	366,749	388,576	350,758
User charges	10,900,472	10,971,625	10,904,778
Government grants	1,909,227	2,079,452	1,849,194
Grants from other municipalities	140,793	120,912	142,380
Investment income	972,125	673,124	770,404
Penalties and interest on taxes	350,000	406,785	398,561
Donations	58,500	96,062	85,234
Transfers from obligatory reserve funds	55,000	101,205	–
Other	59,200	95,795	271,019
Total revenue	32,902,827	33,252,648	31,706,596
Expenses (notes 14 and 15):			
General government	3,790,255	4,212,414	3,575,092
Protection to persons and property	8,327,960	8,167,147	8,434,493
Transportation services	6,301,743	6,111,975	6,123,248
Environmental services	11,822,740	11,134,975	10,563,946
Cemetery	271,272	276,295	284,870
Library	860,804	806,723	880,614
Parks, recreation and culture	4,498,129	4,466,156	4,303,870
Planning and development	1,206,962	1,114,132	1,046,949
Total expenses	37,079,865	36,289,817	35,213,082
Annual operating deficit	(4,177,038)	(3,037,169)	(3,506,486)
Revenue related to capital:			
Property taxation	1,421,000	1,449,110	1,985,414
Government grants	2,545,000	6,590,283	1,557,932
Transfers from obligatory reserve funds	675,000	2,638,684	488,341
Contributions from others (tangible capital assets)	–	–	4,477,718
Donations	–	117,451	71,692
Other	752,000	361,066	123,553
Total revenue related to capital	5,393,000	11,156,594	8,704,650
Annual surplus	1,215,962	8,119,425	5,198,164
Accumulated municipal equity, beginning of year		142,504,963	137,306,799
Accumulated municipal equity, end of year		\$ 150,624,388	\$ 142,504,963

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, 2019, with comparative information for 2018

	2019	2018
Annual surplus	\$ 8,119,425	\$ 5,198,164
Acquisition of tangible capital assets	(11,535,968)	(10,140,319)
Loss on disposal of tangible capital assets	553,293	320,804
Amortization of tangible capital assets	6,152,751	5,914,004
	3,289,501	1,292,653
Change in prepaid expenses and inventories of supplies	(49,456)	94,685
Change in net debt	3,240,045	1,387,338
Net debt, beginning of year	(5,454,131)	(6,841,469)
Net debt, end of year	\$ (2,214,086)	\$ (5,454,131)

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Municipal Equity

Year ended December 31, 2019, with comparative information for 2018

	2019	2018	Change
Operating surplus (deficit) breakdown:			
General Operating Fund	\$ 347,082	\$ 267,590	\$ 79,492
Employee Future Benefits Liability	(3,071,514)	(3,064,312)	(7,202)
Heritage Business Improvement Area	1,240	15,615	(14,375)
Public Library Board	206,973	154,374	52,599
Total operating deficit	(2,516,219)	(2,626,733)	110,514
Reserves set aside for specific purposes			
by Council:			
Working capital	4,789,799	3,781,571	1,008,228
Sick leave	82,148	85,297	(3,149)
Insurance	34,391	34,391	-
Waterfront	943,655	872,058	71,597
Parking Authority	288,415	127,843	160,572
Asset Replacement	2,190,000	1,690,000	500,000
Employee Future Benefits	1,065,908	1,046,819	19,089
Other	190,497	185,309	5,188
Total reserves	9,584,813	7,823,288	1,761,525
Reserve funds set aside for specific purposes			
by Council:			
Downtown Beautification	50,154	50,000	154
Water system	(3,836,107)	(3,646,047)	(190,060)
Wastewater system	(1,877,175)	(827,283)	(1,049,892)
Hydro proceeds	4,666,985	4,282,206	384,779
Pumping Station	288,402	283,238	5,164
Low level radioactive waste - urban area	11,099,093	10,950,016	149,077
Low level radioactive waste - rural area	10,323,167	10,281,370	41,797
Other	694,868	442,238	252,630
Total reserve funds	21,409,387	21,815,738	(406,351)
Investment in tangible capital assets:			
Tangible capital assets	152,319,273	147,489,350	4,829,923
Long-term liabilities	(30,824,358)	(32,723,977)	1,899,619
Unfinanced capital expenditures	(180,000)	(654)	(179,346)
Unexpended capital financing	831,492	727,951	103,541
Investment in tangible capital assets	122,146,407	115,492,670	6,653,737
Total accumulated municipal equity	\$ 150,624,388	\$ 142,504,963	\$ 8,119,425

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, 2019, with comparative information for 2018

	2019	2018
Operating transactions:		
Annual surplus	\$ 8,119,425	\$ 5,198,164
Items not involving cash:		
Amortization of tangible capital assets	6,152,751	5,914,004
Loss on disposal of tangible capital assets	553,293	320,804
Change in employee future benefits liabilities	7,202	23,226
Change in non-working capital items:		
Decrease (increase) in taxes receivable	231,315	(213,351)
Increase in accounts receivable	(1,562,842)	(55,948)
Decrease in land held for resale	576,078	—
Increase in accounts payable and accrued liabilities	75,125	386,453
Decrease in deferred revenue - obligatory reserve funds	(1,550,874)	(155,101)
Increase in deferred revenue - other	175,223	4,186
Decrease (increase) in inventories of supplies	(26,951)	43,018
Decrease (increase) in prepaid expenses	(22,505)	51,667
	4,607,815	6,318,958
Net change in cash from operations	12,727,240	11,517,122
Capital transactions:		
Cash used to acquire tangible capital assets	(11,535,968)	(10,140,319)
Investing transactions:		
Net redemption (purchase) of investments	(363,075)	1,115,982
Financing transactions:		
Debt principal repayments	(1,899,619)	(1,881,203)
Increase (decrease) in cash	(1,071,422)	611,582
Cash, beginning of year	1,121,514	509,932
Cash, end of year	\$ 50,092	\$ 1,121,514

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, 2019

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 Police Services Board
Port Hope Public Library Board
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, 2019

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, 2019

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 are also 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.

(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.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Accounting policies (continued):

(i) Non-financial assets (continued):

(v) Impairment:

When conditions indicate that a tangible capital asset no longer contributes to the Municipality's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Consolidated Statement of Operations.

(vi) 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	
	2019	2018	2019	2018
Amounts requisitioned	\$ 6,043,762	\$ 6,120,443	\$ 11,114,109	\$ 10,729,058

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

3. Trust funds:

Trust funds administered by the Municipality amounting to \$912,010 (2018 - \$913,300) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

4. Investments:

	2019		2018	
	Cost	Market value	Cost	Market value
Cash and cash equivalents	\$ 2,025,902	\$ 2,025,902	\$ 1,150,703	\$ 1,151,869
Fixed income securities	31,291,629	31,468,603	31,803,753	31,851,735
	<u>\$ 33,317,531</u>	<u>\$ 33,494,505</u>	<u>\$ 32,954,456</u>	<u>\$ 33,003,604</u>

The fixed income securities yield interest between 1.2% and 4.8% and have maturities ranging from January 2020 to June 2024. The January 2020 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 158 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, 2019. At that time, the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion actuarial deficit) and a funded ratio of 97% (2018 - 96%). OMERS plans to improve the funded status through managing contribution rates, benefit design and investment returns while reducing the discount rate over time with the goal of being fully funded by 2025.

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 2019 was \$1,028,938 (2018 - \$978,791) and is included as an expense on the Consolidated Statement of Operations and Accumulated Municipal Equity.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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%.

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 fiscal 2018.

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, 2019, the accrued benefit liability was \$3,071,514 (2018 - \$3,064,312).

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 reduction	Reducing by 0.333% per year for 2019 to 2023 remaining at 3.75% per year thereafter

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

6. Employee future benefit liabilities (continued):

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

	2019	2018
Accrued benefit liability, beginning of year	\$ 3,064,312	\$ 3,041,086
Expense recognized for the year	93,559	88,196
Interest cost	128,728	128,881
Benefits paid for the year	(234,186)	(212,952)
Amortization of actuarial loss	19,101	19,101
Accrued benefit liability, end of year	\$ 3,071,514	\$ 3,064,312

	2019	2018
Accrued benefit obligation at December 31	\$ 3,276,620	\$ 3,288,519
Unamortized actuarial loss	(205,106)	(224,207)
Accrued benefit liability at December 31	\$ 3,071,514	\$ 3,064,312

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:

	2019	2018
Balance, beginning of year	\$ 4,292,562	\$ 4,447,663
Revenue as follows:		
Ontario Community Infrastructure fund	728,453	475,067
Ontario Main Street revitalization fund	-	52,466
Federal grant - gasoline tax	1,034,273	516,431
Provincial grant - gasoline tax	164,955	163,886
Development contributions	1,281,966	347,685
Investment income	129,094	56,414
Utilization as follows:		
Operating	(81,542)	(360,048)
Capital	(4,154,085)	(1,291,334)
Debt repayment	(548,461)	(94,157)
Direct payment to developer	(105,527)	(21,511)
Balance, end of year	\$ 2,741,688	\$ 4,292,562

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

7. Deferred revenue - obligatory reserve funds:

	2019	2018
Analyzed as follows:		
Parkland	\$ 103,932	\$ 105,999
Development charges	4,886	1,503,587
Ontario Community Infrastructure fund	113,352	710,535
Ontario Main Street revitalization fund	21,703	21,240
Gasoline tax:		
Provincial	383,736	479,428
Federal	1,914,534	1,275,976
Building inspection	199,545	195,797
	\$ 2,741,688	\$ 4,292,562

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:

	2019	2018
Infrastructure Ontario Debenture, bears interest at 4.73%, payable in semi-annual payments with a maturity date of January 17, 2051	\$ 24,010,876	\$ 24,773,125
Infrastructure Ontario Debenture, bears interest at 3.06%, payable in semi-annual payments with a maturity date of March 15, 2036	2,475,000	2,625,000
Infrastructure Ontario Debenture, bears interest at 3.06%, payable in semi-annual payments with a maturity date of March 15, 2036	2,062,500	2,187,500
Infrastructure Ontario Debenture, bears interest at 2.5%, payable in semi-annual payments with a maturity date of September 15, 2021	1,558,147	2,308,663
Infrastructure Ontario Debenture, bears interest at 4.7%, payable in semi-annual payments with a maturity date of June 15, 2024	266,400	325,600
Infrastructure Ontario Debenture, bears interest at 3.07%, payable in semi-annual payments with a maturity date of December 17, 2027	200,533	225,600
Infrastructure Ontario Debenture, bears interest at 4.42%, payable in semi-annual payments with a maturity date of February 15, 2031	126,500	137,500
Infrastructure Ontario Debenture, bears interest at 3.35%, payable in semi-annual payments with a maturity date of May 1, 2027	124,402	140,989
	\$ 30,824,358	\$ 32,723,977

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

8. Net long-term liabilities (continued):

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

2020	\$	1,918,500
2021		1,937,855
2022		1,149,104
2023		1,149,104
2024		1,119,504
Thereafter		23,550,291
		<hr/>
		\$ 30,824,358

- (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:

	2019	2018
Principal payments	\$ 1,899,619	\$ 1,881,202
Interest	1,392,904	1,435,645
	<hr/>	<hr/>
	\$ 3,292,523	\$ 3,316,847

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

10. Tangible capital assets:

Cost	Balance at December 31, 2018	Transfers and additions	Transfers, disposals and adjustments	Balance at December 31, 2019
Land	\$ 8,258,065	\$ —	\$ —	\$ 8,258,065
Land improvements	8,745,257	94,709	145,001	8,694,965
Buildings and building improvements	92,577,603	5,400,584	501,372	97,476,815
Linear assets	114,374,102	5,624,977	334,651	119,664,428
Machinery and equipment	2,401,911	152,131	45,263	2,508,779
Technology and communications	2,253,450	236,206	6,599	2,483,057
Vehicles	10,161,056	770,666	502,742	10,428,980
Work-in-progress	1,366,036	349,946	1,092,628	623,354
Total	\$ 240,137,480	\$ 12,629,219	\$ 2,628,256	\$ 250,138,443

Accumulated amortization	Balance at December 31, 2018	Amortization expense	Transfers, disposals and adjustments	Balance at December 31, 2019
Land improvements	\$ 5,277,981	\$ 283,134	\$ 125,063	\$ 5,436,052
Buildings and building improvements	30,632,750	3,014,994	(134,940)	33,782,684
Linear assets	47,777,881	1,852,082	683,672	48,946,291
Machinery and equipment	1,372,573	171,089	45,263	1,498,399
Technology and communications	1,402,882	223,166	6,599	1,619,449
Vehicles	6,184,064	608,286	256,055	6,536,295
Total	\$ 92,648,131	\$ 6,152,751	\$ 981,712	\$ 97,819,170

	Net book value December 31, 2018	Net book value December 31, 2019
Land	\$ 8,258,065	\$ 8,258,065
Land improvements	3,467,276	3,258,913
Buildings and building improvements	61,944,853	63,694,131
Linear assets	66,596,221	70,718,137
Machinery and equipment	1,029,338	1,010,380
Technology and communications	850,568	863,608
Vehicles	3,976,992	3,892,685
Work-in-progress	1,366,036	623,354
Total	\$ 147,489,349	\$ 152,319,273

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

10. Tangible capital assets (continued):

(a) Work-in-progress:

Assets under construction having a value of \$623,354 (2018 - \$1,366,036) 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 \$Nil (2018 - \$4,477,718) 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:

During the year, there were no write-downs of tangible capital assets (2018 - \$Nil).

During the year there were \$293,000 (2018 - \$Nil) of write-downs related to land held for resale assets. This amount was recorded in general government expenses on the Consolidated Statement of Operations and Accumulated Municipal Equity.

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, 2019, 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 2022.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

11. Contingent liabilities (continued):

(b) Liability for contaminated sites (continued):

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 based on preliminary information provided by the Government of Canada. The responsibility for assessment and subsequent remediation of offsite contaminants surrounding industrial sites, if any, that may be required by the Ministry of Environment, Conservation and Parks is not yet known.

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, 2019 and the Consolidated Statement of Operations and Accumulated Municipal Equity for the year ended December 31, 2019.

12. Commitments:

- (a) The Municipality has on-going capital and operating commitments as a regular part of operations. At December 31, 2019, the Municipality has outstanding capital project contractual commitments of approximately \$0.99 million (2018 - \$6.12 million).
- (b) During 2019, the Municipality entered into a 5-year agreement with the OPP for policing in the rural area from January 1, 2020 to December 31, 2024. The estimated costs for 2020 are \$581,905.
- (c) During 2018, the Municipality made a \$200,000 commitment to Northumberland Hospice Care Centre for the construction of the Northumberland Hospice Care Centre. As at December 31, 2019, \$40,000 (2018 - \$Nil) has been made on this commitment.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

13. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2019 operating and capital budgets approved by Council on December 18, 2018 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 require 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, 2019

13. Budget data (continued):

	2019 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	2019 Comparator (PSAB) Budget
Revenues:									
Property taxation	\$ 19,801,761	\$ (290,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,421,000)	\$ 18,090,761
Taxation from other governments	366,749	-	-	-	-	-	-	-	366,749
User charges	10,900,472	-	-	-	-	-	-	-	10,900,472
Government grants	4,454,227	-	-	-	-	-	-	(2,545,000)	1,909,227
Grants from other municipalities	140,793	-	-	-	-	-	-	-	140,793
Investment Income	972,125	-	-	-	-	-	-	-	972,125
Penalties and interest on taxes	350,000	-	-	-	-	-	-	-	350,000
Donations	58,500	-	-	-	-	-	-	-	58,500
Other	811,200	-	-	-	-	-	-	(752,000)	59,200
Transfers from Obligatory Reserve Funds	730,000	-	-	-	-	-	(635,000)	(40,000)	55,000
Transfers from Reserves / Reserve Funds	2,511,174	290,000	-	-	-	(898,174)	-	(1,903,000)	-
	41,097,001	-	-	-	-	(898,174)	(635,000)	(6,661,000)	32,902,827
Expenses:									
General government	5,060,043	-	162,735	-	7,202	(1,349,725)	-	(90,000)	3,790,255
Protection to persons and property	8,712,115	-	481,642	-	-	(265,944)	(236,853)	(363,000)	8,327,960
Transportation services	9,694,446	-	1,530,037	313,952	-	(120,692)	-	(5,116,000)	6,301,743
Environmental services	11,322,401	-	3,148,257	184,250	-	(433,402)	(1,512,766)	(886,000)	11,822,740
Cemetery	329,772	-	23,500	-	-	-	-	(82,000)	271,272
Library	860,804	-	-	-	-	-	-	-	860,804
Parks, recreation and culture	3,921,910	-	795,129	55,091	-	-	(150,000)	(124,000)	4,498,129
Planning and development	1,195,510	-	11,452	-	-	-	-	-	1,206,962
	41,097,001	-	6,152,751	553,293	7,202	(2,169,763)	(1,899,619)	(6,661,000)	37,079,865
Operating surplus (deficit)	-	-	(6,152,751)	(553,293)	(7,202)	1,271,589	1,264,619	-	(4,177,038)
Revenue related to capital:									
Property taxation for capital	-	-	-	-	-	-	-	1,421,000	1,421,000
Government grants	-	-	-	-	-	-	-	2,545,000	2,545,000
Transfer from obligatory reserve funds	-	-	-	-	-	-	635,000	40,000	675,000
Contribution from others	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-
Other capital revenue	-	-	-	-	-	-	-	752,000	752,000
	-	-	-	-	-	-	635,000	4,758,000	5,393,000
Annual surplus (deficit)	-	-	(6,152,751)	(553,293)	(7,202)	1,271,589	1,899,619	4,758,000	1,215,962
Plus - Capital transfer from reserve/ reserve fund	-	-	-	-	-	-	-	1,903,000	1,903,000
Less - Operating transfer to reserve/ reserve fund	-	-	-	-	-	(1,271,589)	-	-	(1,271,589)
Less - Capital expenditures	-	-	-	-	-	-	-	(6,661,000)	(6,661,000)
Less - Debt repayment	-	-	-	-	-	-	(1,899,619)	-	(1,899,619)
Total budget	\$ -	\$ -	\$ (6,152,751)	\$ (553,293)	\$ (7,202)	\$ -	\$ -	\$ -	\$ (6,713,246)

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

14. Supplementary information:

	2019		
	Reconciled budget	2019	2018
Operating expenses by object:			
Salaries, wages and employee benefits	\$ 16,982,291	\$ 16,417,680	\$ 15,588,874
Long-term debt interest	1,369,274	1,371,092	1,435,645
Materials	6,904,157	6,771,197	6,814,972
Contracted services	4,538,116	3,861,408	4,636,194
Rents and financial expenses	595,713	897,025	371,248
External transfers	537,563	818,664	452,145
	30,927,114	30,137,066	29,299,078
Amortization of tangible capital assets	6,152,751	6,152,751	5,914,004
Total	\$ 37,079,865	\$ 36,289,817	\$ 35,213,082

15. 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, 2019

15. 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, wastewater 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, 2019

15. 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	\$ 64,881	\$ 1,073,796	\$ 488,305	\$ 8,057,817	\$ 141,400	\$ 20,899	\$ 970,833	\$ 153,694	\$ 10,971,625
Government grants	1,009,352	104,701	840,404	6,589,357	-	35,747	86,116	4,058	8,669,735
Grants from other municipalities	-	7,500	34,673	78,022	-	-	717	-	120,912
Investment income	651,498	-	-	-	21,626	-	-	-	673,124
Penalties and interest on taxes	406,785	-	-	-	-	-	-	-	406,785
Donations	-	8,500	-	52,711	3,646	19,269	98,848	30,539	213,513
Transfer from deferred obligatory	41,559	51,349	-	6,166	-	2,131	-	-	101,205
Other	57,656	32,406	113,240	241,236	11,814	-	509	-	456,861
Contributions from others (tangible capital assets)	-	-	-	-	-	-	-	-	-
	2,231,731	1,278,252	1,476,622	15,025,309	178,486	78,046	1,157,023	188,291	21,613,760
Expenses:									
Salaries, wages and employee benefits	2,046,203	5,669,197	2,282,593	2,730,954	178,351	575,510	2,128,214	806,658	16,417,680
Long-term debt interest expense	-	96,404	-	1,196,736	-	-	77,952	-	1,371,092
Materials	456,507	920,500	1,511,444	2,593,795	45,915	164,878	1,019,514	58,644	6,771,197
Contracted services	631,956	963,369	472,122	1,263,968	4,119	65,780	228,396	231,698	3,861,408
Rents and financial expenses	287,492	33,915	315,779	192,077	-	555	61,527	5,680	897,025
External transfers	627,521	2,120	-	9,188	24,410	-	155,425	-	818,664
Amortization	162,735	481,642	1,530,037	3,148,257	23,500	-	795,128	11,452	6,152,751
	4,212,414	8,167,147	6,111,975	11,134,975	276,295	806,723	4,466,156	1,114,132	36,289,817
Excess of revenue over expenses (expenses over revenue) before taxation	\$ (1,980,683)	\$ (6,888,895)	\$ (4,635,353)	\$ 3,890,334	\$ (97,809)	\$ (728,677)	\$ (3,309,133)	\$ (925,841)	\$ (14,676,057)
Funded through:									
Property taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,768,222
Taxation from other governments	-	-	-	-	-	-	-	-	388,576
Transfer from deferred obligatory reserve funds	-	-	-	-	-	-	-	-	2,638,684
Excess of revenue over expenses (expenses over revenue)	\$ (1,980,683)	\$ (6,888,895)	\$ (4,635,353)	\$ 3,890,334	\$ (97,809)	\$ (728,677)	\$ (3,309,133)	\$ (925,841)	\$ 8,119,425

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

16. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social distancing impact. At the time of approval of these financial statements, the entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Closure of administrative buildings from March 17, 2020, with phased reopening in limited capacities based on provincial health guidelines, to the date of the auditors' report based on public health recommendations
- Mandatory working from home requirements for those administrative staff able to do so and temporary reduced staffing levels for staff unable to work from home
- Suspension or reduction of non-essential operations, such as parking enforcement, recreational programming, and permit issuance
- Suspension of property tax penalty and interest on payments becoming due during the pandemic

At this time, these factors may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

17. Adoption of new accounting policy:

On January 1, 2019, the Municipality adopted Canadian public sector accounting standard PS 3430 Restructuring transactions. The adoption of this standard did not result in an accounting policy change for the Municipality and did not result in any adjustments to the financial statements as at January 1, 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, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Net levy	\$ 56,524	\$ 53,833
Contribution from Municipality	–	21,855
Other revenue	22,421	21,500
Advertising revenue	6,297	6,463
	<u>85,242</u>	<u>103,651</u>
Expenses:		
Stationery, supplies and office	9,047	9,233
Improvements	15,043	40,477
Advertising	36,377	18,779
Special events	4,278	2,593
Wages and employee benefits	34,872	32,121
	<u>99,617</u>	<u>103,203</u>
Excess of revenue over expenses (expenses over revenue)	(14,375)	448
Surplus, beginning of year	15,615	15,167
Surplus, end of year	<u>\$ 1,240</u>	<u>\$ 15,615</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, 2019
- the continuity of trust funds for the year then ended
- and notes to the 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, 2019, 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

August 4, 2020

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance Trust Funds
Statement of Financial Position

Year ended December 31, 2019, with comparative information for 2018

	Total 2019	Total 2018
Assets		
Cash	\$ 57,598	\$ 46,380
Accrued interest receivable	2,726	3,006
Investments (market value \$876,403)	868,902	866,921
Due to operating fund	(17,216)	(3,007)
	\$ 912,010	\$ 913,300

Liabilities and Fund Balances

Trust fund:		
Balances:		
Capital	\$ 810,786	\$ 792,615
Income	101,224	120,685
	\$ 912,010	\$ 913,300

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance Trust Funds Statement of Continuity

Year ended December 31, 2019, with comparative information for 2018

	Total 2019	Total 2018
Funds balances, beginning of year	\$ 913,300	\$ 888,354
Revenue and Capital Contributions:		
Cemetery care and maintenance	24,415	26,522
Interest, dividends earned and other	(4,079)	21,405
	<u>20,336</u>	<u>47,927</u>
Expenses:		
Transfer to operating fund	21,626	22,981
Funds balances, end of year	\$ 912,010	\$ 913,300

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance Trust Funds
Notes to Financial Statements

Year ended December 31, 2019

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.

3. Providence Cemetery:

On January 1, 2018 the Municipality 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, 2019, 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.