

Audited Consolidated Financial Statements and
Other Financial Information of

**CORPORATION OF THE
MUNICIPALITY OF PORT HOPE**

Year ended December 31, 2023

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CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Year ended December 31, 2023

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Municipality of Port Hope (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies is contained in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Candice White
Chief Administrative Officer

David Baxter
Director, Finance/Treasurer

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of the Corporation of the Municipality of Port Hope (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of operations and accumulated municipal equity for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of municipal equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditor's Responsibilities for the Audit of the Financial Statements**” section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter - Comparative Information

We draw attention to Note 17 to the financial statements (“Note 17”) which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 17 explains the reasons for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

(date)

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 17)
Financial assets:		
Taxes receivable	\$ 4,015,595	\$ 3,054,977
Accounts receivable	7,375,873	8,193,997
Investments (note 4)	35,285,271	34,064,608
Land held for resale (note 11(d))	255,000	255,000
	<hr/> 46,931,739	<hr/> 45,568,582
Financial liabilities:		
Bank indebtedness (note 16)	2,376,714	486,568
Accounts payable and accrued liabilities	7,034,717	4,915,061
Employee future benefit liabilities (note 6)	3,265,260	3,183,187
Deferred revenue - obligatory reserve funds (note 7)	4,281,404	5,016,920
Deferred revenue - other	1,736,749	1,837,240
Asset retirement obligations (note 8)	3,520,165	3,520,165
Net long-term liabilities (note 9)	24,669,796	25,818,900
	<hr/> 46,884,805	<hr/> 44,778,041
Net financial assets	<hr/> 46,934	<hr/> 790,541
Non-financial assets:		
Tangible capital assets (note 11)	162,825,733	156,228,545
Inventories of supplies	265,843	276,171
Prepaid expenses	351,076	218,552
	<hr/> 163,442,652	<hr/> 156,723,268
Contingent liabilities (note 12)		
Commitments (note 13)		
Accumulated municipal equity	<hr/> \$ 163,489,586	<hr/> \$ 157,513,809

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Operations and Accumulated Municipal Equity

Year ended December 31, 2023, with comparative information for 2022

	2023 Reconciled budget (note 14)	2023 Actual	2022 Actual (Restated - note 17)
Revenue:			
Property taxation	\$ 21,526,786	\$ 21,315,362	\$ 19,215,501
Taxation from other governments	552,654	595,060	552,744
User charges	12,626,055	14,301,453	12,188,597
Government grants	1,963,532	1,643,188	1,869,458
Grants from other municipalities	162,791	149,486	82,845
Investment income	1,189,837	1,228,604	745,499
Penalties and interest on taxes	475,000	567,548	491,764
Donations	57,000	188,417	54,300
Transfers from obligatory reserve funds	906,963	(80,232)	209,864
Other	280,800	760,989	1,036,892
Loss on disposal of tangible capital assets	(93,559)	(93,559)	-
Total revenue	39,647,859	40,576,316	36,447,464
Expenses (note 15):			
General government	4,993,977	5,359,177	4,463,666
Protection services	9,616,788	10,950,403	9,462,253
Transportation services	6,479,224	7,118,348	6,775,209
Environmental services	12,652,695	11,799,171	11,331,124
Health services	381,063	406,427	375,719
Library	1,133,523	1,122,555	1,082,251
Recreation and culture services	5,121,101	5,314,703	4,859,330
Planning and development	1,844,218	1,482,358	1,313,261
Total expenses	42,222,589	43,553,142	39,662,813
Annual operating deficit	(2,574,730)	(2,976,826)	(3,215,349)
Revenue related to capital:			
Property taxation	3,001,116	3,001,116	3,033,115
Government grants	6,548,291	4,333,069	3,278,515
Transfers from obligatory reserve funds	264,428	1,125,276	2,486,637
Contributions from others	679,827	368,464	-
Other	4,167,718	124,678	175,689
Contributed tangible capital assets	-	-	1,562,973
Total revenue related to capital	14,661,380	8,952,603	10,536,929
Annual surplus	12,086,650	5,975,777	7,321,580
Accumulated municipal equity, beginning of year, as previously stated	157,513,809	157,513,809	153,204,857
Adjustment on adoption of asset retirement obligation standard (note 17)	-	-	(3,012,628)
Accumulated municipal equity, beginning of year, as restated	157,513,809	157,513,809	150,192,229
Accumulated municipal equity, end of year	\$ 169,600,459	\$ 163,489,586	\$ 157,513,809

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	2023 Reconciled budget (note 14)	2023 Actual	2022 Actual (Restated - note 17)
Annual surplus	\$ 12,086,650	\$ 5,975,777	\$ 7,321,580
Acquisition of tangible capital assets	(18,390,001)	(13,958,567)	(13,634,181)
Proceeds on disposal of tangible capital assets	-	348,701	-
Loss on disposal of tangible capital assets	93,559	93,559	86,491
Amortization of tangible capital assets	6,919,121	6,919,119	6,633,124
	709,329	(621,411)	407,014
Change in prepaid expenses and inventories of supplies	-	(122,196)	(169,068)
Change in net financial assets	709,329	(743,607)	237,946
Net financial assets, beginning of year, as previously stated	790,541	790,541	4,072,760
Adjustment on adoption of asset retirement obligation standard (note 17)	-	-	(3,520,165)
Net financial assets, beginning of year, as restated	790,541	790,541	552,595
Net financial assets, end of year	\$ 1,499,870	\$ 46,934	\$ 790,541

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Municipal Equity

Year ended December 31, 2023, with comparative information for 2022

	2023	2022 (Restated - note 17)
Operating surplus (deficit) breakdown:		
General operating fund	\$ (589,654)	\$ 223,739
Asset retirement obligation	(3,520,165)	(3,520,165)
Employee future benefits liability	(3,265,260)	(3,183,187)
Heritage Business Improvement Area	31,359	23,550
Total operating deficit	(7,343,720)	(6,456,063)
Reserves set aside for specific purposes by Council:		
Working capital	4,217,652	4,329,029
Insurance	34,392	34,392
Waterfront	813,640	851,341
Parking Authority	248,469	239,605
Asset Replacement	4,521,000	3,833,000
Employee Future Benefits	2,229,343	2,149,810
Library	269,638	285,813
Other	15,579	45,579
Total reserves	12,349,713	11,768,569
Reserve funds set aside for specific purposes by Council:		
Downtown Beautification	53,879	51,957
Water system	(2,010,657)	(2,574,110)
Wastewater system	(5,833,652)	(4,422,456)
Hydro proceeds	5,338,796	5,167,407
Pumping Station	309,825	298,772
Low level radioactive waste - urban area	11,360,622	11,150,951
Low level radioactive waste - rural area	10,604,938	10,424,966
Other	35,696	727,358
Total reserve funds	19,859,447	20,824,845
Investment in tangible capital assets:		
Tangible capital assets	162,825,733	156,228,545
Long-term liabilities	(24,669,796)	(25,818,900)
Unexpended capital fundings	1,039,639	1,538,243
Unfinanced capital expenditures	(571,430)	(571,430)
Investment in tangible capital assets	138,624,146	131,376,458
Total accumulated municipal equity	\$ 163,489,586	\$ 157,513,809

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022 (Restated - note 17)
Operating transactions:		
Annual surplus	\$ 5,975,777	\$ 7,321,580
Items not involving cash:		
Amortization of tangible capital assets	6,919,119	6,633,124
Loss on disposal of tangible capital assets	93,559	86,491
Change in employee future benefits liabilities	82,073	68,178
Change in non-working capital items:		
Increase in taxes receivable	(960,618)	(205,390)
Decrease (increase) in accounts receivable	818,124	(2,340,238)
Increase (decrease) in accounts payable and accrued liabilities	2,119,656	(60,510)
Decrease in deferred revenue - obligatory reserve funds	(735,516)	(967,789)
Increase (decrease) in deferred revenue - other	(100,491)	90,665
Decrease (increase) in inventories of supplies	10,328	(126,981)
Increase in prepaid expenses	(132,524)	(42,087)
	<u>8,113,710</u>	<u>3,135,463</u>
Net change in cash from operations	14,089,487	10,457,043
Capital transactions:		
Cash used to acquire tangible capital assets	(13,958,567)	(13,634,181)
Proceeds on disposal of tangible capital assets	348,701	-
	<u>(13,609,866)</u>	<u>(13,634,181)</u>
Investing transactions:		
Purchase of investments	(1,220,663)	(454,965)
Financing transactions:		
Debt principal repayments	(1,149,104)	(1,149,103)
Decrease in cash	(1,890,146)	(4,781,206)
Cash (bank indebtedness), beginning of year	(486,568)	4,294,638
Bank indebtedness, end of year	<u>\$ (2,376,714)</u>	<u>\$ (486,568)</u>

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies:

The consolidated financial statements of the Corporation of the Municipality of Port Hope (the "Municipality") are the representation of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include:

Port Hope Police Services Board
Port Hope Public Library Board
Heritage Business Improvement Area

(ii) Accounting for County and School Board transactions:

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the School Boards, and the County of Northumberland are not reflected in the municipal fund balances of these consolidated financial statements.

(iii) Trust funds and their related operations administered by the Municipality are not consolidated but are reported separately on the Trust Funds Statement of Continuity and Trust Funds Statement of Financial Position.

(b) Employee future benefit obligations:

The Municipality accrues its obligations for employee benefit plans. The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued benefit obligation, are amortized over the average remaining service period of active employees.

(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.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Deferred revenue:

The Municipality receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

(e) Deferred revenue - obligatory reserve funds:

The Municipality receives restricted contributions under the authority of Provincial and Federal legislation and Municipal by-laws. These funds by their nature are restricted in their use, and until applied to applicable expenses, are recorded as deferred revenue. Amounts applied to qualifying costs are recorded as revenue in the fiscal period that they are expended.

(f) Financial instruments:

On January 1, 2023, the Municipality adopted PS 3450 *Financial Instruments* which establishes accounting and reporting for all types of financial instruments, including derivatives as disclosed in Note 4. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost.

Management has not elected to record any investments at fair value as they are not managed and evaluated on a fair value basis.

On application of this standard, unrealized gains and losses arising from changes in fair value are presented in the Consolidated Statement of Remeasurement Gains and Losses which records the remeasurement gains and losses for financial instruments measured at fair value. Unrealized gains and losses are realized upon settlement of the financial instrument when the financial instrument is sold or reaches maturity through the Consolidated Statement of Operations and Accumulated Municipal Equity. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the Consolidated Statement of Operations and Accumulated Municipal Equity.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Consolidated Statement of Operations and Accumulated Municipal Equity and any unrealized gain is adjusted through the Consolidated Statement of Remeasurement Gains and Losses.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(f) Financial instruments (continued):

Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

(g) Consolidated Statement of Remeasurement Gains and Losses:

A Consolidated Statement of Remeasurement Gains and Losses has not been provided as there are no significant unrealized gains or losses at December 31, 2023 or 2022.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(h) Government transfers:

Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made except when and to the extent that stipulations by the transferor give rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(i) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Amounts subject to estimates include future employee benefits, asset retirement obligations and the carrying value of tangible capital assets. Actual results could differ from those estimates.

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

Asset	Useful Life - Years
Land improvements	15 to 40
Buildings and building improvements	20 to 50
Linear assets	20 to 75
Machinery and equipment	5 to 25
Technology and communications	3 to 10
Vehicles	2 to 20

Work-in-progress is not amortized until the asset is available for productive use.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other asset as of the date of transfer.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the Consolidated Statement of Operations and Accumulated Municipal Equity in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

(iii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(iv) Interest capitalization:

Interest is capitalized whenever debt is used to finance the construction of tangible capital assets up to the period of substantial completion.

(v) Impairment:

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

(vi) Inventories of supplies:

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(k) Property taxation:

The Municipality recognizes property tax revenue using the approved tax rate and the anticipated assessment. Taxes receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred. The standard requires that property tax revenue be reported net of tax concessions. Tax transfers are reported as an expense and taxes levied on behalf of others in a flow through arrangement are not reported in the Consolidated Statement of Operations and Accumulated Municipal Equity.

(l) Pension and employee benefits:

The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined benefit plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlement, sick leave and other benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave and other benefits are accrued in accordance with the Municipality's policy.

(m) Asset retirement obligations:

An asset retirement obligation ("ARO") is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for the removal of asbestos in several of the buildings owned by the Municipality has been recognized based on estimated undiscounted future expenses. Under the modified retroactive method, the assumptions used on initial recognition are those as of the date of adoption in the standard. Assumptions used in the subsequent calculations are revised yearly.

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liabilities are recognized in the Consolidated Statement of Operations and Accumulated Municipal Equity at the time of remediation.

The recognition of the ARO liability resulted in an accompanying increase to the respective tangible capital assets. Building tangible capital assets affected by the asbestos liability are being amortized with the building following the amortization accounting policies outlined in Note 1(j).

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(n) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the Municipality:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefit will be given up; and
- (e) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

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	
	2023	2022	2023	2022
Amounts requisitioned	\$ 5,415,686	\$ 5,318,931	\$ 13,276,112	\$ 12,334,678

3. Trust funds:

Trust funds administered by the Municipality amounting to \$1,067,711 (2022 - \$1,011,601) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Municipal Equity.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

4. Investments:

			2023		2022	
	Level	Cost	Market value	Cost	Market value	
Cash and cash equivalents	1	\$ 11,687,696	\$ 11,687,686	\$ 14,947,019	\$ 14,947,019	
Fixed income securities	1	23,597,575	23,241,988	19,117,589	18,476,231	
		\$ 35,285,271	\$ 34,929,674	\$ 34,064,608	\$ 33,423,250	

There were no transfers in or out of Levels 1, Level 2 and Level 3 for the years ended December 31, 2023 and 2022.

The fixed income securities yield interest between 0.95% and 5.04% and have maturities ranging from February 2024 to September 2029. Maturities during 2023 were subsequently reinvested.

5. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 263 (2022 - 177) members of its staff. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2022. At that time, the plan reported a \$4.2 billion actuarial deficit (2022 - \$6.7 billion actuarial deficit) and a funded ratio of 97% (2022 - 95%). OMERS plans to improve the funded status through managing contribution rates, benefit design and investment returns while reducing the discount rate over time with the goal of being fully funded by 2025.

The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for current service in 2023 was \$1,396,782 (2022 - \$1,172,774) and is included as an expense on the Consolidated Statement of Operations and Accumulated Municipal Equity.

6. Employee future benefit liabilities:

Extended health care and dental benefits: The Municipality provides extended health care, dental and other benefits to its employees. Extended health care and dental benefits continue to be available to early retirees up to the age of 65, with the exception of Uniformed Police Association retirees who had been hired by the Port Hope Police Services Board prior to January 1, 2014; who after the age of 65 receive single coverage benefits for life.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

6. Employee future benefit liabilities (continued):

Life insurance benefits: The Municipality does not provide for a retiree life insurance benefit to full-time retirees regardless of age of retirement with the exception of a closed group. This group is eligible for a retiree life benefit of two (2) times salary at retirement to eligible full-time non-police members until age 65, provided they retired on or before January 1, 2012. At age 65, the participant may elect to pay the premium and remain insured under this benefit, the sum insured is reduced by 50%.

Early retirement incentive: The Municipality provides Municipal uniform police with an early retirement incentive if they become eligible for an unreduced OMERS pension before age 60, provided they retire within 30 days of their eligible early retirement date.

An independent actuarial study of the employee non-pension retirement benefits has been undertaken. The most recent valuation of the employee future benefits was completed for fiscal 2023.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employees, which is estimated to be 15 years (2022 - 13 years).

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, 2023, the accrued benefit liability was \$3,265,260 (2022 - \$3,183,187).

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

Discount rate	4.50% per annum
Inflation rate	2.00% per annum
Dental benefits escalation	4.00% per annum
Health benefits escalation	Escalate at 6.00% in 2024 vs. 2023, reducing by 0.333% per year to 4.00% in 2030 vs. 2029, and remaining at 4.00% per year thereafter

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

	2023	2022
Accrued benefit liability, beginning of year	\$ 3,183,187	\$ 3,115,009
Expense recognized for the year	119,592	117,533
Interest cost	119,381	119,017
Benefits paid for the year	(222,730)	(234,204)
Amortization of actuarial loss	65,830	65,832
Accrued benefit liability, end of year	\$ 3,265,260	\$ 3,183,187

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

6. Employee future benefit liabilities (continued):

	2023	2022
Accrued benefit obligation at December 31	\$ 3,060,056	\$ 3,722,750
Unamortized actuarial gain (loss)	205,204	(539,563)
Accrued benefit liability at December 31	\$ 3,265,260	\$ 3,183,187

7. Deferred revenue - obligatory reserve funds:

A requirement of the CPA Canada Public Sector Accounting Handbook is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Municipality are summarized below:

	2023	2022
Balance, beginning of year	\$ 5,016,920	\$ 5,984,709
Additions as follows:		
Ontario Community Infrastructure fund	1,460,465	1,472,261
Federal grant - gasoline tax	554,425	531,324
Provincial grant - gasoline tax	165,722	164,477
Development contributions	700,518	830,437
Investment income	192,986	87,194
Utilization as follows:		
Operating	(207,205)	(288,233)
Capital	(3,496,403)	(3,787,914)
Direct receipt from (payment to) developer	(106,024)	22,665
Balance, end of year	\$ 4,281,404	\$ 5,016,920

	2023	2022
Analyzed as follows:		
Parkland	\$ 132,946	\$ 123,096
Development charges	5,580	24,000
Ontario Community Infrastructure fund	1,482,190	1,665,655
Gasoline tax:		
Provincial	633,932	591,106
Federal	2,001,895	2,308,211
Building inspection	24,861	304,852
	\$ 4,281,404	\$ 5,016,920

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

8. Asset retirement obligations:

The Municipality's asset retirement obligations consist of the following:

(a) Asbestos obligation:

The Municipality owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280 *Asset Retirement Obligations*, the Municipality assessed an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at January 1, 2023. Post-closure care is estimated to extend for up to a year post the closure of the building, while demolition and construction continues. Estimated costs have not been discounted as the date of demolition is unknown.

The change in the estimated obligation during the year consists of the following:

	Asbestos removal
Balance, January 1, 2022 as previously stated	\$ —
Adjustment on adoption of PS 3280 <i>Asset Retirement Obligations</i> (note 17)	3,520,165
Balance, January 1, 2022, as restated	3,520,165
Accretion expense	—
Balance, December 31, 2022, as restated	3,520,165
Accretion expense	—
Balance, December 31, 2023	\$ 3,520,165

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

9. Net long-term liabilities:

- (a) The debenture debt consists of several debentures payable to Infrastructure Ontario that mature in the years 2024 to 2051. At the end of the year, the outstanding principal amount of this liability is \$24,669,796 (2022 - \$25,818,900).

	2023	2022
Infrastructure Ontario Debenture, bears interest at 4.73%, payable in semi-annual payments with a maturity date of January 17, 2051	\$ 20,961,875	\$ 21,724,126
Infrastructure Ontario Debenture, bears interest at 3.06%, payable in semi-annual payments with a maturity date of March 15, 2036	1,875,000	2,025,000
Infrastructure Ontario Debenture, bears interest at 3.06%, payable in semi-annual payments with a maturity date of March 15, 2036	1,562,500	1,687,500
Infrastructure Ontario Debenture, bears interest at 4.7%, payable in semi-annual payments with a maturity date of June 15, 2024	29,600	88,800
Infrastructure Ontario Debenture, bears interest at 3.07%, payable in semi-annual payments with a maturity date of December 17, 2027	100,267	125,333
Infrastructure Ontario Debenture, bears interest at 4.42%, payable in semi-annual payments with a maturity date of February 15, 2031	82,500	93,500
Infrastructure Ontario Debenture, bears interest at 3.35%, payable in semi-annual payments with a maturity date of May 1, 2027	58,054	74,641
	<u>\$ 24,669,796</u>	<u>\$ 25,818,900</u>

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

2024	\$ 1,119,504
2025	1,089,904
2026	1,089,904
2027	1,081,610
2028	1,048,250
Thereafter	19,240,624
	<u>\$ 24,669,796</u>

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

9. Net long-term liabilities:

(c) The long-term liabilities in (a) issued in the name of the Municipality have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs & Housing.

10. Charges for net long-term liabilities:

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

	2023	2022
Principal payments	\$ 1,149,104	\$ 1,149,104
Interest	1,124,324	1,173,216
	<u>\$ 2,273,428</u>	<u>\$ 2,322,320</u>

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

11. Tangible capital assets:

Cost	Balance at December 31, 2022, as previously stated	Adjustments on adoption of PS 3280 (note 17)	Balance at December 31, 2022, as restated	Transfers and additions	Transfers, disposals and adjustments	Balance at December 31, 2023
Land	\$ 8,258,066	\$ —	\$ 8,258,066	\$ —	\$ —	\$ 8,258,066
Land improvements	9,351,792	—	9,351,792	218,457	490,702	10,060,951
Buildings and building improvements	98,584,488	—	98,584,488	251,796	23,389	98,859,673
Linear assets	125,766,046	—	125,766,046	1,320,414	317,494	127,403,954
Machinery and equipment	4,714,815	—	4,714,815	77,862	55,933	4,848,610
Technology and communications	2,478,274	—	2,478,274	327,616	169,697	2,975,587
Vehicles	10,982,200	—	10,982,200	67,015	1,228,913	12,278,128
Asset retirement obligations	—	3,520,165	3,520,165	—	—	3,520,165
Work-in-progress	10,627,444	—	10,627,444	12,313,259	(4,687,693)	18,253,010
Total	\$ 270,763,125	\$ 3,520,165	\$ 274,283,290	\$ 14,576,419	\$ (2,401,565)	\$ 286,458,144

Accumulated amortization	Balance at December 31, 2022, as previously stated	Adjustments on adoption of PS 3280 (note 17)	Balance at December 31, 2022, as restated	Amortization expense	Transfers, disposals and adjustments	Balance at December 31, 2023
Land improvements	\$ 6,178,214	\$ —	\$ 6,178,214	\$ 274,956	\$ —	\$ 6,453,170
Buildings and building improvements	42,769,548	—	42,769,548	3,149,203	(46,853)	45,871,898
Linear assets	54,675,459	—	54,675,459	2,101,520	—	56,776,979
Machinery and equipment	1,954,990	—	1,954,990	246,353	(155,921)	2,045,422
Technology and communications	2,024,929	—	2,024,929	403,332	(60,641)	2,367,620
Vehicles	7,376,671	—	7,376,671	681,449	(1,078,038)	6,980,082
Asset retirement obligations	—	3,074,934	3,074,934	62,306	—	3,137,240
Total	\$ 114,979,811	\$ 3,074,934	\$ 118,054,745	\$ 6,919,119	\$ (1,341,453)	\$ 123,632,411

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

11. Tangible capital assets (continued):

Net book value	Balance at December 31, 2022, as restated	Balance at December 31, 2023
Land	\$ 8,258,066	\$ 8,258,066
Land improvements	3,173,578	3,607,781
Buildings and building improvements	55,814,940	52,987,775
Linear assets	71,090,587	70,626,975
Machinery and equipment	2,759,825	2,803,188
Technology and communications	453,345	607,967
Vehicles	3,605,529	5,298,046
Asset retirement obligations	445,231	382,925
Work-in-progress	10,627,444	18,253,010
Total	\$ 156,228,545	\$ 162,825,733

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

11. Tangible capital assets (continued):

(a) Work-in-progress:

Assets under construction having a value of \$18,253,010 (2022 - \$10,627,444) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

During the year, there was \$nil (2022 - \$1,562,973) in contributed tangible capital assets.

(c) Works of art and historical treasures:

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

(d) Write-down of tangible capital assets:

During the year, there were cumulative total write-downs of tangible capital assets of \$21,278 (2022 - \$Nil).

During the year, land held for resale in the amount of \$nil (2022 - \$nil) was sold. Additionally, there were \$nil (2022 - \$nil) of write-downs related to land held for resale assets. This amount was recorded in general government expenses on the Consolidated Statement of Operations and Accumulated Municipal Equity.

12. Contingent liabilities:

- (a) The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2023, management believes that the Municipality has valid defences and appropriate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable; therefore, no amount has been accrued in the consolidated financial statements.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

12. Contingent liabilities (continued):

(b) Liability for contaminated sites:

(i) Environmental Liabilities – Monitoring and Maintenance Costs:

In accordance with the Settlement Agreement between Canada and the Municipality dated April 11, 2017, O.Reg 153/04, the Municipality is responsible for monitoring and maintenance of four industrial sites – Center Pier, Lions Park, Coal Gas, and Chemetron Lagoon. The total estimated cost for risk management measures over the next two years is \$402,840. These costs relate solely to ongoing maintenance and monitoring activities and are not directly attributable to the remediation measures for these sites. Consequently, these costs are expensed as incurred over the monitoring period.

(ii) Contingent Liabilities – Low-Level Radioactive Waste Sites:

The Municipality has identified nine sites which contain Low-Level Radioactive Waste (LLRW), subject to special circumstances defined by the Port Hope Area Initiative Project. Under this initiative, the Government of Canada has assumed responsibility for these sites, including maintenance and potential future remediation activities, for an estimated period of 20 to 30 years. Since any future obligation related to these sites remains uncertain for the Municipality and will not be known until the Government of Canada completes remediation activities under the Port Hope Area Initiative, no obligation is recognized in the Municipality's financial statements for these sites. This responsibility will be reassessed annually based upon the outcome of the Port Hope Area Initiative Project.

13. Commitments:

- (a) The Municipality has on-going capital and operating commitments as a regular part of operations. At December 31, 2023, the Municipality has outstanding capital project contractual commitments of approximately \$5.5 million (2022 - \$4.0 million).
- (b) In 2019, the Municipality entered into a 5-year agreement with the OPP for policing in the rural area from January 1, 2020 to December 31, 2024. The estimated costs for 2024 are \$618,915.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

14. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2023 operating and capital budgets approved by Council on February 7, 2023 and reconciled for comparison purposes to the actuals which are presented to comply with Canadian Public Sector Accounting Standards. In accordance with Ontario Regulation 284/09, the budget approved by Council excluded amortization and post-employment benefit expense. The budget was prepared on a modified accrual basis, while Public Sector Accounting Board (PSAB) reporting requirements require a full accrual basis. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. The reconciliation of the budget adopted by Council for the purposes of comparison in these consolidated financial statements is shown in the following table:

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CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

14. Budget data (continued):

	2023 Annual Operating Budget Adopted by Council	Adjustments for Consolidated Entity - HBIA	Amortization	Loss on Disposal of Assets	Employee Future Benefits	Debt Repayment Reallocation	Investment Income on Discretionary Reserve Funds	Transfers to Reserves and Discretionary Reserve Funds	2023 Comparator (PSAB) Budget	Capital Reallocation	2023 Total Budget
Revenues											
Property taxation	\$ 21,464,469	\$ 62,317	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,526,786	\$ 3,001,116	\$ 24,527,902
Taxation from other governments	552,654	-	-	-	-	-	-	-	552,654	-	552,654
User charges	12,626,055	-	-	-	-	-	-	-	12,626,055	-	12,626,055
Government grants	1,963,532	-	-	-	-	-	-	-	1,963,532	6,548,291	8,511,823
Grants from other municipalities	162,791	-	-	-	-	-	-	-	162,791	-	162,791
Investment Income	197,900	-	-	-	-	-	991,937	-	1,189,837	-	1,189,837
Penalties and interest on taxes	475,000	-	-	-	-	-	-	-	475,000	-	475,000
Donations	57,000	-	-	-	-	-	-	-	57,000	-	57,000
Deferred revenue earned from (to) obligatory reserve funds	906,963	-	-	-	-	-	-	-	906,963	264,428	1,171,391
Other	269,300	11,500	-	-	-	-	-	-	280,800	4,847,545	5,128,345
Loss on disposal of tangible capital assets	-	-	-	(93,559)	-	-	-	-	(93,559)	-	(93,559)
Total revenue	38,675,664	73,817	-	(93,559)	-	-	991,937	-	39,647,859	14,661,380	54,309,239
Expenses											
General government	5,211,913	-	439,991	-	82,073	-	-	(740,000)	4,993,977	-	4,993,977
Protective services	9,532,456	-	484,498	-	-	(236,854)	-	(163,312)	9,616,788	-	9,616,788
Transportation services	4,797,710	-	1,681,514	-	-	-	-	-	6,479,224	-	6,479,224
Environmental services	12,190,376	-	3,442,806	-	-	(762,250)	-	(2,218,237)	12,652,695	-	12,652,695
Health services	352,347	-	28,716	-	-	-	-	-	381,063	-	381,063
Library	1,050,937	-	82,586	-	-	-	-	-	1,133,523	-	1,133,523
Parks, recreation and culture	4,524,596	-	746,505	-	-	(150,000)	-	-	5,121,101	-	5,121,101
Planning and development	1,846,206	85,507	12,505	-	-	-	-	(100,000)	1,844,218	-	1,844,218
Total expenses	39,506,541	85,507	6,919,121	-	82,073	(1,149,104)	-	(3,221,549)	42,222,589	-	42,222,589
Annual surplus (deficit)	(830,877)	(11,690)	(6,919,121)	(93,559)	(82,073)	1,149,104	991,937	3,221,549	(2,574,730)	14,661,380	12,086,650
Contributions from (transfer to) reserves and discretionary reserve funds	830,877	-	-	-	-	-	-	(3,221,549)	(2,390,672)	3,750,621	1,359,949
Debt allocation	-	-	-	-	-	(1,149,104)	-	-	(1,149,104)	-	(1,149,104)
Investment in capital assets	-	-	-	-	-	-	-	-	-	(18,412,001)	(18,412,001)
Total budget	\$ -	\$ (11,690)	\$ (6,919,121)	\$ (93,559)	\$ (82,073)	\$ -	\$ 991,937	\$ -	\$ (6,114,506)	\$ -	\$ (6,114,506)

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

15. Segmented information:

The Municipality is a municipal government institution that provides a range of services to its citizens, including police, fire, transportation, recreational and environmental. For management reporting purposes the Municipality's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) General Government:

Includes administration, corporate services and governance of the Municipality. Administration as a segment includes human resource management, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status as well as frontline reception and customer service.

(b) Protection 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, wastewater plant and sanitary sewer services and storm sewer, waste collection and low-level radioactive waste management and administration.

(e) Health Services:

Includes the management and maintenance of municipal cemeteries and physician recruitment.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

15. Segmented information (continued):

(f) Library:

Includes allocations for the purpose of providing library services.

(g) Recreation and Culture Services:

Provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community centres, parks, recreation fields and the arena.

(h) Planning and Development:

Manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision of geomatics services.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. These municipal services are funded primarily by property tax revenue. Taxation and payments-in-lieu of taxes are apportioned to these services based on the annual budget. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on segmented budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

15. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Library	Recreation and Culture Services	Planning and Development	2023 Total
Revenue:									
User charges	\$ 43,393	\$ 1,437,653	\$ 139,396	\$ 11,266,544	\$ 182,205	\$ 3,871	\$ 1,108,845	\$ 119,546	\$ 14,301,453
Government grants	284,699	163,082	2,497,378	1,198,301	-	35,639	1,783,593	13,565	5,976,257
Grants from other municipalities	-	8,638	-	140,848	-	-	-	-	149,486
Investment income	1,228,604	-	-	-	-	-	-	-	1,228,604
Penalties and interest on taxes	567,548	-	-	-	-	-	-	-	567,548
Donations	-	-	-	-	-	15,124	167,069	6,224	188,417
Transfer (to) from deferred obligatory reserve funds	(239,492)	-	145,000	-	-	-	4,167	10,093	(80,232)
Contributions from others	-	-	368,464	-	-	-	-	-	368,464
Other	150,771	362,083	76,159	177,962	27,354	9,779	23,186	58,373	885,667
Loss on disposal of tangible capital asset	-	(14,702)	-	(46,844)	-	-	(32,013)	-	(93,559)
	2,035,523	1,956,754	3,226,397	12,736,811	209,559	64,413	3,054,847	207,801	23,492,105
Expenses:									
Salaries, wages and employee benefits	3,411,390	6,787,287	3,402,785	2,586,045	255,493	682,897	2,733,550	910,829	20,770,276
Long-term debt interest expense	-	62,728	-	1,002,034	-	-	59,562	-	1,124,324
Materials	980,370	2,299,953	1,543,368	3,825,682	59,505	311,371	1,548,860	149,236	10,718,345
Contracted services	507,977	1,031,302	464,887	937,109	9,388	45,010	22,276	399,694	3,417,643
Rents and financial expenses	19,449	22,221	25,794	5,495	-	691	16,400	10,095	100,145
External transfers	-	262,415	-	-	53,325	-	187,550	-	503,290
Amortization	439,991	484,497	1,681,514	3,442,806	28,716	82,586	746,505	12,504	6,919,119
	5,359,177	10,950,403	7,118,348	11,799,171	406,427	1,122,555	5,314,703	1,482,358	43,553,142
Excess of expenses over revenue before taxation	(3,323,654)	(8,993,649)	(3,891,951)	937,640	(196,868)	(1,058,142)	(2,259,856)	(1,274,557)	(20,061,037)
Funded through:									
Property taxation									24,316,478
Taxation from other governments									595,060
Transfer from deferred obligatory reserve funds									1,125,276
Excess of revenue over expenses (expenses over revenue)	\$ (3,323,654)	\$ (8,993,649)	\$ (3,891,951)	\$ 937,640	\$ (196,868)	\$ (1,058,142)	\$ (2,259,856)	\$ (1,274,557)	\$ 5,975,777

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

15. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Library	Recreation and Culture Services	Planning and Development	2022 Total
Revenue:									
User charges	\$ 51,977	\$ 1,066,218	\$ 289,292	\$ 9,678,140	\$ 170,632	\$ 843	\$ 787,291	\$ 144,204	\$ 12,188,597
Government grants	299,819	115,826	1,337,423	1,477,886	-	33,460	1,859,686	23,873	5,147,973
Grants from other municipalities	-	19,519	20,000	43,326	-	-	-	-	82,845
Investment income	745,499	-	-	-	-	-	-	-	745,499
Penalties and interest on taxes	491,764	-	-	-	-	-	-	-	491,764
Donations	-	-	446	-	-	8,875	33,296	11,683	54,300
Transfer (to) from deferred obligatory	(20,688)	27,518	181,970	-	-	12,483	-	8,581	209,864
Contributions from others	-	-	-	-	-	-	-	-	-
Other	664,525	119,006	209,902	85,117	25,994	4,742	56,886	46,409	1,212,581
Contributions from others (tangible capital assets)	-	-	593,691	969,281	1	-	-	-	1,562,973
	2,232,896	1,348,087	2,632,724	12,253,750	196,627	60,403	2,737,159	234,750	21,696,396
Expenses:									
Salaries, wages and employee benefits	2,954,532	6,001,536	3,145,463	2,369,715	236,422	602,436	2,310,533	712,040	10,420,677
Long-term debt interest expense	-	71,067	-	1,038,088	-	-	64,060	-	1,173,215
Materials	793,058	1,518,224	1,337,102	3,494,704	50,431	319,952	1,295,687	279,343	9,088,501
Contracted services	513,254	1,034,835	569,513	1,039,888	9,044	71,162	185,022	300,961	3,723,679
Rents and financial expenses	10,696	13,034	16,040	10,387	-	762	13,614	8,413	72,946
External transfers	-	283,856	-	-	52,474	-	214,341	-	550,671
Amortization	192,126	459,701	1,707,091	3,378,342	27,348	87,939	768,073	12,504	6,633,124
	4,463,666	9,462,253	6,775,209	11,331,124	375,719	1,082,251	4,859,330	1,313,261	39,662,813
Excess of expenses over revenue before taxation	(2,230,770)	(8,114,166)	(4,142,485)	922,626	(179,092)	(1,021,848)	(2,122,171)	(1,078,511)	(17,966,417)
Funded through:									
Property taxation									22,248,616
Taxation from other governments									552,744
Transfer from deferred obligatory reserve funds									2,486,637
Excess of revenue over expenses (expenses over revenue)	\$ (2,230,770)	\$ (8,114,166)	\$ (4,142,485)	\$ 922,626	\$ (179,092)	\$ (1,021,848)	\$ (2,122,171)	\$ (1,078,511)	\$ 7,321,580

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

16. Bank indebtedness:

The Municipality's financial agreement with its bank provides for an operating credit facility of up to \$6,500,000 from October 1, 2023 to December 31, 2023 to finance expenses, pending receipt of property taxes and other income. As at December 31, 2023, \$2,376,714 (2022 - \$486,568) was drawn, bearing interest at prime rate, less 0.25%.

17. Change in accounting policy – adoption of new accounting standards:

- (a) The Municipality adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments*, and PS 3450 *Financial Instruments*.

PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Consolidated Statement of Remeasurement Gains and Losses separate from the Consolidated Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Consolidated Statement of Remeasurement Gains and Losses.

PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.

PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Consolidated Statement of Remeasurement Gains and Losses.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

17. Change in accounting policy – adoption of new accounting standards (continued):

(a) (continued)

(i) Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

(ii) Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

In accordance with PS 3450 *Financial Instruments*, the financial statements of prior periods were not restated on transition. Consequently, the accounting policies for recognition, derecognition and measurement of financial instruments applied to the comparative information reflect those disclosed in the 2022 financial statements.

On application of this standard, a new statement, the Consolidated Statement of Remeasurement Gains and Losses has not been included in these financial statements as there are no unrealized gains or losses to report.

Any difference between the financial instruments' fair values as at January 1, 2023 and previous carrying amounts as at December 31, 2022, excluding previously recognized exchange gains and losses, were recognized as an adjustment to the opening balance of accumulated remeasurement gains and losses. Hence, no comparative amounts are reported in the Consolidated Statement of Remeasurement Gains and Losses due to prospective application of this standard.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

17. Change in accounting policy – adoption of new accounting standards (continued):

- (b) PS 3280 *Asset Retirement Obligations* ("ARO") establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 on a modified retroactive basis with prior period restatement.

In the past, the Municipality has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability*. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from Municipality. The Municipality reports liabilities related to the legal obligations where the Municipality is obligated to incur costs to retire a tangible capital asset.

The Municipality's ongoing efforts to assess the extent to which designated substances exist in Municipality assets, and new information obtained through regular maintenance and renewal of Municipality assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes in the estimated cost to fulfil the obligation. The measurement of assets retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows. Subsequently, accretion of the discounted liability due to the passage of time is recorded as an in-year expense (if applicable).

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

17. Change in accounting policy – adoption of new accounting standards (continued):

(b) (continued):

To estimate the liability for similar buildings that do not have information on asbestos and other designated substances, the Municipality uses buildings with assessments on the extent and nature of the designated substances in the building to measure the liability and those buildings and this information is extrapolated to a group of similar assets that do not have designated substances reports. As more information becomes available on specific assets, the liability is revised to be asset specific. In other situations, where the building might not be part of a large portfolio, other techniques are used such as using industry data, experts or basing the estimate on a specific asset that is similar (if applicable).

In accordance with the provisions of the new standard, the Municipality reflected the following adjustments as at December 31, 2022:

2022	As previously reported	Adjustments	As restated
Consolidated Statement of Financial Position:			
Asset retirement obligations	\$ –	\$ 3,520,165	\$ 3,520,165
Tangible capital assets	155,783,314	445,231	156,228,545
Accumulated municipal equity	160,588,743	(3,074,934)	157,513,809
Consolidated Statement of Operations and Accumulated Municipal Equity:			
Protection services	9,461,442	811	9,462,253
Transportation services	6,772,978	2,231	6,775,209
Health services	375,714	5	375,719
Parks, recreation and culture	4,801,123	58,207	4,859,330
Planning and development	1,312,209	1,052	1,313,261
Annual surplus	7,383,886	(62,306)	7,321,580
Consolidated Statement of Changes in Financial Assets:			
Annual surplus	7,383,886	(62,306)	7,321,580
Amortization of tangible capital assets	6,570,818	62,306	6,633,124
Net financial assets, beginning of year	4,072,760	(3,520,165)	552,595
Consolidated Statement of Municipal Equity:			
Asset retirement obligations	–	(3,520,165)	(3,520,165)
Tangible capital assets	155,783,314	445,231	156,228,545
Total accumulated municipal equity	160,588,743	(3,074,934)	157,513,809

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

18. Financial instruments and risk management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Municipality is exposed to credit risk with respect to accounts receivable on the Consolidated Statement of Financial Position.

The Municipality assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Municipality at December 31, 2023 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Consolidated Statement of Operations and Accumulated Municipal Equity. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Consolidated Statement of Operations and Municipal Equity.

	Current	Past due	Gross receivables	Allowances	Net receivables
Accounts receivable	\$ 6,974,136	\$ 401,737	\$ 7,375,873	\$ –	\$ 7,375,873
Taxes receivable	1,937,845	2,077,750	4,015,595	–	4,015,595
Total	\$ 8,911,981	\$ 2,479,487	\$11,391,468	\$ –	\$11,391,468

(b) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, impact the Municipality's income or the value of its holdings of financial instruments. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2022.

(i) Currency risk:

Currency risk arises from the Municipality's operations in different currencies and converting non-Canadian earnings at different points in time at different foreign currency levels when adverse changes in foreign currency rates occur. The Municipality does not have any material transactions or financial instruments denominated in foreign currencies.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

18. Financial instruments and risk management (continued):

(b) Market risk (continued):

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Municipality to cash flow interest rate risk.

The Municipality's management monitors the interest rate fluctuations on a continuous basis and acts accordingly with regards to long-term debt as described in note 9. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the long-term debt.

There has been no change to the interest rate risk exposure from 2022.

(iii) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Municipality is not exposed to this risk based on the current investment portfolio.

(c) Liquidity risk:

Liquidity risk is the risk that the Municipality will not be able to meet all of its cash outflow obligations as they come due. The Municipality mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable are all current and the terms of the long-term debt are disclosed in note 9.

There have been no significant changes from the previous year in the Municipality's exposure to liquidity risk or policies, procedures and methods used to measure the risk.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Schedule A: Heritage Business Improvement Area Statement of Revenue and Expenses and Surplus

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Net levy	\$ 62,317	\$ 62,317
Other revenue	18,080	13,183
Advertising revenue	—	7,314
	<u>80,397</u>	<u>82,814</u>
Expenses:		
Stationery, supplies and office	5,974	9,353
Improvements	16,336	11,319
Advertising	7,389	20,337
Special events	69	3,372
Wages and employee benefits	28,582	35,495
Contracted services	14,238	—
	<u>72,588</u>	<u>79,876</u>
Excess of revenue over expenses	7,809	2,938
Surplus, beginning of year	23,553	20,615
Surplus, end of year	<u>\$ 31,362</u>	<u>\$ 23,553</u>

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Trust Funds of the Corporation of the Municipality of Port Hope (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2023
- the continuity of trust funds for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and the continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

(date)

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance Trust Funds
Statement of Financial Position

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Cash	\$ 234,592	\$ 386,445
Accrued interest receivable	4,371	2,674
Investments (market value \$825,761) (note 7)	828,619	622,971
Due to (from) operating fund	128	(489)
	<u>\$ 1,067,710</u>	<u>\$ 1,011,601</u>
Liabilities and Fund Balances		
Trust fund:		
Balances:		
Capital	\$ 944,712	\$ 892,637
Income	122,998	118,964
	<u>\$ 1,067,710</u>	<u>\$ 1,011,601</u>

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance Trust Funds Statement of Continuity

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Funds balances, beginning of year	\$ 1,011,601	\$ 956,382
Revenue and Capital Contributions:		
Cemetery care and maintenance	50,404	54,828
Interest, dividends earned and other	29,810	12,379
	80,214	67,207
Expenses:		
Transfer to operating fund	24,105	11,988
Funds balances, end of year	\$ 1,067,710	\$ 1,011,601

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance Trust Funds
Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policies:

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

(b) Basis of accounting:

Revenue and expenses are recorded on an accrual basis.

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

(c) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition, and reported on the Statement of Financial Position.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the Statement of Operations.

(e) Investments:

Investments are recorded at cost plus accrued interest and amortization of purchase premiums and discounts. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

Interest earned on investments are reported as revenue in the period earned.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance Trust Funds
Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Statement of cash flows:

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

3. Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at December 31, 2023 or 2022.

4. Financial instruments:

The Trust Fund's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities and are carried at cost. Unless otherwise noted, it is management's opinion that the Trust Fund is not exposed to significant credit, liquidity or market risks arising from these financial instruments. The fair value of the Trust Fund's financial instruments approximates their carrying value due to their short-term nature.

5. Providence Cemetery:

On January 1, 2018 the Municipality assumed all general operating responsibilities of the Providence Cemetery at the request of its Board. The Municipality worked with the Bereavement Authority (BAO) to complete the voluntary transfer of the Providence Cemetery. As of December 31, 2021, the final transfer was completed.

6. Knoxville Cemetery:

On December 1, 2020 Council authorized the transfer of all general operating responsibilities of the Knoxville Cemetery at the request of its Board. The Municipality continues to work with the Bereavement Authority (BAO) to complete the voluntary transfer of the Knoxville Cemetery. As of December 31, 2022, the final transfer has not been completed. The Care & Maintenance Trust Account remains in the care of the Knoxville Cemetery Board until such time as the land transfer is complete. The transfer of land and funds is expected to be complete in 2024.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance Trust Funds
Notes to Financial Statements (continued)

Year ended December 31, 2023

7. Investments:

	Level	2023		2022	
		Cost	Market value	Cost	Market value
Fixed income securities	1	\$ 828,619	\$ 825,763	\$ 622,971	\$ 686,676

There were no transfers in or out of Levels 1, Level 2 and Level 3 for the years ended December 31, 2023 and 2022.

The fixed income securities yield interest between 0.95% and 5.04% and have maturities ranging from June 2024 to September 2029. Maturities during 2023 were subsequently reinvested.

8. Change in accounting policies - adoption of new accounting standards:

(a) On January 1, 2023, the Trust Fund adopted Public Accounting Standard PS 3280 *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings owned by public sector entities.

The adoption of this standard did not result in an accounting policy change for the Trust Fund, and did not result in any adjustments to the financial statements as at January 1, 2023.

(b) The Trust Fund adopted the following standards concurrently beginning January 1, 2023 prospectively with no impact to the financial statements: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments*, and PS 3450 *Financial Instruments*.

(i) PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

(ii) PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance Trust Funds
Notes to Financial Statements (continued)

Year ended December 31, 2023

8. Change in accounting policies - adoption of new accounting standards (continued):

(b) (continued):

(ii) (continued):

The adoption of this standard did not result in an accounting policy change for the Trust Fund, and did not result in any adjustments to the financial statements as at January 1, 2023.

(iii) PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.

(iv) PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

9. Financial instruments and risk management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Trust is exposed to credit risk with respect to accounts receivable and investments on the Statement of Financial Position.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts is \$Nil (2022 - \$Nil).

The investments are invested with reputable investment managers.

There have been no significant changes to the credit risk exposure from 2022.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance Trust Funds
Notes to Financial Statements (continued)

Year ended December 31, 2023

9. Financial instruments and risk management (continued):

(b) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Trust to cash flow interest rate risk.

The Trust's management monitors the interest rate fluctuations on a continuous basis and acts accordingly with regards to investments. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to investments.

There has been no change to the interest rate risk exposure from 2022.

(c) Liquidity risk:

Liquidity risk is the risk that the Trust will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Trust manages its liquidity risk by monitoring its operating requirements. The Trust prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no changes to the risk exposures from 2022.