

Audited Financial Statements and Other Financial
Information of

**CORPORATION OF THE
MUNICIPALITY OF PORT HOPE**

Year ended December 31, 2011

Audited Financial Statements and Other Financial Information of

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Year ended December 31, 2011

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 generally accepted accounting principles. 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, 2011, 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 generally accepted accounting principles, 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, 2011, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

October 23, 2012

Kingston, Canada

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Financial Position

December 31, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|---|--------------------|--------------------|
| Assets | | |
| Financial assets: | | |
| Taxes receivable | \$ 4,103,935 | \$ 3,870,955 |
| Accounts receivable | 3,543,650 | 4,827,805 |
| Investments, at cost (notes 3 and 7) | 34,885,421 | 33,568,877 |
| | <u>42,533,006</u> | <u>42,267,637</u> |
| Liabilities and deferred revenue: | | |
| Bank indebtedness (note 5) | 5,187,660 | 2,596,240 |
| Temporary borrowings (note 6) | — | 30,490,000 |
| Accounts payable and accrued liabilities | 4,310,060 | 4,340,485 |
| Employee future benefit obligations (note 9) | 2,392,443 | 2,459,453 |
| Deferred revenue - obligatory reserve funds (note 14) | 4,025,838 | 5,465,434 |
| Deferred revenue - other (note 15) | 20,913,083 | 21,007,670 |
| Net long-term liabilities (note 10) | 38,134,524 | 8,485,582 |
| Total liabilities | <u>74,963,608</u> | <u>74,844,864</u> |
| Net debt | (32,430,602) | (32,577,227) |
| Other non-financial assets: | | |
| Tangible capital assets (note 18) | 146,787,356 | 147,834,951 |
| Inventories of supplies | 111,616 | 185,222 |
| Prepaid expenses | 261,278 | 159,072 |
| Total non-financial assets | <u>147,160,250</u> | <u>148,179,245</u> |
| Contingent liabilities (note 13) | | |
| Accumulated municipal equity (note 11) | \$ 114,729,648 | \$ 115,602,018 |

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, 2011, with comparative figures for 2010

| | Budget 2011 | Actual 2011 | Actual 2010 |
|--|-------------------------|-----------------------|-----------------------|
| | (Unaudited, note 17) | | |
| Revenue: | | | |
| Property taxation | \$ 14,061,800 | \$ 14,044,203 | \$ 13,738,205 |
| Taxation from other governments | 199,800 | 248,292 | 259,106 |
| User charges | 7,006,250 | 7,644,859 | 7,600,913 |
| Government grants | 998,600 | 979,352 | 3,018,552 |
| Grants from other municipalities | 100,000 | 108,019 | 129,640 |
| Investment income | 1,753,500 | 1,788,371 | 1,651,310 |
| Penalties and interest on taxes | 560,000 | 546,344 | 538,528 |
| Donations | 17,100 | 69,851 | 119,188 |
| Other | 502,400 | 195,208 | (56,648) |
| Total revenue | 25,199,450 | 25,624,499 | 26,998,794 |
| Expenses (note 16): | | | |
| General government | 2,868,400 | 3,132,045 | 3,063,207 |
| Protection to persons and property | 7,324,100 | 7,298,540 | 7,697,530 |
| Transportation services | 5,595,900 | 5,985,053 | 5,841,965 |
| Environmental services | 8,260,690 | 8,161,575 | 6,516,058 |
| Cemetery | 180,700 | 172,393 | 184,011 |
| Library | 838,400 | 861,497 | 893,898 |
| Recreational and cultural services | 3,227,900 | 3,159,996 | 3,622,182 |
| Planning and development | 1,134,450 | 1,143,900 | 1,605,150 |
| Total expenses | 29,430,540 | 29,914,999 | 29,424,001 |
| Annual operating deficit | (4,231,090) | (4,290,500) | (2,425,207) |
| Revenue related to capital: | | | |
| Government grants | 200,000 | 1,824,754 | 4,366,800 |
| Transfers from reserves | 281,000 | 1,298,639 | 216,430 |
| Donations | – | 151,204 | 198,551 |
| Other | 56,000 | 143,533 | 42,263 |
| Total revenue related to capital | 537,000 | 3,418,130 | 4,824,044 |
| Annual surplus (deficit) | (3,694,090) | (872,370) | 2,398,837 |
| Accumulated municipal equity, beginning of year | | 115,602,018 | 113,203,181 |
| Accumulated municipal equity, end of year (note 11) | | \$ 114,729,648 | \$ 115,602,018 |

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, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|---|-----------------|-----------------|
| Annual surplus (deficit) | \$ (872,370) | \$ 2,398,837 |
| Acquisition of tangible capital assets (net transfers from work-in-progress) | (4,308,666) | (9,922,728) |
| Loss on disposal of tangible capital assets | 200,237 | 206,612 |
| Amortization of tangible capital assets | 5,156,024 | 4,937,436 |
| | 175,225 | (2,379,843) |
| Acquisition of prepaid expenses and inventories of supplies | (28,600) | 70,499 |
| Change in net financial assets | 146,625 | (2,309,344) |
| Net debt, beginning of year | (32,577,227) | (30,267,883) |
| Net debt, end of year | \$ (32,430,602) | \$ (32,577,227) |

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, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|---|-----------------------|-----------------------|
| Operating transactions: | | |
| Annual surplus (deficit) | \$ (872,370) | \$ 2,398,837 |
| Items not involving cash: | | |
| Amortization | 5,156,024 | 4,937,436 |
| Loss on disposal of tangible capital assets | 200,236 | 206,612 |
| Reallocation of capital | - | (60,637) |
| Change in employee benefits and other liabilities | (67,010) | 109,763 |
| Change in non-cash assets and liabilities: | | |
| Increase in taxes receivable | (232,980) | (615,203) |
| Decrease (increase) in accounts receivable | 1,284,155 | (370,900) |
| Decrease in accounts payable and accrued liabilities | (30,426) | (1,466,154) |
| Increase (decrease) in deferred revenues - obligatory reserve funds | (1,439,596) | 393,158 |
| Increase (decrease) in deferred revenue | (94,587) | 198,256 |
| Decrease in inventories of supplies | 73,606 | 81,694 |
| Increase in prepaid expenses | (102,204) | (11,196) |
| | <u>4,747,218</u> | <u>3,402,829</u> |
| Net change in cash from operations | 3,874,848 | 5,801,666 |
| Capital transactions: | | |
| Cash used to acquire tangible capital assets | (4,308,666) | (9,922,728) |
| Investing transactions: | | |
| Net purchase of investments | (1,316,544) | (1,157,452) |
| Financing transactions: | | |
| Temporary borrowings | (30,490,000) | 12,275,000 |
| New debt | 30,710,000 | (888,000) |
| Debt principal repayments | (1,061,058) | (659,335) |
| | <u>(841,058)</u> | <u>10,727,665</u> |
| Increase (decrease) in cash | (2,591,421) | 5,449,151 |
| Bank indebtedness, beginning of year | (2,596,240) | (8,045,391) |
| Bank indebtedness, end of year | <u>\$ (5,187,660)</u> | <u>\$ (2,596,240)</u> |
| Supplementary cash flow information: | | |
| Cash paid for interest | \$ 1,591,148 | \$ 772,700 |
| Cash received from interest | (997,299) | (2,978,614) |

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, 2011

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 generally accepted accounting principles. 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, 2011

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, 2011

1. Accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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, 2011

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 | |
|-----------------------|---------------|--------------|--------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Amounts requisitioned | \$ 6,287,917 | \$ 6,391,207 | \$ 8,195,291 | \$ 8,091,530 |

3. Restricted assets:

Cash and investments in the amount of \$20,000,000 (2010 - \$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 \$584,461 (2010 - \$571,141) 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, 2011

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, 2011, \$5,187,660 (2010 - \$2,596,240) was drawn, bearing interest at prime rate less .75%.

6. Temporary borrowings:

The Municipality had financial agreements with the Ontario Infrastructure Projects Corporation (OIPC) for temporary capital loans up to a maximum of \$30,910,000 in 2010 for the interim financing of the upgrade to the Sewage Treatment Plant, 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. During 2011, the temporary capital loan balance was converted to a long-term debenture with the same terms.

7. Investments:

| | 2011 | | 2010 | |
|---------------------------|----------------------|----------------------|----------------------|----------------------|
| | Cost | Market value | Cost | Market value |
| Cash and cash equivalents | \$ 948,584 | \$ 948,867 | \$ 1,015,066 | \$ 1,016,103 |
| Fixed income securities | 33,936,837 | 36,046,563 | 32,553,811 | 33,828,778 |
| | <u>\$ 34,885,421</u> | <u>\$ 36,995,430</u> | <u>\$ 33,568,877</u> | <u>\$ 34,844,881</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 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 2011 was \$715,184 (2010 - \$628,433) 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, 2011

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 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 2011 with an update performed to 2014.

The accrued benefit obligation relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2011, the accrued benefit obligation was \$2,392,443 (2010 - \$2,459,453).

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

| | |
|----------------------------|--|
| Discount rate | 4.75% per annum |
| Inflation rate | 2.0% per annum |
| Salary escalation | 3.0% per annum |
| Dental benefits escalation | 4.0% per annum |
| Health benefits escalation | Escalate at 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 |

CORORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

9. Employee future benefit obligations (continued):

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

| | 2011 | 2010 |
|---|---------------------|---------------------|
| Accrued benefit liability, beginning of year | \$ 2,446,191 | \$ 2,349,689 |
| Expense recognized for the year | 115,103 | 107,474 |
| Interest cost | 119,271 | 113,087 |
| Benefits paid for the year | (98,107) | (103,293) |
| Amortization of actuarial gain | (6,299) | (7,504) |
| Plan amendment | (183,716) | - |
| Accrued benefit liability, end of year | \$ 2,392,443 | \$ 2,459,453 |

| | 2011 | 2010 |
|---|---------------------|---------------------|
| Accrued future benefit obligations at December 31 | \$ 2,687,562 | \$ 2,376,911 |
| Unamortized actuarial gain | (295,119) | 82,542 |
| Accrued benefit liability at December 31 | \$ 2,392,443 | \$ 2,459,453 |

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:

| | 2011 | 2010 |
|---|---------------|--------------|
| 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 | \$ 38,134,524 | \$ 8,485,582 |

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

| | |
|------------|----------------------|
| 2012 | \$ 1,463,160 |
| 2013 | 1,479,023 |
| 2014 | 1,495,291 |
| 2015 | 1,511,966 |
| 2016 | 1,529,060 |
| Thereafter | 30,656,024 |
| | \$ 38,134,524 |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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:

| | 2011 | 2010 |
|---|----------------|----------------|
| Operating surplus/deficit breakdown: | | |
| General operating fund | \$ (3,882,433) | \$ (1,939,712) |
| Unfunded liability – employee future benefits | (2,392,443) | (2,459,453) |
| Heritage Business Improvement Area | 25,332 | 28,029 |
| Public Library Board | (31,520) | (158,279) |
| Cemetery Board | (39,828) | 44,839 |
| Commissioners of the Port Hope Harbour | 466,052 | 352,877 |
| Total operating surplus/deficit | (5,854,840) | (4,131,699) |
| Reserves set aside for specific purposes by Council: | | |
| Working capital | 5,818,228 | 6,263,134 |
| Sick leave | 85,297 | 85,297 |
| Insurance | 50,119 | 50,119 |
| Other | 874,983 | 339,750 |
| Total reserves | 6,828,627 | 6,738,300 |
| Reserve funds set aside for specific purposes by Council: | | |
| Fire | 13,357 | 12,826 |
| HBIA | 87,512 | 131,739 |
| Waterworks system | 1,124,545 | 147,769 |
| Sanitary sewer | (272,784) | 135,668 |
| Hydro proceeds | 5,517,692 | 5,459,395 |
| Roads | 1,237 | 1,180 |
| Other | 2,468,542 | 2,439,343 |
| Total reserve funds | 8,940,101 | 8,327,920 |
| Investment in tangible capital assets: | | |
| Tangible capital assets | 146,787,356 | 147,834,951 |
| Long-term liabilities | (38,134,524) | (8,485,582) |
| Temporary borrowings | – | (30,490,000) |
| Unfinanced capital expenditures | (8,680,846) | (8,389,574) |
| Unexpended capital financing | 4,843,774 | 4,197,702 |
| Investment in tangible capital assets | 104,815,760 | 104,667,497 |
| Total accumulated municipal equity | \$ 114,729,648 | \$ 115,602,018 |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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:

| | 2011 | 2010 |
|--------------------|---------------------|-------------------|
| Principal payments | \$ 1,061,058 | \$ 600,135 |
| Interest | 592,253 | 243,083 |
| | <u>\$ 1,653,311</u> | <u>\$ 843,218</u> |

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, 2011, 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:

| | 2011 | 2010 |
|---------------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 5,465,434 | \$ 6,020,912 |
| Federal grant – gasoline tax | 502,763 | 504,390 |
| Provincial grant – gasoline tax | 157,830 | 77,365 |
| Development contributions | 340,064 | 538,266 |
| Investment income | 303,251 | 218,090 |
| Utilization as follows: | | |
| Government grants | (1,427,764) | (1,677,159) |
| Developer contributions | (1,315,740) | (216,430) |
| Balance, end of year | <u>\$ 4,025,838</u> | <u>\$ 5,465,434</u> |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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

| | 2011 | 2010 |
|-------------------------------|--------------|--------------|
| Analyzed as follows: | | |
| Parkland | \$ 175,414 | \$ 213,365 |
| Development charges | 1,198,689 | 2,003,919 |
| Gasoline tax: | | |
| Provincial | 652,522 | 548,956 |
| Federal | 761,349 | 562,911 |
| Ontario potable water program | 1,126,031 | 2,030,421 |
| Infrastructure Ontario | 111,833 | 105,862 |
| | <hr/> | <hr/> |
| | \$ 4,025,838 | \$ 5,465,434 |

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 \$44,273, the accumulated balance is \$825,829 (2010 - \$781,605). 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, 2011

16. Supplementary information:

| | 2011 Budget (unaudited) | 2011 | 2010 |
|---------------------------------------|-------------------------------|----------------------|----------------------|
| Operating expenses by object: | | | |
| Salaries, wages and employee benefits | \$ 12,744,400 | \$ 12,766,243 | \$ 13,107,606 |
| Long-term debt interest expense | 1,934,490 | 2,294,963 | 457,135 |
| Materials | 5,331,250 | 4,758,914 | 4,152,040 |
| Contracted services | 3,613,900 | 4,342,412 | 5,330,250 |
| Rents and financial expenses | 106,400 | 65,672 | 650,894 |
| External transfers | 544,100 | 530,771 | 788,642 |
| | 24,274,540 | 24,758,975 | 24,486,567 |
| Amortization | 5,156,000 | 5,156,023 | 4,937,436 |
| Total | \$ 29,430,540 | \$ 29,914,998 | \$ 29,424,003 |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

17. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2011 operating and capital budgets approved by Council on March 9, 2011. In accordance with Ontario Regulation 284/09, the budget approved by Council excluded amortization expense and post-employment benefit expense. Estimates for certain revenues and expenses that were not included as part of the approved operating budgets have been included in the 2011 budget figures reported on the consolidated statement of operations. 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:

| | 2011 Budget |
|--|----------------|
| Reported on statement of operations: | |
| Operating revenue | \$ 25,736,450 |
| Less budget adjustments | (1,681,000) |
| | 24,055,450 |
| | |
| Operating expenses | 29,430,540 |
| Less budget adjustments | (403,400) |
| | 29,027,140 |
| | |
| Total budgeted annual operating surplus | (4,971,690) |
| | |
| Amortization | 5,156,000 |
| | |
| Acquisition of tangible capital assets | (2,770,000) |
| | |
| Total budgeted deficit not reported on statements | \$ (2,585,690) |
| | |
| Budget not reported on statements: | |
| Capital revenue - debentures | \$ 376,000 |
| Capital revenue – reserve and reserve fund transfers | 1,950,000 |
| Operating revenue – reserve and reserve fund transfers | 538,190 |
| Operating expense – transfer to reserves | (293,500) |
| Other | 15,000 |
| | |
| Total budgeted surplus not reported on statements | \$ 2,585,690 |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

17. Budget data (continued):

Revenue budget adjustments:

| | | |
|--|----|------------------|
| User fees – Harbour Commission Rental | \$ | 120,000 |
| LLRW interest | | 700,000 |
| RF interest | | 361,000 |
| Interest on accounts and investments (interfund charges) | | 500,000 |
| | \$ | <u>1,681,000</u> |

Expense budget adjustments:

| | | |
|---|----|------------------|
| HBIA expenses | \$ | (106,600) |
| Interest expense (interfund) | | (170,000) |
| Hydro fund transfer to operating | | (60,100) |
| Economic development projects (budget in 2010 or earlier) | | (66,700) |
| | \$ | <u>(403,400)</u> |

18. Tangible capital assets:

| Cost | Balance at December 31, 2010 | Transfers and additions | Transfers, disposals and adjustments | Balance at December 31, 2011 |
|-------------------------------------|------------------------------------|-------------------------------|--|------------------------------------|
| Land | \$ 4,251,552 | \$ – | \$ – | \$ 4,251,552 |
| Land improvements | 5,824,433 | 1,200,299 | 59,069 | 6,965,663 |
| Buildings and building improvements | 77,469,608 | 112,968 | 250,000 | 77,332,576 |
| Linear assets | 96,617,443 | 372,016 | 83,032 | 96,906,427 |
| Machinery and equipment | 1,495,642 | 225,332 | – | 1,720,974 |
| Technology and communications | 1,041,867 | 22,000 | – | 1,063,867 |
| Vehicles | 7,335,021 | 538,992 | 187,642 | 7,686,371 |
| Work-in-progress | 8,618,425 | 2,877,268 | 1,040,209 | 10,455,484 |
| Total | \$ 202,653,991 | \$ 5,348,875 | \$ 1,619,952 | \$ 206,382,914 |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

18. Tangible capital assets (continued):

| Accumulated amortization | Balance at December 31, 2010 | Amortization expense | Transfers, disposals and adjustments | Balance at December 31, 2011 |
|-------------------------------------|------------------------------|----------------------|--------------------------------------|------------------------------|
| Land improvements | \$ 3,642,017 | \$ 209,703 | \$ 59,069 | \$ 3,792,651 |
| Buildings and building improvements | 11,336,983 | 2,375,381 | 112,500 | 13,599,864 |
| Linear assets | 34,899,379 | 1,758,130 | 22,090 | 36,635,419 |
| Machinery and equipment | 830,672 | 142,686 | — | 973,358 |
| Technology and communications | 464,580 | 143,411 | — | 607,991 |
| Vehicles | 3,645,409 | 526,714 | 185,848 | 3,986,275 |
| Work-in-progress | — | — | — | — |
| Total | \$ 54,819,040 | \$ 5,156,025 | \$ 379,507 | \$ 59,595,558 |

| | Net book value December 31, 2010 | Net book value December 31, 2011 |
|-------------------------------------|----------------------------------|----------------------------------|
| Land | \$ 4,251,552 | \$ 4,251,552 |
| Land improvements | 2,182,416 | 3,173,012 |
| Buildings and building improvements | 66,132,625 | 63,732,712 |
| Linear assets | 61,718,064 | 60,271,008 |
| Machinery and equipment | 664,970 | 747,616 |
| Technology and communications | 577,287 | 455,876 |
| Vehicles | 3,689,612 | 3,700,096 |
| Work-in-progress | 8,618,425 | 10,455,484 |
| Total | \$ 147,834,951 | \$ 146,787,356 |

(a) Work-in-progress:

Assets under construction having a value of \$10,455,484 (2010 - \$8,618,425) 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.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

18. Tangible capital assets (continued):

(c) Works of art and historical treasures:

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

(d) Write-down of tangible capital assets:

There were no write-downs of tangible capital assets.

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.

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.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

20. Segmented information (continued):

(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) 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, 2011

20. Segmented information (continued):

| | General Government | Protection Services | Transportation Services | Environmental Services | Cemetery Board | Parks, Recreation and Culture | Planning and Development | Total |
|---|-----------------------|------------------------|----------------------------|---------------------------|-------------------|-------------------------------------|-----------------------------|-----------------|
| Revenue: | | | | | | | | |
| User charges | \$ 76,810 | \$ 585,148 | \$ 163,083 | \$ 5,586,724 | \$ 54,027 | \$ 1,166,790 | \$ 12,276 | \$ 7,644,858 |
| Government grants | 560,899 | 205,670 | 223,893 | 16,913 | — | 794,236 | 1,002,495 | 2,804,106 |
| Grants from other municipalities | — | — | 97,876 | — | — | 10,143 | — | 108,019 |
| Investment income | 1,624,116 | 119,883 | 58 | 7,339 | 17,976 | 11,736 | 7,263 | 1,788,371 |
| Penalties and interest on taxes | 546,344 | — | — | — | — | — | — | 546,344 |
| Donations | 26,307 | 37,961 | 1,674 | 95,214 | 805 | 56,195 | 2,900 | 221,056 |
| Other | 145,770 | 54,092 | 2,514 | 32,424 | — | 37,416 | 66,525 | 338,741 |
| Transfer from deferred obligatory | — | 74,000 | — | 191,207 | — | 200,263 | 833,169 | 1,298,639 |
| | 2,980,246 | 1,076,754 | 489,098 | 5,929,821 | 72,808 | 2,276,779 | 1,924,628 | 14,750,134 |
| Expenses: | | | | | | | | |
| Salaries, wages and employee benefits | 1,722,712 | 5,281,768 | 1,696,587 | 1,205,088 | 114,261 | 2,123,911 | 621,916 | 12,766,243 |
| Long-term debt interest | 208,302 | 45,124 | — | 2,041,536 | — | — | — | 2,294,962 |
| Materials | 405,355 | 413,946 | 1,484,447 | 1,462,309 | 31,351 | 894,324 | 67,183 | 4,758,915 |
| Contracted services | 682,115 | 986,630 | 1,178,621 | 774,163 | 3,264 | 348,568 | 369,051 | 4,342,412 |
| Rents and financial expenses | 4,778 | 32,646 | 5,721 | 6,362 | — | 8,455 | 7,710 | 65,672 |
| External transfers | 30,501 | 289,745 | — | — | 9,641 | 131,560 | 69,324 | 530,771 |
| Amortization | 78,282 | 248,681 | 1,416,802 | 2,876,577 | 13,876 | 514,675 | 7,131 | 5,156,024 |
| | 3,132,045 | 7,298,540 | 5,782,178 | 8,366,035 | 172,393 | 4,021,493 | 1,142,315 | 29,914,999 |
| Excess of revenue over expenses (expenses over revenue) before tax | | | | | | | | |
| | \$ (151,799) | \$ (6,221,786) | \$ (5,293,080) | \$ (2,436,214) | \$ (99,585) | \$ (1,744,714) | \$ 782,314 | \$ (15,164,865) |
| Funded through: | | | | | | | | |
| Property taxation | | | | | | | | \$ 14,044,203 |
| Taxation from other governments | | | | | | | | 248,292 |
| | | | | | | | | \$ (872,370) |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Heritage Business Improvement Area

Statement of Revenue and Expenses and Surplus

Year ended December 31, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|---------------------------------|-----------------|-----------------|
| Revenue: | | |
| Net levy | \$ 45,150 | \$ 42,125 |
| Contribution from Municipality | 15,000 | 20,000 |
| Other grant | 4,000 | - |
| Other revenue | 2,900 | 5,238 |
| Advertising revenue | 12,276 | - |
| | <hr/> 79,326 | <hr/> 67,363 |
| Expenses: | | |
| Stationery, supplies and office | 10,224 | 12,110 |
| Improvements | 43,475 | 28,857 |
| Advertising | 26,733 | 17,073 |
| Special events | 3,504 | 10,857 |
| Wages and employee benefits | 22,652 | 17,722 |
| | <hr/> 106,588 | <hr/> 86,619 |
| Net expenses over revenue | (27,262) | (19,256) |
| Transfer from (to) reserve | 24,565 | (17,723) |
| Surplus, beginning of year | 28,029 | 65,008 |
| Surplus, end of year | <hr/> \$ 25,332 | <hr/> \$ 28,029 |

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Commissioners of the Port Hope Harbor

Statement of Revenue and Expenses and Surplus

Year ended December 31, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|--------------------------------|----------------|----------------|
| Surplus, beginning of year | \$ 352,877 | \$ 254,918 |
| Revenue: | | |
| Lease revenue | 118,182 | 126,859 |
| Interest | 5,092 | 2,343 |
| | <u>123,274</u> | <u>129,202</u> |
| Expenses: | | |
| Office and administration | 9,581 | 1,243 |
| Professional fees | 517 | – |
| Transfers to municipal capital | – | 30,000 |
| | <u>10,098</u> | <u>31,243</u> |
| Surplus, end of year | \$ 466,053 | \$ 352,877 |



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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, 2011 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 generally accepted accounting principles, 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, 2011, and its results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

October 23, 2012

Kingston, Canada

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Trust Funds

Statement of Financial Position

Year ended December 31, 2011, with comparative figures for 2010

| | Cemetery Care and Maintenance Fund | Developers Deposits | Total 2011 | Total 2010 |
|---|---|------------------------|-------------------|-------------------|
| Assets | | | | |
| Cash | \$ 16,478 | \$ 75,387 | \$ 91,865 | \$ 79,344 |
| Accounts receivable | 4,095 | – | 4,095 | 4,385 |
| Investments, at cost (market value \$502,027) | 483,215 | – | 483,215 | 486,597 |
| Due from operating | 5,286 | – | 5,286 | 815 |
| | \$ 509,074 | \$ 75,387 | \$ 584,461 | \$ 571,141 |

Liabilities and Fund Balances

Trust fund:

Balances:

Capital

\$ 378,104 \$ 75,387 \$ 453,491 \$ 443,104

Income

130,970 – 130,970 128,037

509,074 75,387 584,461 571,141

\$ 509,074 \$ 75,387 \$ 584,461 \$ 571,141

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Trust Funds

Statement of Continuity

Year ended December 31, 2011, with comparative figures for 2010

| | Cemetery Care and Maintenance Fund | Developers Deposits | Total 2011 | Total 2010 |
|--|---|------------------------|---------------|---------------|
| Funds balance at the beginning of the year | \$ 496,500 | \$ 74,641 | \$ 571,141 | \$ 554,701 |
| Revenue: | | | | |
| Cemetery care and maintenance | 9,640 | — | 9,640 | 18,115 |
| Interest and dividends earned | 21,104 | 746 | 21,850 | 18,313 |
| | 30,744 | 746 | 31,490 | 36,428 |
| Expenses: | | | | |
| Payments to developers | — | — | — | 2,688 |
| Transfer to operating fund | 18,170 | — | 18,170 | 17,300 |
| | 18,170 | — | 18,170 | 19,988 |
| Funds balance at the end of the year | \$ 509,074 | \$ 75,387 | \$ 584,461 | \$ 571,141 |

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Trust Funds

Notes to Financial Statements

Year ended December 31, 2011

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 generally accepted accounting principles.

(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 generally accepted accounting principles 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.