

Audited Consolidated Financial Statements and
Other Financial Information of

**CORPORATION OF THE
MUNICIPALITY OF PORT HOPE**

Year ended December 31, 2016

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.



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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

We have audited the consolidated financial statements of the Corporation of the Municipality of Port Hope, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations and accumulated municipal equity, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the Municipality of Port Hope as at December 31, 2016, and its consolidated results of operations and accumulated municipal equity, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 long, horizontal, slightly curved line that underlines the text.

Chartered Professional Accountants, Licensed Public Accountants

July 4, 2017

Kingston, Canada

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Financial assets:		
Cash	\$ 254,406	\$ 2,258,362
Taxes receivable	3,102,256	2,675,142
Accounts receivable	3,194,505	3,518,787
Investments (note 4)	32,403,474	29,468,261
	<u>38,954,641</u>	<u>37,920,552</u>
Liabilities and deferred revenue:		
Accounts payable and accrued liabilities	4,350,527	5,448,016
Employee future benefit liabilities (note 6)	2,976,628	2,913,218
Deferred revenue - obligatory reserve funds (note 7)	4,916,939	3,232,022
Deferred revenue - other	1,152,780	1,071,146
Net long-term liabilities (note 8)	36,468,418	32,676,631
Temporary borrowings (note 9)	–	5,500,000
Total liabilities	<u>49,865,292</u>	<u>50,841,033</u>
Net debt	(10,910,651)	(12,920,481)
Other non-financial assets:		
Tangible capital assets (note 11)	142,554,862	143,508,939
Inventories of supplies	198,130	186,539
Prepaid expenses	297,916	246,391
Land held for resale	1,271,962	1,289,962
Total non-financial assets	<u>144,322,870</u>	<u>145,231,831</u>
Contingent liabilities (note 12)		
Commitments (note 13)		
Subsequent event (note 18)		
Accumulated municipal equity (note 14)	<u>\$ 133,412,219</u>	<u>\$ 132,311,350</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, 2016, with comparative information for 2015

	Reconciled budget 2016 (note 15)	Actual 2016	Actual 2015
Revenue:			
Property taxation	\$ 15,800,562	\$ 16,444,838	\$ 15,163,720
Taxation from other governments	350,500	351,061	206,650
User charges	8,976,683	9,513,834	9,290,595
Government grants	951,915	1,841,611	2,226,472
Grants from other municipalities	129,373	186,907	134,470
Investment income	35,200	759,894	758,771
Penalties and interest on taxes	400,000	524,498	568,993
Donations	38,111	92,817	129,342
Transfers from obligatory reserve funds	53,452	30,212	30,000
Other	—	90,615	568,895
Total revenue	26,735,796	29,836,287	29,077,908
Expenses (note 16):			
General government	3,444,213	3,321,956	3,789,296
Protection to persons and property	7,662,492	7,794,204	7,583,085
Transportation services	6,157,061	5,542,530	5,695,509
Environmental services	8,606,690	9,394,837	8,233,531
Cemetery	191,705	203,403	192,762
Library	859,161	850,258	829,902
Parks, recreation and culture	3,983,489	4,054,876	3,163,976
Planning and development	741,432	715,249	1,158,153
Total expenses	31,646,243	31,877,313	30,646,214
Annual operating deficit	(4,910,447)	(2,041,026)	(1,568,306)
Revenue related to capital:			
Property taxation	389,000	348,000	250,909
Government grants	2,001,500	324,624	32,500
Transfers from obligatory reserve funds	221,500	634,500	2,593,702
Contributions from others (tangible capital assets)	—	1,720,803	(40,000)
Donations	—	92,560	170,054
Other	13,000	21,408	42,541
Total revenue related to capital	2,625,000	3,141,895	3,049,706
Annual surplus (deficit)	(2,285,447)	1,100,869	1,481,400
Accumulated municipal equity, beginning of year		132,311,350	130,829,950
Accumulated municipal equity, end of year (note 14)		\$ 133,412,219	\$ 132,311,350

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, 2016, with comparative information for 2015

	2016	2015
Annual surplus	\$ 1,100,869	\$ 1,481,400
Acquisition of tangible capital assets	(5,197,272)	(7,724,431)
Net proceeds of disposition of capital assets	15,391	—
Loss on disposal of tangible capital assets	641,150	7,769
Amortization of tangible capital assets	5,494,808	5,346,753
	2,054,946	(888,509)
Change in prepaid expenses and inventories of supplies	(63,116)	4,277
Change in land held for resale	18,000	—
	(45,116)	4,277
Change in net financial assets (net debt)	2,009,830	(884,232)
Net debt, beginning of year	(12,920,481)	(12,036,249)
Net debt, end of year	\$ (10,910,651)	\$ (12,920,481)

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, 2016, with comparative information for 2015

	2016	2015
Operating transactions:		
Annual surplus	\$ 1,100,869	\$ 1,481,400
Items not involving cash:		
Amortization of tangible capital assets	5,494,808	5,346,753
Loss on disposal of tangible capital assets	641,150	7,769
Change in employee future benefits liabilities	63,410	59,194
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes receivable	(427,114)	1,005,578
Decrease in accounts receivable	324,282	332,485
Increase (decrease) in accounts payable and accrued liabilities	(1,097,489)	268,693
Decrease (increase) in deferred revenue - obligatory reserve funds	1,684,917	(159,878)
Increase (decrease) in deferred revenue - other	81,634	(41,946)
Increase in inventories of supplies	(11,591)	(11,430)
Decrease (increase) in prepaid expenses	(51,525)	15,707
Decrease in land held for resale	18,000	-
	<u>6,720,482</u>	<u>6,822,925</u>
Net change in cash from operations	7,821,351	8,304,325
Capital transactions:		
Cash used to acquire tangible capital assets	(5,197,272)	(7,724,431)
Net proceeds of disposition of capital assets	15,391	-
	<u>(5,181,881)</u>	<u>(7,724,431)</u>
Investing transactions:		
Sale (purchase) of investments	(2,935,213)	1,109,495
Financing transactions:		
Debt principal repayments	(1,708,213)	(1,553,620)
Temporary borrowings	(5,500,000)	5,500,000
Issuance of long-term liabilities	5,500,000	-
	<u>(1,708,213)</u>	<u>3,946,380</u>
Increase (decrease) in cash	(2,003,956)	5,635,769
Cash (bank indebtedness), beginning of year	2,258,362	(3,377,407)
Cash, end of year	<u>\$ 254,406</u>	<u>\$ 2,258,362</u>

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, 2016

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, 2016

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 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, 2016

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. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the consolidated financial statements in the period in which they become known.

(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, 2016

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	
	2016	2015	2016	2015
Amounts requisitioned	\$ 6,068,793	\$ 6,185,483	\$10,075,899	\$ 9,724,676

3. Trust funds:

Trust funds administered by the Municipality amounting to \$640,878 (2015 - \$628,508) 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, 2016

4. Investments:

	2016		2015	
	Cost	Market value	Cost	Market value
Cash and cash equivalents	\$ 1,080,730	\$ 1,081,352	\$ 2,176,251	\$ 2,176,251
Fixed income securities	31,322,744	32,404,293	27,292,010	29,009,878
	\$ 32,403,474	\$ 33,485,645	\$ 29,468,261	\$ 31,186,129

The fixed income securities yield interest between 2.4% and 4.8% and have maturities ranging from June 2017 to December 2022.

5. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 141 members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for current service in 2016 was \$890,439 (2015 - \$889,901) 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 receive 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 one times salary at retirement to eligible full-time non-police members until age 65, provided they retired on or before January 1, 2012.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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 2014.

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, 2016, the accrued benefit liability was \$2,976,628 (2015 - \$2,913,218).

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

Discount rate	4.75% per annum
Inflation rate	2.0% per annum
Salary escalation	3.0% per annum
Dental benefits escalation	4.0% per annum
Health benefits escalation	Escalate at 5.0715% in 2016 vs 2015, reducing by 0.3571% per year at 4.0000% in 2019 vs 2018 and 4% thereafter

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

	2016	2015
Accrued benefit liability, beginning of year	\$ 2,913,218	\$ 2,854,024
Expense recognized for the year	90,910	85,086
Interest cost	128,468	124,933
Benefits paid for the year	(141,061)	(135,918)
Amortization of actuarial gain	(14,907)	(14,907)
Accrued benefit liability, end of year	\$ 2,976,628	\$ 2,913,218

	2016	2015
Accrued benefit obligation at December 31	\$ 2,807,988	\$ 2,729,671
Unamortized actuarial gain	168,640	183,547
Accrued benefit liability at December 31	\$ 2,976,628	\$ 2,913,218

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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:

	2016	2015
Balance, beginning of year	\$ 3,232,022	\$ 3,391,900
Revenue as follows:		
Parkland		44,942
Building inspection surplus	136,371	126,440
Ontario Community Infrastructure fund	651,208	-
Federal grant - gasoline tax	492,957	469,483
Provincial grant - gasoline tax	154,203	151,207
Development contributions	1,439,778	1,989,365
Investment income	83,719	46,214
Utilization as follows:		
Operating	(198,556)	(180,000)
Capital	(383,908)	(1,490,407)
Debt repayment	(534,839)	(1,103,294)
Direct payment to developer	(156,016)	(213,828)
Balance, end of year	\$ 4,916,939	\$ 3,232,022
	2016	2015
Analyzed as follows:		
Parkland	\$ 202,385	\$ 243,311
Development charges	1,346,845	651,967
Ontario Community Infrastructure fund	461,717	-
Gasoline tax:		
Provincial	499,848	478,662
Federal	1,950,850	1,540,545
Building inspection	455,294	317,537
	\$ 4,916,939	\$ 3,232,022

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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:

	2016	2015
Infrastructure Ontario Debenture, bears interest at 4.73%, payable in semi-annual payments with a maturity date of January 17, 2051	\$ 26,297,626	\$ 27,059,875
Infrastructure Ontario Debenture, bears interest at 2.5%, payable in semi-annual payments with a maturity date of September 15, 2021	3,754,896	4,451,506
Infrastructure Ontario Debenture, bears interest at 3.06%, payable in semi-annual payments with a maturity date of March 15, 2036	2,925,000	–
Infrastructure Ontario Debenture, bears interest at 3.06%, payable in semi-annual payments with a maturity date of March 15, 2036	2,437,500	–
Infrastructure Ontario Debenture, bears interest at 4.7%, payable in semi-annual payments with a maturity date of June 15, 2024	444,000	503,200
Infrastructure Ontario Debenture, bears interest at 3.07%, payable in semi-annual payments with a maturity date of December 17, 2027	275,733	300,800
Infrastructure Ontario Debenture, bears interest at 3.35%, payable in semi-annual payments with a maturity date of May 1, 2027	174,163	190,750
Infrastructure Ontario Debenture, bears interest at 4.42%, payable in semi-annual payments with a maturity date of February 15, 2031	159,500	170,500
	\$ 36,468,418	\$ 32,676,631

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

2017	\$ 1,863,238
2018	1,881,203
2019	1,899,619
2020	1,918,500
2021	1,937,855
Thereafter	26,968,003
	\$ 36,468,418

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

8. Net long-term liabilities:

(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. Temporary borrowings:

The Municipality had construction loans through The Ontario Infrastructure and Lands Corporation to finance the construction of the new Police Station and the Revitalization of the Jack Burger Sports Complex to a maximum combined value of \$7,312,802. The loans required monthly interest payments with rates that float throughout the term of the loans until they were replaced by debentures. At December 31, 2016, \$Nil (2015 - \$5,500,000) of the construction loan facility was outstanding.

10. Charges for net long-term liabilities:

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

	2016	2015
Principal payments	\$ 1,708,214	\$ 1,553,620
Interest	1,551,516	1,452,856
	<u>\$ 3,259,730</u>	<u>\$ 3,006,476</u>

11. Tangible capital assets:

Cost	Balance at December 31, 2015	Transfers and additions	Transfers, disposals and adjustments	Balance at December 31, 2016
Land	\$ 6,227,081	\$ 332,163	\$ –	\$ 6,559,244
Land improvements	8,134,564	242,653	37,047	8,340,170
Buildings and building improvements	87,416,855	6,597,852	2,015,292	91,999,415
Linear assets	102,091,212	3,561,540	38,910	105,613,842
Machinery and equipment	1,914,329	256,497	141,829	2,028,997
Technology and communications	1,708,211	139,523	111,091	1,736,643
Vehicles	8,083,751	606,380	131,114	8,559,017
Work-in-progress	7,079,797	150,073	6,704,800	525,070
Total	<u>\$222,655,800</u>	<u>\$ 11,886,681</u>	<u>\$ 9,180,083</u>	<u>\$225,362,398</u>

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

11. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2015	Amortization expense	Transfers, disposals and adjustments	Balance at December 31, 2016
Land improvements	\$ 4,747,437	\$ 267,856	\$ 36,723	\$ 4,978,570
Buildings and building improvements	23,960,967	2,797,331	1,381,969	25,376,329
Linear assets	43,084,368	1,657,899	33,476	44,708,791
Machinery and equipment	1,134,470	160,977	141,829	1,153,618
Technology and communications	1,037,393	162,841	109,022	1,091,212
Vehicles	5,182,226	447,904	131,114	5,499,016
Total	\$ 79,146,861	\$ 5,494,808	\$ 1,834,133	\$ 82,807,536

	Net book value December 31, 2015	Net book value December 31, 2016
Land	\$ 6,227,081	\$ 6,559,244
Land improvements	3,387,127	3,361,600
Buildings and building improvements	63,455,888	66,623,086
Linear assets	59,006,844	60,905,051
Machinery and equipment	779,859	875,379
Technology and communications	670,818	645,431
Vehicles	2,901,525	3,060,001
Work-in-progress	7,079,797	525,070
Total	\$143,508,939	\$142,554,862

(a) Work-in-progress:

Assets under construction having a value of \$525,070 (2015 - \$7,079,797) 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 \$1,720,803 (2015 - \$Nil) 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, 2016

12. 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, 2016, 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 determining 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.

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 amounts related to clean-up of contaminated sites on the consolidated Statement of Financial Position and the consolidated Statement of Operations as at December 31, 2016.

13. Commitments:

(a) The Municipality has an outstanding commitment to Northumberland Hills Hospital of \$50,000 payable in 2017 for capital equipment.

(b) The Municipality has on-going capital and operating commitments as a regular part of operations. At December 31, 2016, the Municipality had no individual outstanding capital project contractual commitments greater than \$500,000.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

14. Accumulated municipal equity:

	2016	2015
Operating surplus (deficit) breakdown:		
General Operating Fund	\$ 1,022,626	\$ –
Unfunded liability - employee future benefits	(2,976,628)	(2,913,218)
Heritage Business Improvement Area	5,600	(1,457)
Public Library Board	58,487	37,035
Cemetery Board	–	(38,196)
Total operating deficit	(1,889,915)	(2,915,836)
Reserves set aside for specific purposes by Council:		
Working capital	3,973,728	4,185,390
Sick leave	85,297	85,297
Insurance	47,619	47,619
Waterfront	708,568	604,611
Parking Authority	280,428	215,463
Asset replacement	350,000	–
Other	305,382	307,547
Total reserves	5,751,022	5,445,927
Reserve funds set aside for specific purposes by Council:		
Downtown Beautification	50,000	50,000
Water system	(3,852,991)	(3,166,234)
Wastewater system	1,600,289	2,142,751
Hydro proceeds	4,137,220	4,142,668
Pumping Station	274,087	266,456
Low level radioactive waste - urban area	10,682,543	10,350,816
Low level radioactive waste - rural area (note 18)	10,213,321	10,346,912
Other	357,526	223,745
Total reserve funds	23,461,995	24,357,114
Investment in tangible capital assets:		
Tangible capital assets	142,554,862	143,508,939
Long-term liabilities	(36,468,418)	(32,676,631)
Temporary borrowings	–	(5,500,000)
Unfinanced capital expenditures	(155,575)	(815,768)
Unexpended capital financing	158,248	907,605
Investment in tangible capital assets	106,089,117	105,424,145
Total accumulated municipal equity	\$ 133,412,219	\$ 132,311,350

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

15. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2016 operating and capital budgets approved by Council on March 1, 2016 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 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, 2016

15. Budget data (continued):

	2016 Annual budget adopted by Council	LLRW interest usage	Amortization	Loss on disposal of assets	Employee future benefits	Reserve and reserve fund reallocation	Debt repayment reallocation	Capital reallocation	Library operating to capital	Additional expenses approved during 2016	2016 reconciled (PSAB) budget
Revenue:											
Property taxation	\$ 16,654,238	(464,676)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (348,000)	\$ (41,000)	\$ -	\$ 15,800,562
Taxation from other governments	350,500	-	-	-	-	-	-	-	-	-	350,500
User charges	8,976,683	-	-	-	-	-	-	-	-	-	8,976,683
Government grants	2,935,071	-	-	-	-	-	-	(2,001,500)	-	18,344	951,915
Grants from other municipalities	129,373	-	-	-	-	-	-	-	-	-	129,373
Investment income	-	-	-	-	-	-	-	-	-	-	35,200
Penalties and interest on taxes	400,000	-	-	-	-	-	-	-	-	-	400,000
Donations	38,111	-	-	-	-	-	-	-	-	-	38,111
Other	13,000	-	-	-	-	-	-	(13,000)	-	-	-
Transfers from obligatory reserve funds	274,952	-	-	-	-	-	-	(211,500)	(10,000)	-	53,452
Transfers from reserves/reserve funds	2,997,157	464,676	-	-	-	(1,736,833)	-	(1,725,000)	-	-	-
Total revenue	32,804,285	-	-	-	-	(1,736,833)	-	(4,299,000)	(51,000)	18,344	26,735,796
Expenses:											
General government	3,648,149	-	127,154	-	63,410	(368,500)	-	(26,000)	-	-	3,444,213
Protection to persons and property	8,127,413	-	443,258	2,069	-	(172,500)	(320,748)	(417,000)	-	-	7,662,492
Transportation services	6,396,201	-	1,668,635	105,210	-	(105,000)	(32,329)	(1,894,000)	-	18,344	6,157,061
Environmental services	9,472,308	-	2,565,540	145,671	-	(427,969)	(1,458,860)	(1,690,000)	-	-	8,606,690
Cemetery	178,758	-	12,947	-	-	-	-	-	-	-	191,705
Library	779,508	-	130,653	-	-	-	-	-	(51,000)	-	859,161
Parks, Recreation and Culture	3,411,584	-	530,705	388,200	-	-	(75,000)	(272,000)	-	-	3,983,489
Planning and Development	790,364	-	15,916	-	-	(64,848)	-	-	-	-	741,432
Total expenses	32,804,285	-	5,494,808	641,150	63,410	(1,138,817)	(1,886,937)	(4,299,000)	(51,000)	18,344	31,646,243
Operating surplus (deficit)	-	-	(5,494,808)	(641,150)	(63,410)	(598,016)	1,886,937	-	-	-	(4,910,447)
Revenue related to capital:											
Property taxation for capital	-	-	-	-	-	-	-	348,000	41,000	-	389,000
Government grants	-	-	-	-	-	-	-	2,001,500	-	-	2,001,500
Transfer from obligatory reserve funds	-	-	-	-	-	-	-	211,500	10,000	-	221,500
Other capital revenue	-	-	-	-	-	-	-	13,000	-	-	13,000
Total capital revenue	-	-	-	-	-	-	-	2,574,000	51,000	-	2,625,000
Annual surplus (deficit)	-	-	(5,494,808)	(641,150)	(63,410)	(598,016)	1,886,937	2,574,000	51,000	-	(2,285,447)
Plus - Capital transfer from (to) reserve/ reserve fund	-	-	-	-	-	-	-	1,725,000	-	123,500	1,848,500
Plus - Operating transfer from (to) reserve/ reserve fund	-	-	-	-	-	598,016	-	-	-	-	598,016
Less - Capital Expenditures	-	-	-	-	-	-	-	(4,299,000)	(51,000)	-	(4,350,000)
Less - Debt Repayment	-	-	-	-	-	-	(1,886,937)	-	-	(123,500)	(2,010,437)
Total budget	\$ -	\$ -	\$ (5,494,808)	\$ (641,150)	\$ (63,410)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,199,368)

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

16. Supplementary information:

	2016 Reconciled budget	2016	2015
Operating expenses by object:			
Salaries, wages and employee benefits	\$ 13,640,886	\$ 13,667,661	\$ 13,347,882
Long-term debt interest	1,534,078	1,551,516	1,452,856
Materials	6,209,097	5,846,464	5,173,866
Contracted services	3,494,947	4,060,133	4,603,429
Rents and financial expenses	698,850	692,418	180,034
External transfers	573,577	564,313	541,394
	26,151,435	26,382,505	25,299,461
Amortization of tangible capital assets	5,494,808	5,494,808	5,346,753
Total	\$ 31,646,243	\$ 31,877,313	\$ 30,646,214

17. 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, 2016

17. 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 net surplus. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of 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, 2016

17. Segmented information (continued):

	General Government	Protection to persons and property	Transportation Services	Environmental Services	Cemetery	Library	Parks, recreation and culture	Planning and Development	Total
Revenue:									
User charges	\$ 67,799	\$ 998,662	\$ 354,791	\$ 6,929,798	\$ 87,445	\$ 27,926	\$ 1,020,223	\$ 27,190	\$ 9,513,834
Government grants	316,216	88,639	245,296	1,316,283	—	34,976	164,825	—	2,166,235
Grants from other municipalities	—	15,000	23,599	87,708	—	—	60,600	—	186,907
Investment income	742,837	—	—	—	16,734	323	—	—	759,894
Penalties and interest on taxes	524,498	—	—	—	—	—	—	—	524,498
Donations	25,000	600	1,500	1,778	—	8,363	128,765	19,371	185,377
Transfer from deferred obligatory	—	—	20,212	—	—	10,000	—	—	30,212
Other	86,991	21,408	—	—	—	3,624	—	—	112,023
Contributions from others (tangible) capital assets	1,720,803	—	—	—	—	—	—	—	1,720,803
	3,484,144	1,124,309	645,398	8,335,567	104,179	85,212	1,374,413	46,561	15,199,783
Expenses:									
Salaries, wages and employee benefits	1,772,087	5,238,034	1,571,461	2,020,360	135,276	528,732	1,962,108	439,603	13,667,661
Long-term debt interest expense	—	113,564	—	1,358,976	—	—	78,976	—	1,551,516
Materials	482,473	724,493	1,708,517	1,920,903	34,831	120,768	804,933	49,546	5,846,464
Contracted services	830,269	997,268	816,612	1,038,686	5,186	69,681	135,307	167,124	4,060,133
Rents and financial expenses	19,807	13,692	105,500	150,428	—	424	395,899	6,668	692,418
External transfers	90,166	263,895	—	7,040	15,163	—	151,657	36,392	564,313
Amortization	127,154	443,258	1,340,440	2,898,444	12,947	130,653	525,996	15,916	5,494,808
	3,321,956	7,794,204	5,542,530	9,394,837	203,403	850,258	4,054,876	715,249	31,877,313
Excess of revenue over expenses (expenses over revenue) before taxation									
	\$ 162,188	\$ (6,669,895)	\$ (4,897,132)	\$ (1,059,270)	\$ (99,224)	\$ (765,046)	\$ (2,680,463)	\$ (668,688)	\$ (16,677,530)
Funded through:									
Property taxation									16,792,838
Taxation from other governments									351,061
Transfer from deferred obligatory reserve funds									634,500
Excess of revenue over expenses									\$ 1,100,869

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

18. Subsequent event:

On June 30, 2016 the court released a judgment regarding the use and status of the \$10 million Low Level Radioactive Waste - Rural Area fund as shown in the 2016 financial statements note 14: Accumulated Municipal Equity. The Municipality appealed the judgement and the appeal was heard on April 18, 2017. The Court of Appeal released it's decision on July 4, 2017 in favour of the Municipality.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Schedule A: Heritage Business Improvement Area

Statement of Revenue and Expenses and Surplus (Deficit)

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Net levy	\$ 48,829	\$ 46,598
Contribution from Municipality	9,350	2,256
Other revenue	15,270	3,307
Advertising revenue	—	5,280
	<u>73,449</u>	<u>57,441</u>
Expenses:		
Stationery, supplies and office	5,173	5,974
Improvements	23,265	15,615
Advertising	9,437	11,718
Special events	2,103	2,835
Wages and employee benefits	26,414	26,203
	<u>66,392</u>	<u>62,345</u>
Excess of revenue over expenses (expenses over revenue)	7,057	(4,904)
Surplus (deficit), beginning of year	(1,457)	3,447
Surplus (deficit), end of year	<u>\$ 5,600</u>	<u>\$ (1,457)</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

We have audited the financial statements of the trust funds of the Corporation of the Municipality of Port Hope, which comprise the statement of financial position as at December 31, 2016 and the statement of continuity of trust funds for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation of the Municipality of Port Hope trust funds as at December 31, 2016, and the continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

July 4, 2017

Kingston, Canada

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance and Developer Deposits Trust Funds

Statement of Financial Position

Year ended December 31, 2016, with comparative information for 2015

	Cemetery Care and Maintenance Fund	Developer Deposits	Total 2016	Total 2015
Assets				
Cash	\$ 22,856	\$ 68,246	\$ 91,102	\$ 140,238
Accrued interest receivable	2,045	–	2,045	1,778
Investments (market value \$556,977)	551,683	–	551,683	481,096
Due from (to) operating fund	(3,952)	–	(3,952)	5,396
	\$ 572,632	\$ 68,246	\$ 640,878	\$ 628,508

Liabilities and Fund Balances

Trust fund:

Balances:

Capital

\$ 451,965 \$ 68,246 \$ 520,211 \$ 501,769

Income

120,667 – 120,667 126,739

Subsequent event (note 3)

\$ 572,632 \$ 68,246 \$ 640,878 \$ 628,508

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, 2016, with comparative information for 2015

	Cemetery Care and Maintenance Fund	Developer Deposits	Total 2016	Total 2015
Funds balances, beginning of year	\$ 560,701	\$ 67,807	\$ 628,508	\$ 615,747
Revenue:				
Cemetery care and maintenance	15,163	–	15,163	14,563
Interest and dividends earned	13,336	439	13,775	16,324
	28,499	439	28,938	30,887
Expenses:				
Transfer to operating fund	16,568	–	16,568	18,126
Funds balances, end of year	\$ 572,632	\$ 68,246	\$ 640,878	\$ 628,508

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, 2016

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. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

(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

Year ended December 31, 2016

3. Subsequent event:

On January 1, 2017 the Corporation of the Municipality of Port Hope assumed all general operating responsibilities of the Welcome Church Cemetery at the request of its Board. Working with the Welcome Church Cemetery Board and the Bereavement Authority of Ontario (BAO), the voluntary transfer of the Welcome Church Cemetery site was authorized by the BAO on April 24, 2017. Following completion of reporting by the Welcome Church Cemetery Board, the Welcome Church Cemetery Trust Account will be liquidated in 2017 and become a part of the existing Care & Maintenance account, Port Hope Cemeteries Trust Account. Also to be transferred in 2017 for the ongoing operations of the Welcome Church Cemetery is an Operating Bank Account and Operating Investment account.