

Audited Consolidated Financial Statements and  
Other Financial Information of

**CORPORATION OF THE  
MUNICIPALITY OF PORT HOPE**

Year ended December 31, 2012

Audited Consolidated Financial Statements and Other Financial Information of

# **CORPORATION OF THE MUNICIPALITY OF PORT HOPE**

Year ended December 31, 2012

## **CORPORATION OF THE MUNICIPALITY OF PORT HOPE**

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Management's Responsibility for the Consolidated Financial Statements

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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 "Corporation") are the responsibility of the Corporation'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 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 Corporation'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 Corporation. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation's consolidated financial statements.

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Carl Cannon  
Chief Administrative Officer

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Deb McRae  
Acting 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, 2012, the consolidated statements of operations, 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, 2012, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Other Matter*

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the Schedules is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

July 30, 2013

Kingston, Canada

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

## Consolidated Statement of Financial Position

December 31, 2012, with comparative figures for 2011

	2012	2011
<b>Assets</b>		
Financial assets:		
Taxes receivable	\$ 3,662,736	\$ 4,103,935
Accounts receivable	3,291,656	3,543,650
Investments, at cost (note 5)	35,985,371	34,885,421
	<u>42,939,763</u>	<u>42,533,006</u>
Liabilities and deferred revenue:		
Bank indebtedness (note 4)	5,412,978	5,187,660
Accounts payable and accrued liabilities	4,776,008	4,310,060
Employee future benefit liabilities (note 7)	2,552,744	2,392,443
Deferred revenue - obligatory reserve funds (note 12)	4,440,556	4,025,838
Deferred revenue - other (note 13)	1,059,692	20,913,083
Net long-term liabilities (note 8)	37,287,875	38,134,524
Total liabilities	<u>55,529,853</u>	<u>74,963,608</u>
Net debt	(12,590,090)	(32,430,602)
Other non-financial assets:		
Tangible capital assets (note 16)	144,943,263	146,787,356
Inventories of supplies	155,705	111,616
Prepaid expenses	270,912	261,278
Total non-financial assets	<u>145,369,880</u>	<u>147,160,250</u>
Contingent liabilities (note 11)		
Accumulated municipal equity (note 9)	\$ 132,779,790	\$ 114,729,648

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

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

## Consolidated Statement of Operations

Year ended December 31, 2012, with comparative figures for 2011

	Budget 2012	Actual 2012	Actual 2011
	(Unaudited, note 15)		
Revenue:			
Property taxation	\$ 13,861,600	\$ 13,948,008	\$ 14,044,203
Taxation from other governments	248,800	210,619	248,292
User charges	7,776,900	8,391,780	7,644,859
Government grants	1,672,600	1,587,894	1,697,682
Grants from other municipalities	107,000	106,040	108,019
Investment income	1,536,300	1,312,736	1,788,371
Penalties and interest on taxes	560,000	483,750	546,344
Donations	66,000	68,519	69,851
Other	313,400	130,733	195,208
<b>Total revenue</b>	<b>26,142,600</b>	<b>26,240,079</b>	<b>26,342,829</b>
Expenses (note 14):			
General government	2,900,843	2,856,220	3,132,045
Protection to persons and property	7,738,931	7,463,782	7,298,540
Transportation services	5,954,609	5,849,691	5,985,053
Environmental services	9,045,916	9,318,617	8,879,905
Cemetery	179,037	181,175	172,393
Library	832,656	885,387	861,497
Recreational and cultural services	3,399,296	3,404,249	3,159,996
Planning and development	1,115,156	1,148,850	1,143,900
<b>Total expenses</b>	<b>31,166,444</b>	<b>31,107,971</b>	<b>30,633,329</b>
<b>Annual operating deficit</b>	<b>(5,023,844)</b>	<b>(4,867,892)</b>	<b>(4,290,500)</b>
Revenue related to capital:			
Government grants (including transfers from obligatory reserve funds)	320,000	2,653,978	1,824,754
Transfers from reserves	23,000	48,879	1,298,639
Donations	–	97,377	151,204
Interest and other	500,000	105,383	143,533
<b>Total revenue related to capital</b>	<b>843,000</b>	<b>2,905,617</b>	<b>3,418,130</b>
<b>Annual deficit before transfer</b>	<b>(4,180,844)</b>	<b>(1,962,275)</b>	<b>(872,370)</b>
Revenue related to transfer of deferred government grants (note 13)	–	20,012,417	–
<b>Annual surplus (deficit)</b>	<b>(4,180,844)</b>	<b>18,050,142</b>	<b>(872,370)</b>
Accumulated municipal equity, beginning of year		114,729,648	115,602,018
<b>Accumulated municipal equity, end of year (note 9)</b>		<b>\$ 132,779,790</b>	<b>\$ 114,729,648</b>

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, 2012, with comparative figures for 2011

	2012	2011
Annual deficit before transfer	\$ (1,962,275)	\$ (872,370)
Revenue related to transfer of deferred government grants (note 13)	20,012,417	–
Annual surplus (deficit)	18,050,142	(872,370)
Acquisition of tangible capital assets (net transfers from work-in-progress)	(3,498,351)	(4,308,666)
Loss on disposal of tangible capital assets	–	200,237
Amortization of tangible capital assets	5,342,444	5,156,024
	19,894,235	175,225
Acquisition of prepaid expenses and inventories of supplies	(53,723)	(28,600)
Change in net financial assets	19,840,512	146,625
Net debt, beginning of year	(32,430,602)	(32,577,227)
Net debt, end of year	\$ (12,590,090)	\$ (32,430,602)

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, 2012, with comparative figures for 2011

	2012	2011
Operating transactions:		
Annual deficit before transfer	\$ (1,962,275)	\$ (872,370)
Revenue related to transfer of deferred government grants (note 13)	20,012,417	-
<b>Annual surplus (deficit)</b>	<b>18,050,142</b>	<b>(872,370)</b>
Items not involving cash:		
Amortization of tangible capital assets	5,342,444	5,156,024
Loss on disposal of tangible capital assets	-	200,236
Change in employee future benefits liabilities	160,301	(67,010)
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes receivable	441,199	(232,980)
Decrease in accounts receivable	251,994	1,284,155
Increase (decrease) in accounts payable and accrued liabilities	465,948	(30,426)
Increase (decrease) in deferred revenues - obligatory reserve funds	414,718	(1,439,596)
Decrease in deferred revenue - other	(19,853,391)	(94,587)
Decrease (increase) in inventories of supplies	(44,089)	73,606
Increase in prepaid expenses	(9,634)	(102,204)
	<b>(12,830,510)</b>	<b>4,747,218</b>
<b>Net change in cash from operations</b>	<b>5,219,632</b>	<b>3,874,848</b>
Capital transactions:		
Cash used to acquire tangible capital assets	(3,498,351)	(4,308,666)
Investing transactions:		
Purchase of investments	(1,099,950)	(1,316,544)
Financing transactions:		
Temporary borrowings	-	(30,490,000)
New debt	624,804	30,710,000
Debt principal repayments	(1,471,453)	(1,061,058)
	<b>(846,649)</b>	<b>(841,058)</b>
<b>Decrease in cash</b>	<b>(225,318)</b>	<b>(2,591,420)</b>
Bank indebtedness, beginning of year	(5,187,660)	(2,596,240)
<b>Bank indebtedness, end of year</b>	<b>\$ (5,412,978)</b>	<b>\$ (5,187,660)</b>
Supplementary cash flow information:		
Cash paid for interest	\$ 1,741,241	\$ 1,218,034
Cash received from interest	(1,029,417)	(997,299)

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, 2012

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## 1. Accounting policies:

The consolidated financial statements of the Corporation of the Municipality of Port Hope ("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  
Commissioners of the Port Hope Harbor

#### (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 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, which is 13 years.

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 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, 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 in the consolidated financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 1. Accounting policies (continued):

### (h) 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 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 - 40
Buildings and building improvements	20 - 50
Linear assets	20 - 75
Machinery and equipment	5 - 25
Technology and communications	3 - 10
Vehicles	2 - 20

Assets under construction are 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.

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 1. Accounting policies (continued):

(i) Non-financial assets (continued):

(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.

(v) Inventories of supplies:

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

## 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:

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	School Boards		County of Northumberland	
	2012	2011	2012	2011
Amounts requisitioned	\$ 6,118,307	\$ 6,287,917	\$ 8,560,773	\$ 8,195,291

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## 3. Trust funds:

Trust funds administered by the Municipality amounting to \$586,678 (2011 - \$584,461) 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, 2012

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#### 4. Bank indebtedness:

The Municipality's financial agreement with its bank provides for an operating credit facility of up to \$11,000,000 from January 1 to September 30, 2012 and \$5,800,000 from October 1 to December 31, 2012 to finance expenses, pending receipt of property taxes and other income. As at December 31, 2012, \$5,412,978 (2011 - \$5,187,660) was drawn, bearing interest at prime rate less 0.75%.

#### 5. Investments:

	2012		2011	
	Cost	Market value	Cost	Market value
Cash and cash equivalents	\$ 852,900	\$ 853,990	\$ 948,584	\$ 948,867
Fixed income securities	35,132,471	36,992,478	33,936,837	36,046,563
	<u>\$ 35,985,371</u>	<u>\$ 37,846,468</u>	<u>\$ 34,885,421</u>	<u>\$ 36,995,430</u>

The fixed income securities yield interest between 2.7% and 5.379% and have maturities ranging from October 2013 to December 2021.

#### 6. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 149 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 2012 was \$814,378 (2011 - \$715,184) and is included as an expense on the "Consolidated Statement of Operations".

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 7. Employee future benefit obligations:

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 a closed group of former Port Hope Hydro retirees who receive benefits up until the age of 70 and Uniformed Police Association retirees who receive benefits for life.

Life insurance benefits: The Municipality provides a retiree life benefit of one times salary at retirement to eligible full-time non-police members until age 65, with the exception of a closed group of former Port Hope Hydro retirees who do not receive a life benefit.

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.

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 2012.

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, 2012, the accrued benefit liability was \$2,552,744 (2011 - \$2,392,443).

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

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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 6.5000% in 2012 vs 2011, 6.1429% in 2013 vs 2012, reducing by 0.357143% per year at 4.0000% in 2019 vs 2018 and 4% thereafter

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# CORORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 7. Employee future benefit obligations (continued):

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

	2012	2011
Accrued benefit liability, beginning of year	\$ 2,392,443	\$ 2,446,191
Expense recognized for the year	103,511	115,103
Interest cost	127,870	119,271
Benefits paid for the year	(94,624)	(98,107)
Amortization of actuarial loss (gain)	23,544	(6,299)
Plan amendment	–	(183,716)
<b>Accrued benefit liability, end of year</b>	<b>\$ 2,552,744</b>	<b>\$ 2,392,443</b>

	2012	2011
Accrued benefit obligation at December 31	\$ 2,824,320	\$ 2,687,562
Unamortized actuarial loss	(271,576)	(295,119)
<b>Accrued benefit liability at December 31</b>	<b>\$ 2,552,744</b>	<b>\$ 2,392,443</b>

## 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:

	2012	2011
Infrastructure Ontario Debenture, bears interest at 2.5%, payable in semi-annual payments with a maturity date of September 15, 2021	\$ 6,440,440	\$ 7,071,149
Infrastructure Ontario Debenture, bears interest at 4.7%, payable in semi-annual payments with a maturity date of June 17, 2024	680,800	740,000
Infrastructure Ontario Debenture, bears interest at 4.42%, payable in semi-annual payments with a maturity date of February 17, 2031	203,500	214,500
Infrastructure Ontario Debenture, bears interest at 4.73%, payable in semi-annual payments with a maturity date of January 17, 2051	29,346,625	30,108,875
Infrastructure Ontario Debenture, bears interest at 3.35%, payable in semi-annual payments with a maturity date of May 3, 2027	240,510	–
Infrastructure Ontario Debenture, bears interest at 3.07%, payable in semi-annual payments with a maturity date of December 17, 2027	376,000	–
	<b>\$ 37,287,875</b>	<b>\$ 38,134,524</b>

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 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:

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2013	\$ 1,520,679
2014	1,536,945
2015	1,553,620
2016	1,570,714
2017	1,588,242
Thereafter	29,517,675
	<hr/>
	\$ 37,287,875

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- (c) The long-term liabilities in (a) issued in the name of the Municipality have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 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.

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 9. Accumulated municipal equity:

	2012	2011
Operating surplus/deficit breakdown:		
General operating fund	\$ (3,459,511)	\$ (3,882,433)
Unfunded liability – employee future benefits	(2,552,744)	(2,392,443)
Heritage Business Improvement Area	15,618	25,332
Public Library Board	(39,960)	(31,520)
Cemetery Board	(97,842)	(39,828)
Commissioners of the Port Hope Harbour	490,314	466,052
Total operating surplus/deficit	(5,644,125)	(5,854,840)
Reserves set aside for specific purposes by Council:		
Working capital	5,023,617	5,818,228
Sick leave	85,297	85,297
Insurance	50,119	50,119
Other	985,534	874,983
Total reserves	6,144,567	6,828,627
Reserve funds set aside for specific purposes by Council:		
Fire	9,731	13,357
HBIA	90,240	87,512
Waterworks system	716,215	1,124,545
Sanitary sewer	(342,380)	(272,784)
Hydro proceeds	5,338,333	5,517,692
Roads	1,276	1,237
Low level radioactive waste – Ward 1	10,009,486	–
Low level radioactive waste – Ward 2	10,002,932	–
Other	2,389,720	2,468,542
Total reserve funds	28,215,553	8,940,101
Investment in tangible capital assets:		
Tangible capital assets	144,943,263	146,787,356
Long-term liabilities	(37,287,875)	(38,134,524)
Unfinanced capital expenditures	(8,605,086)	(8,680,846)
Unexpended capital financing	5,013,493	4,843,774
Investment in tangible capital assets	104,063,795	104,815,760
<b>Total accumulated municipal equity</b>	<b>\$ 132,779,790</b>	<b>\$ 114,729,648</b>

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 10. Charges for net long-term liabilities:

Total charges for the year for net long-term liabilities which are reported on the "Consolidated Statement of Operations" are as follows:

	2012	2011
Principal payments	\$ 1,471,455	\$ 1,061,058
Interest	1,618,917	1,703,217
	<u>\$ 3,090,372</u>	<u>\$ 2,764,275</u>

## 11. Contingent liabilities:

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, 2012, 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.

## 12. Deferred revenue – obligatory reserve funds:

A requirement of the public sector accounting standards of the Canadian Institute of Chartered Accountants 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:

	2012	2011
Balance, beginning of year	\$ 4,025,838	\$ 5,465,434
Federal grant – gasoline tax	502,763	502,763
Provincial grant – gasoline tax	159,579	157,830
Development contributions	1,198,449	340,064
Investment income	121,481	303,251
Utilization as follows:		
Government grants	(1,342,690)	(1,427,764)
Developer contributions	(224,864)	(1,315,740)
Balance, end of year	<u>\$ 4,440,556</u>	<u>\$ 4,025,838</u>

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 12. Deferred revenue – obligatory reserve funds (continued):

	2012	2011
Analyzed as follows:		
Parkland	\$ 230,556	\$ 175,414
Development charges	2,112,047	1,198,689
Gasoline tax:		
Provincial	754,587	652,522
Federal	1,020,177	761,349
Ontario potable water program	208,274	1,126,031
Infrastructure Ontario	114,915	111,833
	<u>\$ 4,440,556</u>	<u>\$ 4,025,838</u>

## 13. Deferred revenue – other:

- (a) Under the terms of an agreement between the Municipality and the Minister of Natural Resources for the long-term safe management of low-level radioactive waste, the Municipality received a host community fee in the amount of \$20 million representing \$10 million with respect to the former Town of Port Hope and \$10 million with respect to the former Township of Hope. The covenants of these agreements have been complied with; therefore these funds have been reported as revenue on the “Consolidated Statement of Operations” in 2012 and are included in accumulated municipal equity as reserve funds.

The Municipality maintains the principal amount of the funds with income earned on the funds available for the Municipality’s general use.

- (b) Prior to 2004, the Municipality received an amount of \$438,331 in respect of potential site rectification costs of property owned by the Municipality. Including current year interest in the amount of \$22,758, the accumulated balance is \$848,587 (2011 - \$825,829). No provision has been made in the financial statements for costs related to any future remedial action.

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 14. Supplementary information:

	2012 Budget (unaudited)	2012	2011
Operating expenses by object:			
Salaries, wages and employee benefits	\$ 13,337,950	\$ 13,004,808	\$ 12,766,243
Long-term debt interest expense	1,608,500	1,857,062	2,294,963
Materials	5,273,300	5,049,565	4,758,914
Contracted services	4,952,550	4,990,351	5,060,743
Rents and financial expenses	110,900	300,093	65,672
External transfers	540,800	563,647	530,771
	25,824,000	25,765,526	25,477,306
Amortization of tangible capital assets	5,342,444	5,342,445	5,156,023
<b>Total</b>	<b>\$ 31,166,444</b>	<b>\$ 31,107,971</b>	<b>\$ 30,633,329</b>

## 15. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2012 operating and capital budgets approved by Council on March 20, 2012. In accordance with Ontario Regulation 284/09, the budget approved by Council excluded amortization expense and post-employment benefit expense. Estimates for certain revenue and expenses that were not included as part of the approved operating budgets have been included in the 2012 budget figures reported on the consolidated statement of operations. Amortization expense was not contemplated in development of the budget and, as such, has not been included. The reconciliation of the approved budget to the budget figures reported in these consolidated financial statements is detailed below:

	2012 Budget
Reported on consolidated statement of operations:	
Operating revenue	\$ 26,985,600
Less budget adjustments	(1,654,000)
	25,331,600
Operating expenses	(31,166,444)
Less budget adjustments	1,145,000
	(30,021,444)
<b>Total budgeted annual operating deficit</b>	<b>(4,689,844)</b>
Amortization of tangible capital assets	5,342,444
Acquisition of tangible capital assets	(3,322,000)
<b>Total budgeted deficit not reported on consolidated financial statements</b>	<b>\$ (2,669,400)</b>

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 15. Budget data (continued):

	2012 Budget
Budget not reported on consolidated financial statements:	
Capital revenue - reserve and reserve fund transfers	\$ 3,116,000
Operating revenue - reserve and reserve fund transfers	364,600
Operating expense - transfer to reserves	(872,200)
Other	61,000
	\$ 2,669,400
Revenue budget adjustments:	
User fees - Harbour Commission Rental	\$ 130,000
Government grant - Federal government (LLRW reimbursement)	750,000
HBIA advertising	16,000
Recovery of legal fees	32,000
Transfer station reimbursement	82,000
Reserve fund interest	282,000
Interest on accounts and investments (interfund charges)	300,000
Donations received	62,000
	\$ 1,654,000
Expense budget adjustments:	
Transfer Station expenses	\$ (73,000)
LLRW expenses	(784,000)
Water emergency	(250,000)
Harbour Commission transfers to capital	(38,000)
	\$ (1,145,000)

## 16. Tangible capital assets:

Cost	Balance at December 31, 2011	Transfers and additions	Transfers, disposals and adjustments	Balance at December 31, 2012
Land	\$ 4,251,552	\$ -	\$ -	\$ 4,251,552
Land improvements	6,965,663	-	-	6,965,663
Buildings and building improvements	77,332,576	6,142,634	-	83,475,210
Linear assets	96,906,427	690,519	-	97,596,946
Machinery and equipment	1,720,974	186,128	-	1,907,102
Technology and communications	1,063,867	60,551	43,903	1,080,515
Vehicles	7,686,371	679,394	9,196	8,356,569
Work-in-progress	10,455,484	2,572,681	6,833,556	6,194,609
Total	\$ 206,382,914	\$ 10,331,907	\$ 6,886,655	\$ 209,828,166

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 16. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2011	Amortization expense	Transfers, disposals and adjustments	Balance at December 31, 2012
Land improvements	\$ 3,792,651	\$ 231,799	\$ -	\$ 4,024,450
Buildings and building improvements	13,599,864	2,650,559	-	16,250,423
Linear assets	36,635,419	1,623,825	-	38,259,244
Machinery and equipment	973,358	151,011	-	1,124,369
Technology and communications	607,991	151,263	43,903	715,351
Vehicles	3,986,275	533,987	9,196	4,511,066
Work-in-progress	-	-	-	-
<b>Total</b>	<b>\$ 59,595,558</b>	<b>\$ 5,342,444</b>	<b>\$ 53,099</b>	<b>\$ 64,884,903</b>

	Net book value December 31, 2011	Net book value December 31, 2012
Land	\$ 4,251,552	\$ 4,251,552
Land improvements	3,173,012	2,941,213
Buildings and building improvements	63,732,712	67,224,787
Linear assets	60,271,008	59,337,702
Machinery and equipment	747,616	782,733
Technology and communications	455,876	365,164
Vehicles	3,700,096	3,845,503
Work-in-progress	10,455,484	6,194,609
<b>Total</b>	<b>\$ 146,787,356</b>	<b>\$ 144,943,263</b>

(a) Work-in-progress:

Assets under construction having a value of \$6,194,609 (2011 - \$10,455,484) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

There were no 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.

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 16. Tangible capital assets (continued):

(d) Write-down of tangible capital assets:

There were no write-downs of tangible capital assets.

## 17. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year financial statement presentation.

## 18. 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 Services:

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, 2012

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## 18. 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 Board:

Includes the management and maintenance of municipal cemeteries.

(f) 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 halls, libraries, parks, recreation fields and the arena.

(j) 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, 2012

## 18. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Cemetery Board	Library Board	Parks, Recreation and Culture	Planning and Development	Total
<b>Revenue:</b>									
User charges	\$ 127,027	\$ 470,539	\$ 408,922	\$ 6,006,627	\$ 75,879	\$ 18,999	\$ 881,131	\$ 402,655	\$ 8,391,779
Government grants	505,900	160,129	345,954	744,630	—	—	142,198	2,343,060	4,241,871
Grants from other municipalities	—	—	102,204	—	—	—	3,836	—	106,040
Investment income	1,205,928	60,154	39	25,047	17,300	—	24,092	2,728	1,335,288
Penalties and interest on taxes	483,750	—	—	—	—	—	—	—	483,750
Donations	65,244	32,891	2,754	—	1,800	17,140	36,542	9,525	165,896
Other	108,333	—	—	17,316	1,015	10,000	76,900	—	213,564
Transfer from deferred obligatory	5,269	—	—	83,846	—	8,715	(48,951)	—	48,879
	2,501,451	723,713	859,873	6,877,466	95,994	54,854	1,115,748	2,757,968	14,987,067
<b>Expenses:</b>									
Salaries, wages and employee benefits	1,736,860	5,252,230	1,704,751	1,299,143	115,612	499,824	1,757,319	639,070	13,004,809
Long-term debt interest	—	14,763	—	1,842,300	—	—	—	—	1,857,063
Materials	413,029	484,677	1,406,520	1,746,069	35,046	132,127	738,157	93,939	5,049,564
Contracted services	455,497	1,111,522	1,210,711	1,393,663	4,029	115,180	345,691	354,056	4,990,349
Rents and financial expenses	108,446	41,098	5,400	128,826	—	—	8,178	8,145	300,093
External transfers	49,645	300,261	—	—	12,050	—	157,008	44,683	563,647
Amortization	92,743	259,231	1,522,309	2,908,616	14,437	138,256	397,896	8,956	5,342,444
	2,856,220	7,463,782	5,849,691	9,318,617	181,174	885,387	3,404,249	1,148,849	31,107,969
Excess of revenue over expenses									
(expenses over revenue) before tax	\$ (354,769)	\$ (6,740,069)	\$ (4,989,818)	\$ (2,441,151)	\$ (85,180)	\$ (830,533)	\$ (2,288,501)	\$ 1,609,119	\$ (16,120,902)
<b>Funded through:</b>									
Property taxation									\$ 13,948,008
Taxation from other governments									210,619
Transfer of deferred government grants									20,012,417
Excess of revenue over expenses									\$ 18,050,142

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Schedule A: Heritage Business Improvement Area

## Statement of Revenue and Expenses and Surplus

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
Net levy	\$ 45,150	\$ 45,150
Contribution from Municipality	15,000	15,000
Other grant	–	4,000
Other revenue	1,025	2,900
Advertising revenue	16,249	12,276
	<u>77,424</u>	<u>79,326</u>
Expenses:		
Stationery, supplies and office	6,020	10,224
Improvements	30,201	43,475
Advertising	22,492	26,733
Special events	4,346	3,504
Wages and employee benefits	24,079	22,652
	<u>87,138</u>	<u>106,588</u>
Net expenses over revenue	(9,714)	(27,262)
Transfer from (to) reserve	–	24,565
Surplus, beginning of year	25,332	28,029
Surplus, end of year	<u>\$ 15,618</u>	<u>\$ 25,332</u>

# CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Schedule B: Commissioners of the Port Hope Harbor

## Statement of Revenue and Expenses and Surplus

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Surplus, beginning of year	\$ 466,053	\$ 352,877
Revenue:		
Lease revenue	128,312	118,182
Interest	6,510	5,092
Transfer from municipal capital	17,715	—
	<u>152,537</u>	<u>123,274</u>
Expenses:		
Office and administration	436	9,581
Donations	5,000	—
Professional fees	—	517
Operating capital expense projects	38,557	—
Transfers to municipal capital	84,283	—
	<u>128,276</u>	<u>10,098</u>
Surplus, end of year	\$ 490,314	\$ 466,053



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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, 2012 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, 2012, and its results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

July 30, 2013

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, 2012, with comparative figures for 2011

	Cemetery Care and Maintenance Fund	Developer Deposits	Total 2012	Total 2011
<b>Assets</b>				
Cash	\$ 21,911	\$ 66,381	\$ 88,292	\$ 91,865
Accounts receivable	2,783	—	2,783	4,095
Investments, at cost (market value \$502,027)	495,400	—	495,400	483,215
Due from operating	203	—	203	5,286
	<b>\$ 520,297</b>	<b>\$ 66,381</b>	<b>\$ 586,678</b>	<b>\$ 584,461</b>

## Liabilities and Fund Balances

Trust fund:				
Balances:				
Capital	\$ 390,154	\$ 66,381	\$ 456,535	\$ 453,491
Income	130,143	—	130,143	130,970
	<b>\$ 520,297</b>	<b>\$ 66,381</b>	<b>\$ 586,678</b>	<b>\$ 584,461</b>

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, 2012, with comparative figures for 2011

	Cemetery Care and Maintenance Fund	Developer Deposits	Total 2012	Total 2011
Funds balance at the beginning of the year	\$ 509,074	\$ 75,387	\$ 584,461	\$ 571,141
Revenue:				
Cemetery care and maintenance	12,050	–	12,050	9,640
Interest and dividends earned	16,473	994	17,467	21,850
	28,523	994	29,517	31,490
Expenses:				
Refunds	–	10,000	10,000	–
Transfer to operating fund	17,300	–	17,300	18,170
	17,300	10,000	27,300	18,170
Funds balance at the end of the year	\$ 520,297	\$ 66,381	\$ 586,678	\$ 584,461

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, 2012

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## **1. Significant accounting policies:**

The financial statements of the Corporation of the Municipality of Port Hope Trust funds ("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.

## **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.