

Audited Financial Statements and Other Financial
Information of

**CORPORATION OF THE
MUNICIPALITY OF PORT HOPE**

Year ended December 31, 2010

Audited Financial Statements and Other Financial Information of

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Year ended December 31, 2010

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

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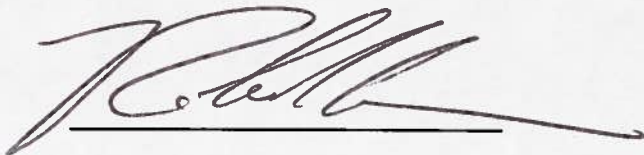
Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Municipality of Port Hope (the "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.



Carl Cannon
Chief Administrative Officer



Liz Araujo
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, 2010, the consolidated statements of operations, change in net financial 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, 2010, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 14, 2011

Kingston, Canada

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Financial assets:		
Taxes receivable	\$ 3,870,955	\$ 3,255,752
Accounts receivable	4,827,805	4,456,905
Investments, at cost (notes 3 and 7)	33,568,877	32,411,424
	<u>42,267,637</u>	<u>40,124,081</u>
Liabilities:		
Bank indebtedness (note 5)	2,596,240	8,045,391
Temporary borrowings (note 6)	30,490,000	18,215,000
Accounts payable and accrued liabilities	4,340,485	5,806,639
Employee future benefit obligations (note 9)	2,459,453	2,349,690
Deferred revenue - obligatory reserve funds (note 14)	5,465,434	6,020,912
Deferred revenue - other (note 15)	21,007,670	20,809,415
Net long-term liabilities (note 10)	8,485,582	9,144,917
	<u>74,844,864</u>	<u>70,391,964</u>
Net debt	32,577,227	30,267,883
Other non-financial assets:		
Tangible capital assets	147,834,951	143,056,272
Inventories of supplies	185,222	266,915
Prepaid expenses	159,072	147,877
Total non-financial assets	<u>148,179,245</u>	<u>143,471,064</u>
Contingent liabilities (note 13)		
Accumulated municipal equity (note 11)	\$ 115,602,018	\$ 113,203,181

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Operations

Year ended December 31, 2010, with comparative figures for 2009

	Budget 2010	Actual 2010	Actual 2009
	(Unaudited, note 17)		
Revenue:			
Property taxation	\$ 13,832,400	\$ 13,738,205	\$ 13,284,102
Taxation from other governments	264,600	259,106	211,576
User charges	6,706,000	7,600,913	6,648,731
Government grants	1,128,900	7,385,351	4,375,466
Grants from other municipalities	70,300	294,656	333,163
Developer contributions	414,000	216,430	1,079,086
Investment income	192,500	1,651,310	1,301,639
Penalties and interest on taxes	560,000	538,528	567,307
Donations	2,600	317,739	445,382
Other	139,000	738,124	1,150,541
Contribution from others (tangible capital assets)	—	—	740,880
Total revenue	23,310,300	32,740,362	30,137,873
Expenses (note 16):			
General government	2,358,600	3,063,207	3,201,721
Protection to persons and property	7,597,210	7,862,545	7,509,547
Transportation services	5,100,300	5,841,965	6,773,707
Environmental services	4,162,600	7,268,567	6,688,491
Cemetery	144,800	184,011	140,157
Library	651,400	893,898	786,071
Recreational and cultural services	3,016,100	3,622,182	3,133,231
Planning and development	1,053,400	1,605,150	988,974
Total expenses	24,084,410	30,341,525	29,221,899
Annual surplus (deficit)	(774,110)	2,398,837	915,974
Accumulated municipal equity, beginning of year		113,203,181	112,287,207
Accumulated municipal equity, end of year (note 11)		\$ 115,602,018	\$ 113,203,181

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Change in Net Debt

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Annual surplus	\$ 2,398,837	\$ 915,974
Acquisition of tangible capital assets (net transfers from work-in-progress)	(9,922,728)	(19,458,594)
Loss on disposal of tangible capital assets	206,612	7,528
Amortization of tangible capital assets	4,937,436	4,173,217
	(2,379,843)	(14,361,875)
Acquisition of prepaid expenses and inventories of supplies	70,499	(264,638)
Change in net financial assets	(2,309,344)	(14,626,513)
Net debt, beginning of year	(30,267,883)	(15,641,370)
Net debt, end of year	\$ (32,577,227)	\$ (30,267,883)

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Operating transactions:		
Annual surplus	\$ 2,398,837	\$ 915,974
Items not involving cash:		
Amortization	4,937,436	4,173,217
Loss on disposal of tangible capital assets	206,612	7,528
Developer contributions of tangible capital assets	-	(740,880)
Reallocation of capital	(60,637)	-
Change in employee benefits and other liabilities	109,763	673,844
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes receivable	(615,203)	309,794
Increase in accounts receivable	(370,900)	(1,108,372)
Decrease in accounts payable and accrued liabilities	(1,466,154)	(1,981,471)
Increase (decrease) in deferred revenues - obligatory reserve funds	393,158	(827,913)
Increase in deferred revenue	198,256	81,325
Decrease (increase) in inventories of supplies	81,694	(159,566)
Increase in prepaid expenses	(11,196)	(105,072)
	<u>3,402,829</u>	<u>322,434</u>
Net change in cash from operations	5,801,666	1,238,408
Capital transactions:		
Cash used to acquire tangible capital assets	(9,922,728)	(18,717,714)
Investing transactions:		
Net purchase of investments	(1,157,452)	(87,435)
Financing transactions:		
Temporary borrowings	12,275,000	7,215,000
New debt	(888,000)	888,000
Debt principal repayments	(659,335)	(615,009)
	<u>10,727,665</u>	<u>7,487,991</u>
Increase (decrease) in cash	5,449,151	(10,078,750)
Cash (bank indebtedness), beginning of year	(8,045,391)	2,033,359
Bank indebtedness, end of year	<u>\$ (2,596,240)</u>	<u>\$ (8,045,391)</u>
Supplementary cash flow information:		
Cash paid for interest	\$ 772,700	\$ 515,786
Cash received from interest	(2,978,614)	(2,671,445)

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements

Year ended December 31, 2010

1. Accounting policies:

The consolidated financial statements of the Corporation of the Municipality of Port Hope 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 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 Statements 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, 2010

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 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, 2010

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 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

Annual amortization is charged at 50% in the year of acquisition and in the year of disposal. 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, 2010

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 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:

	School Boards		County of Northumberland	
	2010	2009	2010	2009
Amounts requisitioned	\$ 6,391,207	\$ 6,186,627	\$ 8,091,530	\$ 7,839,993

3. Restricted assets:

Cash and investments in the amount of \$20,000,000 (2009 - \$20,000,000) has been restricted to support deferred revenue in accordance with the terms of the agreement with the Minister of Natural Resources disclosed in note 15(a).

4. Trust funds:

Trust funds administered by the Municipality amounting to \$571,141 (2009 - \$554,701) 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, 2010

5. Bank indebtedness:

The Municipality's financial agreement with its bank provides for an operating credit facility of up to \$10,000,000 to finance expenses, pending receipt of property taxes and other income. As at December 31, 2010, \$2,596,240 (2009 - \$8,045,391) was drawn, bearing interest at prime rate less .75%.

6. Temporary borrowings:

The Municipality has financial agreements with the Ontario Infrastructure Projects Corporation (OIPC) for temporary capital loans up to a maximum of \$30,910,000 (2009 - \$18,215,000) for the interim financing of the upgrade to the Sewage Treatment Plant. As at December 31, 2010, the temporary capital loan balance is \$30,490,000 (2009 - \$18,215,000), with the full balance of \$30,490,000 being debentured on January 17, 2011, due July 17, 2051 with an interest rate of 4.73% per annum.

7. Investments:

	2010		2009	
	Cost	Market value	Cost	Market value
Cash and cash equivalents	\$ 1,015,066	\$ 1,016,103	\$ 824,934	\$ 824,934
Fixed income securities	32,553,811	33,828,778	31,586,490	32,867,162
	<u>\$ 33,568,877</u>	<u>\$ 34,844,881</u>	<u>\$ 32,411,424</u>	<u>\$ 33,692,096</u>

8. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 144 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 2010 was \$628,433 (2009 - \$618,298) 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, 2010

9. 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 of one week's pay per year of service under certain conditions.

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 2009 and applied retroactively to January 1, 2009 with an update performed to December 31, 2010.

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, 2010, the accrued benefit obligation was \$2,459,453 (2009 - \$2,349,690).

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

Discount rate	5.0% 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 0% in 2009, 7.2143% for 2010 vs. 2009, reducing by 3.5714% per year to 4% in 2019 vs. 2018 and 4% thereafter

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

9. Employee future benefit obligations (continued):

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

	2010	2009
Accrued benefit liability, beginning of year	\$ 2,349,689	\$ 1,675,845
Expense recognized for the year	107,474	100,348
Interest cost	113,087	107,551
Benefits paid for the year	(103,293)	(98,143)
Amortization of actuarial gain	(7,504)	(7,504)
Plan amendment	-	571,593
Accrued benefit liability, end of year	\$ 2,459,453	\$ 2,349,690

	2010	2009
Accrued future benefit obligations at December 31	\$ 2,376,911	\$ 2,259,644
Unamortized actuarial gain	82,542	90,046
Accrued benefit liability at December 31	\$ 2,459,453	\$ 2,349,690

10. 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:

	2010	2009
Total long-term liabilities incurred by the Municipality including those incurred on behalf of municipal enterprises and outstanding at the end of the year amount to	\$ 8,485,582	\$ 9,144,917

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

2011	\$ 674,433
2012	689,912
2013	705,775
2014	722,041
2015	679,516
Thereafter	5,013,905
	\$ 8,485,582

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

10. Net long-term liabilities (continued):

(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.

11. Accumulated municipal equity:

	2010	2009
Operating surplus/deficit breakdown:		
General operating fund	\$ (1,939,713)	\$ (1,992,607)
Unfunded liability – employee future benefits	(2,459,453)	(2,349,689)
Heritage Business Improvement Area	28,029	65,008
Public Library Board	(158,279)	(72,371)
Cemetery Board	44,839	33,252
Commissioners of the Port Hope Harbour	352,877	254,918
Total operating surplus/deficit	(4,131,700)	(4,061,489)
Reserves set aside for specific purposes by Council:		
Working capital	6,263,134	5,984,142
Sick leave	85,297	70,297
Insurance	50,119	50,119
Other	339,750	415,981
Total reserves	6,738,300	6,520,539
Reserve funds set aside for specific purposes by Council:		
Fire	12,826	14,517
Police	131,739	108,681
Waterworks system	147,769	5,799
Sanitary sewer	135,668	57,217
Hydro proceeds	5,459,395	5,577,720
Roads	1,180	190
Recreational services	–	90,358
Other	2,439,343	2,875,237
Total reserve funds	8,327,920	8,729,719
Investment in tangible capital assets:		
Tangible capital assets	147,834,951	143,056,271
Long-term liabilities	(8,485,582)	(9,144,917)
Temporary borrowings	(30,490,000)	(18,215,000)
Unfinanced capital expenses	(8,389,573)	(15,502,925)
Unexpended capital financing	4,197,702	1,820,983
Investment in tangible capital assets	104,667,498	102,014,412
Total accumulated municipal equity	\$ 115,602,018	\$ 113,203,181

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

12. 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:

	2010	2009
Principal payments	\$ 600,135	\$ 615,009
Interest	243,083	237,118
	\$ 843,218	\$ 852,127

13. 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, 2010, 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 financial statements.

14. Deferred revenue – obligatory reserve funds:

A requirement of the public sector accounting principles 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:

	2010	2009
Balance, beginning of year	\$ 6,020,912	\$ 6,848,827
Federal grant – gasoline tax	504,390	507,054
Provincial grant – gasoline tax	77,365	149,527
Development contributions	538,266	183,367
Investment income	218,090	225,567
Utilization as follows:		
Government grants	(1,677,159)	(814,344)
Developer contributions	(216,430)	(1,079,086)
Balance, end of year	\$ 5,465,434	\$ 6,020,912

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

14. Deferred revenue – obligatory reserve funds (continued):

	2010	2009
Analyzed as follows:		
Parkland	\$ 213,365	\$ 205,960
Development charges	2,003,919	1,618,167
Gasoline tax:		
Provincial	548,956	543,483
Federal	562,911	195,652
Ontario potable water program	2,030,421	2,147,072
Investing in Ontario	–	1,210,249
Infrastructure Ontario	105,862	100,329
	<hr/>	<hr/>
	\$ 5,465,434	\$ 6,020,912

15. 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 agreement sets out a requirement for investment of these funds as well as certain conditions for potential repayment. The Municipality agrees to maintain 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 \$31,492, the accumulated balance is \$755,442 (2009 - \$723,950). 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, 2010

16. Supplementary information:

	2010	2009
Operating expenses by object:		
Salaries, wages and employee benefits	\$ 13,272,620	\$ 13,548,723
Long-term debt interest expense	457,135	463,561
Materials	4,904,548	5,369,972
Contracted services	5,330,250	4,625,970
Rents and financial expenses	650,894	416,120
External transfers	788,642	624,336
Amortization	4,937,436	4,173,217
Total	\$ 30,341,525	\$ 29,221,899

17. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2010 operating and capital budgets approved by Council on March 9, 2010. Amortization 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:

	2010 Budget
Reported on statement of operations:	
Operating revenue	\$ 23,310,300
Operating expenses	24,084,410
Annual operating deficit	774,110
Acquisition of tangible capital assets	3,604,150
Total budgeted deficit on statements	\$ (4,378,260)
Budget not reported on statements:	
Capital revenue - debentures	\$ 938,000
Capital revenue – reserve and reserve fund transfers	3,267,760
Operating revenue – reserve and reserve fund transfers	130,000
Operating expense – transfer to reserves	(32,500)
Other revenue	75,000
Total budgeted surplus not reported on statement	\$ 4,378,260

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

18. Tangible capital assets:

Cost	Balance at December 31, 2009 (note 2)	Transfers and additions	Transfers, disposals and adjustments	Balance at December 31, 2010
Land	\$ 4,275,831	55,722	80,001	\$ 4,251,552
Land improvements	5,181,084	649,493	6,144	5,824,433
Buildings and building improvements	77,267,538	421,946	219,876	77,469,608
Linear assets	90,639,634	6,148,602	170,793	96,617,443
Machinery and equipment	1,445,042	63,699	13,099	1,495,642
Technology and communications	838,163	248,388	44,684	1,041,867
Vehicles	6,676,423	690,666	32,068	7,335,021
Work-in-progress	6,974,212	6,529,673	4,885,460	8,618,425
Total	\$ 193,297,927	\$ 14,808,189	\$ 5,452,125	\$ 202,653,991

Accumulated amortization	Balance at December 31, 2009 (note 2)	Amortization expense	Transfers, disposals and adjustments	Balance at December 31, 2010
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	3,477,225	170,936	6,144	3,642,017
Buildings and building improvements	9,073,221	2,375,927	112,165	11,336,983
Linear assets	33,473,370	1,581,937	155,928	34,899,379
Machinery and equipment	704,594	136,557	10,479	830,672
Technology and communications	389,148	118,701	43,269	464,580
Vehicles	3,124,097	553,378	32,066	3,645,409
Work-in-progress	-	-	-	-
Total	\$ 50,241,655	\$ 4,937,436	\$ 360,051	\$ 54,819,040

	Net book value December 31, 2009	Net book value December 31, 2010
Land	\$ 4,275,832	\$ 4,251,552
Land improvements	1,703,858	2,182,416
Buildings and building improvements	68,194,317	66,132,625
Linear assets	57,166,264	61,718,064
Machinery and equipment	740,448	664,970
Technology and communications	449,015	577,287
Vehicles	3,552,326	3,689,612
Work-in-progress	6,974,212	8,618,425
Total	\$ 143,056,272	\$ 147,834,951

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

18. Tangible capital assets (continued):

(a) Work-in-progress:

Assets under construction having a value of \$8,618,425 (2009 - \$6,974,212) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$Nil (2009 - \$740,880) comprised of roads infrastructure in the amount of \$Nil (2009 - \$186,261) and water and wastewater infrastructure in the amount of \$Nil (2009 - \$554,619).

(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:

The write-down of tangible capital assets during the year was \$Nil (2009 - \$Nil).

19. Comparative figures:

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

20. 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.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

20. Segmented information (continued):

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.

(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) Water Services:

Includes management and maintenance of water treatment and distribution.

(e) Sewer Services:

Includes management and maintenance of wastewater plant and sanitary sewer services.

(f) Other Environmental Services:

Includes the management and maintenance of storm sewer, waste collection and low level radioactive waste management and administration.

(g) Cemetery Board:

Includes the management and maintenance of municipal cemeteries.

(h) 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.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

20. Segmented information (continued):

(i) 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, 2010

20. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Water Services	Sewer Services	Other Environmental Services	Cemetery Board	Parks, Recreation and Culture	Planning and Development	Total
Revenue:										
Property taxation	\$ 13,738,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,738,205
Taxation from other governments	259,106	-	-	-	-	-	-	-	-	259,106
User charges	116,628	863,157	157,978	2,808,722	2,589,633	-	93,444	917,395	53,956	7,600,913
Government grants	624,945	203,638	3,584,368	-	(391)	-	-	684,201	689,847	5,786,608
Grants from other municipalities	-	165,015	40,000	-	89,641	-	-	-	-	294,656
Investment income	1,651,310	-	-	-	-	-	-	-	-	1,651,310
Penalties and interest on taxes	538,528	-	-	-	-	-	-	-	-	538,528
Donations	317,739	-	-	-	-	-	-	-	-	317,739
Other	738,124	-	-	-	-	-	-	-	-	738,124
Transfer from deferred obligatory	1,815,173	-	-	-	-	-	-	-	-	1,815,173
	19,799,758	1,231,810	3,782,346	2,808,722	2,678,883	-	93,444	1,601,596	743,803	32,740,362
Expenses:										
Salaries, wages and employee benefits	1,627,801	5,596,427	1,882,003	836,862	460,610	(34,958)	90,190	2,250,740	562,945	13,272,620
Long-term debt interest	-	39,525	-	417,610	-	-	-	-	-	457,135
Materials	279,347	587,359	1,469,342	692,071	857,925	11,705	55,077	870,306	81,416	4,904,548
Contracted services	685,130	1,017,989	1,230,243	109,664	240,621	628,186	6,857	605,907	805,653	5,330,250
Rents and financial expenses	351,181	49,035	1,228	2,140	190,291	-	-	44,288	12,731	650,894
External transfers	63,897	300,515	-	-	-	-	18,115	267,929	138,186	788,642
Amortization	55,849	271,695	1,259,148	1,240,662	1,421,820	193,358	13,773	476,912	4,219	4,937,436
	3,063,205	7,862,545	5,841,964	3,299,009	3,171,267	798,291	184,012	4,516,082	1,605,150	30,341,525
Excess of revenue over expenses (expenses over revenue)										
	\$ 16,736,553	\$ (6,630,735)	\$ (2,059,618)	\$ (490,287)	\$ (492,384)	\$ (798,291)	\$ (90,568)	\$ (2,914,486)	\$ (861,347)	\$ 2,398,837

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Heritage Business Improvement Area

Statement of Revenue and Expenses and Surplus

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Net levy	\$ 42,125	\$ 40,950
Contribution from Municipality	20,000	20,000
Other revenue	5,238	52,492
	<u>67,363</u>	<u>113,442</u>
Expenses:		
Stationery, supplies and office	12,110	9,965
Improvements	28,857	38,740
Advertising	17,073	6,749
Special events	10,857	7,233
Wages and employee benefits	17,722	8,979
	<u>86,619</u>	<u>71,666</u>
Net revenue over expenses (expenses over revenue)	(19,256)	41,776
Transfer to reserve	(17,723)	—
Surplus, beginning of year	65,008	23,232
Surplus, end of year	<u>\$ 28,029</u>	<u>\$ 65,008</u>

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Commissioners of the Port Hope Harbor

Statement of Revenue and Expenses and Surplus

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Surplus, beginning of year	\$ 254,918	\$ 191,908
Revenue:		
Lease revenue	126,859	114,949
Interest	2,343	1,402
	<u>129,202</u>	<u>116,351</u>
Expenses:		
Office and administration	1,243	–
Professional fees	–	7,988
Transfers to municipal capital	30,000	45,353
	<u>31,243</u>	<u>53,341</u>
Surplus, end of year	\$ 352,877	\$ 254,918



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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 fund of the Corporation of the Municipality of Port Hope, which comprise the statement of financial position as at December 31, 2010 and the statement of continuity of trust fund 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 fund as at December 31, 2010, 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

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 Accountants, Licensed Public Accountants

June 14, 2011

Kingston, Canada

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Trust Funds

Statement of Financial Position

Year ended December 31, 2010, with comparative figures for 2009

	Cemetery Care and Maintenance Fund	Developers Deposits	Total 2010	Total 2009
Assets				
Cash	\$ 4,703	\$ 74,641	\$ 79,344	\$ 94,578
Accounts receivable	4,385	—	4,385	4,291
Investments, at cost (market value \$502,027)	486,597	—	486,597	466,243
Due from operating	815	—	815	77
	\$ 496,500	\$ 74,641	\$ 571,141	\$ 565,189
Liabilities and Fund Balances				
Due to operating fund	\$ —	\$ —	\$ —	\$ 10,488
Trust fund:				
Balances:				
Capital	368,463	74,641	443,104	426,938
Income	128,037	—	128,037	127,763
	496,500	74,641	571,141	554,701
	\$ 496,500	\$ 74,641	\$ 571,141	\$ 565,189

The accompanying note is an integral part of this financial statement.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Trust Funds

Statement of Continuity

Year ended December 31, 2010, with comparative figures for 2009

	Cemetery Care and Maintenance Fund	Developers Deposits	Total 2010	Total 2009
Funds balance at the beginning of the year	\$ 478,111	\$ 76,590	\$ 554,701	\$ 545,214
Revenue:				
Cemetery care and maintenance	18,115	–	18,115	8,522
Interest and dividends earned	17,574	739	18,313	20,313
	35,689	739	36,428	28,835
Expenses:				
Payments to developers	–	2,688	2,688	3,348
Transfer to operating fund	17,300	–	17,300	16,000
	17,300	2,688	19,988	19,348
Funds balance at the end of the year	\$ 496,500	\$ 74,641	\$ 571,141	\$ 554,701

The accompanying note is an integral part of this financial statement.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Trust Funds

Notes to Financial Statements

Year ended December 31, 2010

1. Significant accounting policies:

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

Financial Statements of

**PORT HOPE PUBLIC LIBRARY
BOARD**

Year ended December 31, 2010

PORT HOPE PUBLIC LIBRARY BOARD

Financial Statements

Year ended December 31, 2010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of the Port Hope Public Library Board, which comprise the statement of financial position as at December 31, 2010, the statements of operations and accumulated surplus, 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 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 qualified audit opinion.



Basis for Qualified Opinion

In common with many non-profit organizations, the Port Hope Public Library Board derives revenue in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the entity and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Port Hope Public Library Board as at December 31, 2010, and its results of operations and its 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 single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants

June 15, 2011

Kingston, Canada

PORT HOPE PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
Financial assets:		
Cash	\$ 32,247	\$ 594
Accounts receivable	315	315
Grant receivable	8,289	—
	<u>40,851</u>	<u>909</u>
Liabilities:		
Accounts payable and accrued liabilities	582	—
Bank indebtedness	—	27
Deferred revenue (note 2)	10,000	—
Due to the Corporation of the Municipality of Port Hope (note 3):		
Capital	29,808	33,166
Operating	188,548	73,253
	<u>228,938</u>	<u>106,446</u>
Total net debt	(188,087)	(105,537)
Non-financial assets:		
Tangible capital assets (note 9)	323,145	336,712
Accumulated surplus (note 7)	\$ 135,058	\$ 231,175

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

PORT HOPE PUBLIC LIBRARY BOARD

Statement of Operations and Accumulated Surplus

Year ended December 31, 2010, with comparative figures for 2009

	Budget 2010 (unaudited, note 5)	Actual 2010	Actual 2009
Revenue:			
Municipal contributions – operating	\$ 573,400	\$ 573,400	\$ 536,900
Municipal contributions – capital	–	53,000	59,017
Province of Ontario operating grant	31,800	31,828	31,828
Other government funding	13,000	19,134	1,887
Fines and fees	17,200	13,893	14,233
Interest and miscellaneous	1,000	1,445	4,912
Donation account (note 8)	–	25,682	30,747
Other grants	–	10,000	–
	636,400	728,382	679,524
Municipal development charges	5,000	5,000	5,100
Transfer from reserves	–	–	810
	5,000	5,000	685,434
Expenses:			
Salaries and benefits	481,400	578,494	461,899
Periodicals and newspapers	7,800	4,057	3,925
Book services	22,900	23,887	17,407
Utilities	47,400	40,105	40,369
Maintenance and cleaning	27,000	33,694	49,047
Miscellaneous	4,700	3,946	5,659
Insurance	4,500	5,659	4,330
Conferences and professional development	3,000	6,072	4,423
Office expense	8,000	7,236	14,796
Computer supplies, maintenance and training	29,700	30,405	30,434
Operating capital	–	6,115	–
Donation account (note 8)	5,000	10,004	13,698
Total expenses	641,400	749,674	645,987
Annual surplus (deficit) before amortization	–	(16,292)	39,447
Amortization expense	–	79,825	81,276
Annual deficit	–	(96,117)	(41,829)
Accumulated surplus, beginning of year	–	231,175	273,004
Accumulated surplus, end of year	\$ –	\$ 135,058	\$ 231,175

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

PORT HOPE PUBLIC LIBRARY BOARD

Statement of Change in Net Debt

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Annual deficit	\$ (96,117)	\$ (41,829)
Acquisition of tangible capital assets	(66,258)	(66,709)
Amortization of tangible capital assets	79,825	81,276
Change in net debt	(82,550)	(27,262)
Net debt, beginning of year	(105,537)	(78,275)
Net debt, end of year	\$ (188,087)	\$ (105,537)

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

PORT HOPE PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2010

1. Significant accounting policies:

The financial statements of the Library Board are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Reporting entity:

- (i) These statements reflect the assets, liabilities, sources of financing and expenses of the Library Board and include both operating and capital activities.
- (ii) Trust Funds and their related operations administered by the Board are not consolidated, but are reported separately on the "Trust Fund Statement of Financial Position and Trust Fund Statement of Continuity".

(b) Revenue recognition:

Fundraising revenue is reported on a cash basis. Donation pledges are not reported in the accounts until received.

(c) Deferred revenue:

Deferred revenue represents donations which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(d) 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. 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.

(e) 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.

PORT HOPE PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2010

1. Significant accounting policies (continued):

(f) 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 is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life
Books and periodicals	7 years
Furniture and fixtures	15 years
Technology and communications	3 to 5 years

2. Deferred revenue:

Deferred revenue reported in the statement of financial position relates to a restricted donation received in the current period that is related to the subsequent period.

3. Due to the Corporation of the Municipality of Port Hope:

During the year, the Library Board is provided with financial and payroll services by the Corporation of the Municipality of Port Hope. As at December 31, 2010, the Library Board had an amount due to the Corporation of the Municipality of Port Hope representing the net balance of cash receipts, year-end payroll accruals and disbursements processed on behalf of the Library Board in the amount of \$188,548 (2009 - \$73,253) for operating costs and \$29,808 (2009 - \$33,166) for capital expenses.

4. Pension agreements:

The Library Board makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer plan, on behalf of 14 members of its staff. This includes 2 full-time staff and 12 part-time staff who became members of OMERS in 2010. 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 2010 was \$24,719 (2009 - \$10,594) for current service.

PORT HOPE PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2010

5. Budget figures:

Budget figures are compiled from the 2010 fiscal year operating budget approved by the Board and are not subject to audit. Amortization was not contemplated on development of the budget and, as such, has not been included.

6. Statement of cash flow:

The statement of cash flow is readily apparent from the financial statements and as such would not provide additional information.

7. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2010	2009
Accumulated surplus		
Invested in tangible capital assets	\$ 323,145	\$ 336,712
Other – operating	(95,822)	(106,169)
Other – employee benefits	(107,649)	–
Other – capital	(29,808)	(33,166)
Other – donation account	45,192	33,798
Accumulated surplus	\$ 135,058	\$ 231,175

PORT HOPE PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2010

8. Donation account:

The donation account received revenues and incurred expenses during the year as follows:

	2010	2009
Balance, beginning of year	\$ 33,798	\$ 97,689
Donations	25,682	30,747
Interest	—	3,283
Deferred grant	10,000	—
	35,682	34,030
Expenses:		
Book rental	4,900	5,094
Library programs and events	2,818	8,119
Maintenance and cleaning	2,286	485
Transfer to unfinanced	—	76,516
Transfer to capital (books)	14,284	7,707
	24,288	97,921
Balance, end of year	\$ 45,192	\$ 33,798

The donation balance is comprised of:

	2010	2009
Bank account	\$ 31,653	\$ —
Amounts due from Municipality of Port Hope	13,539	33,798
	\$ 45,192	\$ 33,798

PORT HOPE PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2010

9. Tangible capital assets:

Cost	Balance at December 31, 2009	Additions	Disposals	Balance at December 31, 2010
Books and periodicals	\$ 480,304	\$ 66,258	\$ -	\$ 546,562
Furniture and fixtures	176,863	-	-	176,863
Technology and communications	96,759	-	-	96,759
Total	\$ 753,926	\$ 66,258	\$ -	\$ 820,184

Accumulated amortization	Balance at December 31, 2009	Disposals	Amortization	Balance at December 31, 2010
Books and periodicals	\$ 243,678	\$ -	\$ 64,147	\$ 307,825
Furniture and fixtures	88,913	-	11,791	100,704
Technology and communications	84,623	-	3,887	88,510
Total	\$ 417,214	\$ -	\$ 79,825	\$ 497,039

	Net book value December 31, 2009	Net book value December 31, 2010
Books and periodicals	\$ 236,625	\$ 238,737
Furniture and fixtures	87,951	76,159
Technology and communications	12,136	8,249
	\$ 336,712	\$ 323,145

Financial Statements of

**CORPORATION OF THE
MUNICIPALITY OF PORT HOPE
CEMETERY BOARD**

Year ended December 31, 2010

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Financial Statements

Year ended December 31, 2010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Corporation of the Municipality of Port Hope Cemetery Board, which comprise the statements of financial position as at December 31, 2010, the statements of operations and accumulated surplus and change in net financial assets 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 in our audit 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 Corporation of the Municipality of Port Hope Cemetery Board as at December 31, 2010 and its results of operations and changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 7, 2011

Kingston, Canada

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
Financial assets:		
Due from the Corporation of the Municipality of Port Hope (note 3)	\$ 52,891	\$ 22,687
Due from Care and Maintenance Trust Fund	–	10,488
Due from the Corporation of the Municipality of Port Hope – capital (note 3)	–	7,253
HST receivable	16	77
Total	52,907	40,505
Liabilities:		
Due to Care and Maintenance Trust Fund	815	–
Net financial assets	52,092	40,505
Non-financial assets:		
Tangible capital assets (note 7)	168,988	182,761
Accumulated surplus (note 6)	\$ 221,080	\$ 223,266

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Statement of Operations and Accumulated Surplus

Year ended December 31, 2010, with comparative figures for 2009

	Budget 2010 (Unaudited, note 4)	Actual 2010	Actual 2009
Revenue:			
Municipal grant	\$ —	\$ —	\$ 40,000
Provided by municipality from tax levy	54,700	54,700	47,650
Sales of plots	22,000	31,266	15,060
Sale of columbarium	15,000	29,600	16,650
Interment charges	18,500	17,250	15,835
Transfer from Care and Maintenance Trust			
Fund Income account	17,300	17,300	16,000
Donations	—	3,695	5,604
Contribution from municipal reserve	—	2,813	—
Miscellaneous	10,600	22,497	12,442
Total revenue	138,100	179,121	169,241
Expenses:			
Wages and employee benefits	92,800	90,190	81,323
Office expense	800	179	749
Supplies, utilities and maintenance	29,400	37,329	26,285
Interment costs	2,500	5,435	2,835
Columbarium inscriptions	1,500	—	1,885
Gate repairs	—	—	3,580
Monument repairs	—	—	2,580
Transfer to Care and Maintenance Trust			
Fund Income account	12,600	18,115	8,522
Capital repairs	—	16,286	—
Amortization expense	—	13,773	10,801
Total expenses	139,600	181,307	138,560
Annual surplus (deficit)	1,500	(2,186)	30,681
Opening accumulated surplus	—	223,266	192,585
Closing accumulated surplus	\$ 1,500	\$ 221,080	\$ 223,266

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Statement of Change in Net Financial Assets

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Annual surplus (deficit)	\$ (2,186)	\$ 30,681
Acquisition of tangible capital assets	–	(29,727)
Amortization of tangible capital assets	13,773	10,801
Change in net financial assets	11,587	11,755
Net financial assets, beginning of year	40,505	28,750
Net financial assets, end of year	\$ 52,092	\$ 40,505

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Notes to Financial Statements

Year ended December 31, 2010

1. Significant accounting policies:

The financial statements of the Corporation of the Municipality of Port Hope Cemetery Board are prepared by management in accordance with Canadian public accounting standards as prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. These financial statements reflect the assets, liabilities, revenue and expenses of the Cemetery Board.

(a) The Care and Maintenance Trust Fund and its related operations are not consolidated but are reported separately on the "Care and Maintenance Trust Fund Statement of Financial Position and Statement of Continuity".

(b) Basis of accounting:

Revenues and expenses are recorded on an accrual basis.

The accrual basis recognizes revenues as they are 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.

(c) 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 are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life
Vehicles	5 to 10 years
Land improvement	15 to 40 years
Buildings	20 to 50 years

(d) Use of estimates:

The preparation of financial statements in conformity with Canadian public 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. 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.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2010

2. Trust fund:

The Care and Maintenance Trust Fund, representing accumulated net revenue from the sales of plots dedicated for future care and maintenance of respective cemeteries, administered by the Board, amounting to \$496,500 (2009 - \$478,111) has not been included in the "Statement of Financial Position" nor has its operations been included in the "Statement of Operations and Accumulated Surplus".

3. Due from the Corporation of the Municipality of Port Hope:

During the year, the Cemetery Board is provided with financial and payroll services by the Corporation of the Municipality of Port Hope. As at December 31, 2010, the Cemetery Board had an amount due from the Corporation of the Municipality of Port Hope representing the net balance of cash receipts, year end payroll accruals and disbursements processed on behalf of the Cemetery Board in the amount of \$52,891 (2009 - \$22,687) for current fund operations and \$Nil (2009 - \$7,253) for capital fund operations.

4. Budget figures:

Budget figures are compiled from the 2010 fiscal year operating budget approved by the Board and are not subject to audit. Amortization was not contemplated on development of the budget, and has not been included.

5. Statement of cash flows:

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

6. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2010	2009
Surplus		
Invested in tangible capital assets	\$ 168,988	\$ 182,761
Other - operating	48,397	33,252
Other – capital	3,695	7,253
	\$ 221,080	\$ 223,266

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2010

7. Tangible capital assets:

Cost	Balance at December 31, 2009	Additions	Balance at December 31, 2010
Land	\$ 177	\$ -	\$ 177
Buildings	166,757	-	166,757
Land improvements	52,784	-	52,784
Vehicles	38,016	-	38,016
Total	\$ 257,734	\$ -	\$ 257,734

Accumulated amortization	Balance at December 31, 2009	Amortization	Balance at December 31, 2010
Land	\$ -	\$ -	\$ -
Buildings	54,357	2,652	57,009
Land improvements	15,157	3,518	18,675
Vehicles	5,459	7,603	13,062
Total	\$ 74,973	\$ 13,773	\$ 88,746

	Net book value December 31, 2009	Net book value December 31, 2010
Land	\$ 177	\$ 177
Buildings	112,400	109,748
Land improvements	37,627	34,109
Vehicles	32,557	24,954
	\$ 182,761	\$ 168,988



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Care and Maintenance Trust Fund of the Corporation of the Municipality of Port Hope Cemetery Board, which comprise the statements of financial position as at December 31, 2010, the statements of continuity of the Care and Maintenance Trust 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 in our audit 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 Care and Maintenance Trust Fund of the Corporation of the Municipality of Port Hope Cemetery Board as at December 31, 2010, and its results of continuity of care and maintenance fund for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 7, 2011

Kingston, Canada

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Care and Maintenance Trust Fund Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash	\$ 4,703	\$ 17,988
Accrued interest	4,385	4,291
Due from Operating Fund	815	77
	9,903	22,356
Investments, at cost (note 2)	486,597	466,243
Total assets	\$ 496,500	\$ 488,599

Liabilities and Fund Balance

Due to operating fund	\$ -	\$ 10,488
Capital	368,463	350,348
Income	128,037	127,763
	496,500	478,111
Total liabilities and fund balance	\$ 496,500	\$ 488,599

Care and Maintenance Trust Fund Statement of Continuity

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Balance at beginning of year	\$ 478,111	\$ 466,034
Revenue:		
Capital receipts, care and maintenance	18,115	8,522
Interest earned	17,574	19,555
	35,689	28,077
Expense:		
Transfer to Operating Fund	17,300	16,000
Balance at end of year	\$ 496,500	\$ 478,111

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE CEMETERY BOARD

Notes to Care and Maintenance Trust Fund Financial Statements

Year ended December 31, 2010

1. Significant accounting policies:

The financial statements of the Corporation of the Municipality of Port Hope Cemetery Board Care and Maintenance Trust Fund are the representation of management prepared in accordance with Canadian public accounting standards.

(a) Basis of presentation:

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

(b) Basis of accounting:

(i) Receipts and expenses are reported on the accrual basis of accounting.

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

(c) 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 the cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

2. Investments:

Total investments of \$486,597 (2009 - \$466,243) reported on the statement of financial position at cost, have a market value of \$502,027 (2009 - \$479,163) at the end of the year.

3. Statement of changes in cash flow:

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