

"DRAFT"

*MUNICIPALITY OF PORT HOPE
RESOLUTION*

Date: 7 November 2023

64/2023

MOVED BY: _____

SECONDED BY: _____

WHEREAS the Audit Committee at their October 24, 2023 meeting recommended a Resolution be presented to Council to approve the Draft 2022 Financial Statements;

NOW THEREFORE BE IT RESOLVED THAT Council approve the Draft 2022 Audited Financial Statements attached hereto as Appendix "A".

Mayor Olena Hankivsky

Audited Consolidated Financial Statements and
Other Financial Information of

**CORPORATION OF THE
MUNICIPALITY OF PORT HOPE**

Year ended December 31, 2022

DRAFT

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Year ended December 31, 2022

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Page

Management's Responsibility for the Consolidated Financial Statements

Independent Auditor's Report

Audited Financial Statements:

Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Municipal Equity	2
Consolidated Statement of Change in Net Financial Assets (Debt)	3
Consolidated Statement of Municipal Equity	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 24

Other Supplementary Financial Information:

Schedule A: Heritage Business Improvement Area Statement of Revenue and Expenses and Surplus	25
--	----

TRUST FUNDS

Independent Auditor's Report

26

Audited Financial Statements:

Statement of Financial Position	29
Statement of Continuity	30
Notes to Financial Statements	31-32

Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

Brian Gilmer
Interim CAO

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, 2022
- 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, 2022, 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.

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

October 17, 2023

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Financial assets:		
Cash	\$ —	\$ 4,294,638
Taxes receivable	3,054,977	2,849,587
Accounts receivable	8,193,997	5,853,759
Investments (note 4)	34,064,608	33,609,643
Land held for resale (note 10(d))	255,000	255,000
	<u>45,568,582</u>	<u>46,862,627</u>
Financial liabilities:		
Bank indebtedness (note 15)	486,568	—
Accounts payable and accrued liabilities	4,915,061	4,975,571
Employee future benefit liabilities (note 6)	3,183,187	3,115,009
Deferred revenue - obligatory reserve funds (note 7)	5,016,920	5,984,709
Deferred revenue - other	1,837,240	1,746,575
Net long-term liabilities (note 8)	25,818,900	26,968,003
	<u>41,257,876</u>	<u>42,789,867</u>
Net financial assets	4,310,706	4,072,760
Non-financial assets:		
Tangible capital assets (note 10)	155,783,314	148,806,442
Inventories of supplies	276,171	149,190
Prepaid expenses	218,552	176,465
	<u>156,278,037</u>	<u>149,132,097</u>
Contingent liabilities (note 11)		
Commitments (note 12)		
Accumulated municipal equity	<u>\$ 160,588,743</u>	<u>\$ 153,204,857</u>

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Consolidated Statement of Operations and Accumulated Municipal Equity

Year ended December 31, 2022, with comparative information for 2021

	Reconciled budget 2022 (note 13)	Actual 2022	Actual 2021
Revenue:			
Property taxation	\$ 20,311,509	\$ 19,215,501	\$ 19,109,339
Taxation from other governments	487,067	552,744	499,241
User charges	11,819,591	12,188,597	10,782,228
Government grants	1,708,386	1,869,458	1,904,343
Grants from other municipalities	117,379	82,845	137,324
Investment income	594,900	745,499	381,578
Penalties and interest on taxes	475,000	491,764	473,826
Donations	48,500	54,300	51,020
Transfers from obligatory reserve funds	587,129	209,864	45,852
Other	259,350	1,036,892	360,912
Total revenue	36,408,811	36,447,464	33,745,663
Expenses (note 14):			
General government	4,630,839	4,463,666	4,064,856
Protection services	9,255,248	9,461,442	8,360,857
Transportation services	6,260,951	6,772,978	6,246,143
Environmental services	11,852,884	11,331,124	11,120,384
Health services	366,473	375,714	342,222
Library	1,072,139	1,082,251	937,239
Recreation and culture services	4,767,197	4,801,123	4,079,510
Planning and development	1,537,109	1,312,209	1,447,144
Total expenses	39,742,840	39,600,507	36,598,355
Annual operating deficit	(3,334,029)	(3,153,043)	(2,852,692)
Revenue related to capital:			
Property taxation	2,104,410	3,033,115	1,827,000
Government grants	3,212,977	3,278,515	696,468
Transfers from obligatory reserve funds	2,063,847	2,486,637	162,623
Contributions from others	265,000	–	1,000
Other	812,908	175,689	42,669
Contributed tangible capital assets	–	1,562,973	–
Total revenue related to capital	8,459,142	10,536,929	2,729,760
Annual surplus (deficit)	5,125,113	7,383,886	(122,932)
Accumulated municipal equity, beginning of year	153,204,857	153,204,857	153,327,789
Accumulated municipal equity, end of year	\$ 158,329,970	\$ 160,588,743	\$ 153,204,857

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 (Debt)

Year ended December 31, 2022, with comparative information for 2021

	Reconciled budget 2022	Actual 2022	Actual 2021
	(note 13)		
Annual surplus (deficit)	\$ 5,125,113	\$ 7,383,886	\$ (122,932)
Acquisition of tangible capital assets	(13,402,575)	(13,634,181)	(3,152,377)
Loss on disposal of tangible capital assets	86,491	86,491	95,116
Amortization of tangible capital assets	6,570,816	6,570,818	6,495,039
	(1,620,155)	407,014	3,314,846
Change in prepaid expenses and inventories of supplies	—	(169,068)	76,354
Change in net financial assets	(1,620,155)	237,946	3,391,200
Net financial assets, beginning of year	4,072,760	4,072,760	681,560
Net financial assets, end of year	\$ 2,452,605	\$ 4,310,706	\$ 4,072,760

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, 2022, with comparative information for 2021

	2022	2021
Operating surplus (deficit) breakdown:		
General Operating Fund	\$ 223,739	\$ 643,353
Employee Future Benefits Liability	(3,183,187)	(3,115,009)
Heritage Business Improvement Area	23,550	20,613
Public Library Board	-	146,688
Total operating deficit	(2,935,898)	(2,304,355)
Reserves set aside for specific purposes by Council:		
Working capital	4,329,029	6,076,588
Sick leave	-	2,565
Insurance	34,392	34,392
Waterfront	851,341	925,078
Parking Authority	239,605	239,604
Asset Replacement	3,833,000	3,190,000
Employee Future Benefits	2,149,810	2,031,141
Library	285,813	156,849
Other	45,579	45,579
Total reserves	11,768,569	12,701,796
Reserve funds set aside for specific purposes by Council:		
Downtown Beautification	51,957	51,337
Water system	(2,574,110)	(3,289,839)
Wastewater system	(4,422,456)	(2,866,668)
Hydro proceeds	5,167,407	5,075,072
Pumping Station	298,772	295,208
Low level radioactive waste - urban area	11,150,951	10,988,560
Low level radioactive waste - rural area	10,424,966	10,308,077
Council initiatives	-	105,500
Other	727,358	873,160
Total reserve funds	20,824,845	21,540,407
Investment in tangible capital assets:		
Tangible capital assets	155,783,314	148,806,442
Long-term liabilities	(25,818,900)	(26,968,003)
Unexpended capital fundings	1,538,243	-
Unfinanced capital expenditures	(571,430)	(571,430)
Investment in tangible capital assets	130,931,227	121,267,009
Total accumulated municipal equity	\$ 160,588,743	\$ 153,204,857

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, 2022, with comparative information for 2021

	2022	2021
Operating transactions:		
Annual surplus (deficit)	\$ 7,383,886	\$ (122,932)
Items not involving cash:		
Amortization of tangible capital assets	6,570,818	6,495,039
Loss on disposal of tangible capital assets	86,491	95,116
Change in employee future benefits liabilities	68,178	43,277
Change in non-working capital items:		
Increase in taxes receivable	(205,390)	(428,070)
Decrease in land held for resale	—	65,000
Increase in accounts receivable	(2,340,238)	(744,694)
Decrease in accounts payable and accrued liabilities	(60,510)	(136,102)
Increase (decrease) in deferred revenue - obligatory reserve funds	(967,789)	2,320,189
Increase in deferred revenue - other	90,665	264,590
Decrease (increase) in inventories of supplies	(126,981)	37,712
Decrease (increase) in prepaid expenses	(42,087)	38,642
	3,073,157	8,050,699
Net change in cash from operations	10,457,043	7,927,767
Capital transactions:		
Cash used to acquire tangible capital assets	(13,634,181)	(3,152,377)
Investing transactions:		
Purchase of investments	(454,965)	(80,552)
Financing transactions:		
Debt principal repayments	(1,149,103)	(1,937,855)
Increase (decrease) in cash	(4,781,206)	2,756,983
Cash, beginning of year	4,294,638	1,537,655
Cash (bank indebtedness), end of year	\$ (486,568)	\$ 4,294,638

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, 2022

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.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(c) Accrual accounting:

Revenue and expenses are reported on the accrual basis of accounting. Revenue is recognized in the year in which it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(d) Deferred revenue:

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

(e) Deferred revenue - obligatory reserve funds:

The Municipality receives restricted contributions under the authority of Provincial 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) Investments:

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

Investment income earned on available general funds and reserve funds (other than obligatory funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balance.

(g) Government transfers:

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

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(i) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

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

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

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

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

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

(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.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(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.

(j) Property taxation:

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

2. Operations of School Boards and the County of Northumberland:

Requisitions were made by the School Boards and the County of Northumberland requesting the Municipality to collect property taxes and payments in lieu of property taxes on their behalf. The amounts requisitioned are summarized below:

	School Boards		County of Northumberland	
	2022	2021	2022	2021
Amounts requisitioned	\$ 5,318,931	\$ 5,167,682	\$ 12,334,678	\$ 11,767,277

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

3. Trust funds:

Trust funds administered by the Municipality amounting to \$1,011,601 (2021 - \$956,382) 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.

4. Investments:

	2022		2021	
	Cost	Market value	Cost	Market value
Cash and cash equivalents	\$ 14,947,019	\$ 14,947,019	\$ 17,897,000	\$ 17,897,000
Fixed income securities	19,117,589	18,476,231	15,712,643	15,804,046
	<u>\$ 34,064,608</u>	<u>\$ 33,423,250</u>	<u>\$ 33,609,643</u>	<u>\$ 33,701,046</u>

The fixed income securities yield interest between 0.95% and 4.11% and have maturities ranging from February 2023 to March 2027. Maturities during 2022 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 177 (2021 - 168) 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 \$6.7 billion actuarial deficit (2021 - \$3.1 billion actuarial deficit) and a funded ratio of 95% (2021 - 97%). 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 2022 was \$1,172,774 (2021 - \$1,124,766) and is included as an expense on 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, 2022

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.

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 2021.

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 13 years (2021 - 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, 2022, the accrued benefit liability was \$3,183,187 (2021 - \$3,115,009).

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

Discount rate	3.25% per annum
Inflation rate	1.75% per annum
Dental benefits escalation	3.75% per annum
Health benefits escalation	Escalate at 6.75% in 2021 vs. 2020, reducing by 0.333% per year to 3.75% in 2030 vs. 2029, and remaining at 3.75% per year thereafter

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

6. Employee future benefit liabilities (continued):

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

	2022	2021
Accrued benefit liability, beginning of year	\$ 3,115,009	\$ 3,071,732
Expense recognized for the year	117,533	111,602
Interest cost	119,017	119,240
Benefits paid for the year	(234,204)	(247,105)
Amortization of actuarial loss	65,832	59,540
Accrued benefit liability, end of year	\$ 3,183,187	\$ 3,115,009

	2022	2021
Accrued benefit obligation at December 31	\$ 3,722,750	\$ 3,720,404
Unamortized actuarial loss	(539,563)	(605,395)
Accrued benefit liability at December 31	\$ 3,183,187	\$ 3,115,009

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:

	2022	2021
Balance, beginning of year	\$ 5,984,709	\$ 3,664,520
Additions as follows:		
Ontario Community Infrastructure fund	1,472,261	717,981
Federal grant - gasoline tax	531,324	1,042,101
Provincial grant - gasoline tax	164,477	168,161
Development contributions	830,437	1,544,749
Investment income	87,194	57,664
Utilization as follows:		
Operating	(288,233)	(105,055)
Capital	(3,787,914)	(769,141)
Direct receipt from (payment to) developer	22,665	(336,271)
Balance, end of year	\$ 5,016,920	\$ 5,984,709

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Deferred revenue - obligatory reserve funds:

	2022	2021
Analyzed as follows:		
Parkland	\$ 123,096	\$ 121,628
Development charges	24,000	1,574,269
Ontario Community Infrastructure fund	1,665,655	1,126,990
Other government grants		-
Gasoline tax:		
Provincial	591,106	551,915
Federal	2,308,211	2,231,384
Building inspection	304,852	378,523
	\$ 5,016,920	\$ 5,984,709

8. 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 \$25,818,900 (2021 - \$26,968,003).

	2022	2021
Infrastructure Ontario Debenture, bears interest at 4.73%, payable in semi-annual payments with a maturity date of January 17, 2051	\$ 21,724,126	\$ 22,486,375
Infrastructure Ontario Debenture, bears interest at 3.06%, payable in semi-annual payments with a maturity date of March 15, 2036	2,025,000	2,175,000
Infrastructure Ontario Debenture, bears interest at 3.06%, payable in semi-annual payments with a maturity date of March 15, 2036	1,687,500	1,812,500
Infrastructure Ontario Debenture, bears interest at 4.7%, payable in semi-annual payments with a maturity date of June 15, 2024	88,800	148,000
Infrastructure Ontario Debenture, bears interest at 3.07%, payable in semi-annual payments with a maturity date of December 17, 2027	125,333	150,400
Infrastructure Ontario Debenture, bears interest at 4.42%, payable in semi-annual payments with a maturity date of February 15, 2031	93,500	104,500
Infrastructure Ontario Debenture, bears interest at 3.35%, payable in semi-annual payments with a maturity date of May 1, 2027	74,641	91,228
	\$ 25,818,900	\$ 26,968,003

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

8. Net long-term liabilities (continued):

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

2023	\$	1,149,104
2024		1,119,504
2025		1,089,904
2026		1,089,904
2027		1,081,610
Thereafter		20,288,874
	\$	25,818,900

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

9. Charges for net long-term liabilities:

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

	2022	2021
Principal payments	\$ 1,149,104	\$ 1,937,855
Interest	1,173,216	1,231,302
	\$ 2,322,320	\$ 3,169,157

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

10. Tangible capital assets:

Cost	Balance at December 31, 2021	Transfers and additions	Transfers, disposals and adjustments	Balance at December 31, 2022
Land	\$ 8,258,065	\$ 1	\$ -	\$ 8,258,066
Land improvements	9,396,605	54,485	(99,298)	9,351,792
Buildings and building improvements	98,118,888	469,276	(3,676)	98,584,488
Linear assets	124,203,074	1,562,972	-	125,766,046
Machinery and equipment	3,205,150	592,811	916,854	4,714,815
Technology and communications	2,527,124	68,450	(117,300)	2,478,274
Vehicles	11,157,418	696,734	(871,952)	10,982,200
Work-in-progress	1,674,400	10,263,637	(1,310,593)	10,627,444
Total	\$ 258,540,724	\$ 13,708,366	\$ (1,485,965)	\$ 270,763,125

Accumulated amortization	Balance at December 31, 2021	Amortization expense	Transfers, disposals and adjustments	Balance at December 31, 2022
Land improvements	\$ 5,984,555	\$ 287,707	\$ (94,048)	\$ 6,178,214
Buildings and building improvements	39,827,905	3,098,065	(156,422)	42,769,548
Linear assets	52,599,855	2,075,604	-	54,675,459
Machinery and equipment	1,815,424	187,306	(47,740)	1,954,990
Technology and communications	2,015,417	164,639	(155,127)	2,024,929
Vehicles	7,491,126	757,497	(871,952)	7,376,671
Total	\$ 109,734,282	\$ 6,570,818	\$ (1,325,289)	\$ 114,979,811

	Net book value December 31, 2021	Net book value December 31, 2022
Land	\$ 8,258,065	\$ 8,258,066
Land improvements	3,412,050	3,173,578
Buildings and building improvements	58,290,983	55,814,940
Linear assets	71,603,219	71,090,587
Machinery and equipment	1,389,726	2,759,825
Technology and communications	511,707	453,345
Vehicles	3,666,292	3,605,529
Work-in-progress	1,674,400	10,627,444
Total	\$ 148,806,442	\$ 155,783,314

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

10. Tangible capital assets (continued):

(a) Work-in-progress:

Assets under construction having a value of \$10,627,444 (2021 - \$1,674,400) 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 \$1,562,973 (2021 - \$Nil) in contributed tangible capital assets.

(c) Works of art and historical treasures:

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

(d) Write-down of tangible capital assets:

During the year, there were no write-downs of tangible capital assets (2021 - \$Nil).

During the year, land held for resale in the amount of \$Nil (2021 - \$65,000) was sold. Additionally, there were \$Nil (2021 - \$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.

11. 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, 2022, management believes that the Municipality has valid defences and appropriate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable; therefore, no amount has been accrued in the consolidated financial statements.

(b) Liability for contaminated sites:

Since adopting PS3260 Liability for Contaminated Sites in 2015, the Municipality has continued to identify properties not in productive use and determine which may have risk of contamination. At this time, per the 2001 agreement "An Agreement for Clean-up and the Long-Term Safe Management of Low Level Radioactive Waste situate in the Town of Port Hope and the Township of Hope", specific sites identified to be contaminated by historic low-level radioactive waste (LLRW) will be a Federal government responsibility, with cleanup work completed under the Port Hope Area Initiative to meet clean up criteria set by the Canadian Nuclear Safety Commission (CNSC). The site characterization and investigation of properties in Port Hope will determine what sites are impacted by the presence of LLRW. The site investigations commenced in 2015 and will continue through to approximately 2026.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

11. Contingent liabilities (continued):

(b) Liability for contaminated sites (continued):

There are four industrial sites that are known to have non-LLRW contamination present that are the responsibility of the Government of Canada by the Legal Agreement to be remediated on a risk-based approach. The Municipality will be responsible for ongoing risk management measures, monitoring and maintenance at these four sites once the remediation is completed. The estimated post remediation cost for risk management measures for the four (4) industrial sites combined is \$960,000, over the first five (5) year period, and then \$12,000 annually thereafter based on preliminary information provided by the Government of Canada. The responsibility for assessment and subsequent remediation of offsite contaminants surrounding industrial sites, if any, that may be required by the Ministry of Environment, Conservation and Parks is not yet known.

There may be contaminated sites not subject to the clean-up agreement with the Federal government, however until those sites become identified, no reasonable estimate for liability can be determined. Therefore, the Municipality has not accrued for any amounts related to clean-up of contaminated sites on the Consolidated Statement of Financial Position as at December 31, 2022 (2021 - \$Nil) and the Consolidated Statement of Operations and Accumulated Municipal Equity for the year ended December 31, 2022 (2021 - \$Nil).

12. Commitments:

- (a) The Municipality has on-going capital and operating commitments as a regular part of operations. At December 31, 2022, the Municipality has outstanding capital project contractual commitments of approximately \$4.0 million (2021 - \$7.7 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 2022 are \$590,922.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2022 operating and capital budgets approved by Council on December 21, 2021 and reconciled for comparison purposes to the actuals which are presented to comply with Public Sector Accounting Standards. In accordance with Ontario Regulation 284/09, the budget approved by Council excluded amortization and post-employment benefit expense. The budget was prepared on a modified accrual basis, while Public Sector Accounting Board (PSAB) reporting requirements 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, 2022

13. Budget data (continued):

	2022 Annual Operating Budget Adopted by Council	Adjustments for Consolidated Entity - HBIA	Amortization	Loss on Disposal of Assets	Employee Future Benefits	Debt Repayment Reallocation	Transfers to Reserves and Discretionary Reserve Fund	2022 Comparator (PSAB) Budget	Capital Reallocation	Total 2022 Budget
Revenues:										
Property taxation	\$ 20,249,192	\$ 62,317	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,311,509	\$ 2,104,410	\$ 22,415,919
Taxation from other governments	487,067	-	-	-	-	-	-	487,067	-	487,067
User charges	11,819,591	-	-	-	-	-	-	11,819,591	-	11,819,591
Government grants	1,708,386	-	-	-	-	-	-	1,708,386	3,212,977	4,921,363
Grants from other municipalities	117,379	-	-	-	-	-	-	117,379	-	117,379
Investment Income	594,900	-	-	-	-	-	-	594,900	-	594,900
Penalties and interest on taxes	475,000	-	-	-	-	-	-	475,000	-	475,000
Donations	48,500	-	-	-	-	-	-	48,500	-	48,500
Deferred revenue earned from (to) obligatory reserve funds	587,129	-	-	-	-	-	-	587,129	2,063,847	2,650,976
Other	250,850	8,500	-	-	-	-	-	259,350	1,077,908	1,337,258
Total Revenue	36,337,994	70,817	-	-	-	-	-	36,408,811	8,459,142	44,867,953
Expenses:										
General Government	5,399,938	-	192,126	5,848	68,178	-	(1,035,251)	4,630,839	-	4,630,839
Protective services	9,308,930	-	458,890	-	-	(236,854)	(275,718)	9,255,248	-	9,255,248
Transportation services	4,556,091	-	1,704,860	-	-	-	-	6,260,951	-	6,260,951
Environmental services	10,540,552	-	3,378,342	67,151	-	(762,250)	(1,370,911)	11,852,884	-	11,852,884
Health services	339,131	-	27,342	-	-	-	-	366,473	-	366,473
Library	969,201	-	87,938	-	-	-	15,000	1,072,139	-	1,072,139
Parks, Recreation and Culture	4,093,839	-	709,866	13,492	-	(150,000)	100,000	4,767,197	-	4,767,197
Planning and Development	1,455,083	70,574	11,452	-	-	-	-	1,537,109	-	1,537,109
Total Expenses	36,662,765	70,574	6,570,816	86,491	68,178	(1,149,104)	(2,566,880)	39,742,840	-	39,742,840
Annual surplus (deficit)	(324,771)	243	(6,570,816)	(86,491)	(68,178)	1,149,104	-	2,566,880	(3,334,029)	5,125,113
Contributions (from) transfers to reserves and discretionary reserve funds	324,771	-	-	-	-	-	(2,566,880)	(2,242,109)	4,943,433	2,701,324
Debt allocation	-	-	-	-	-	(1,149,104)	-	(1,149,104)	-	(1,149,104)
Investment in capital assets	-	-	-	-	-	-	-	-	13,402,575	(13,402,575)
Total budget	\$ -	\$ 243	\$ (6,570,816)	\$ (86,491)	\$ (68,178)	\$ -	\$ -	\$ (6,725,242)	\$ -	\$ (6,725,242)

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. 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, 2022

14. 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, 2022

14. 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	6,081,536	3,145,463	2,369,715	236,422	602,436	2,318,533	712,040	18,420,677
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	513,257	1,033,633	574,295	1,102,257	9,046	71,162	117,870	302,161	3,723,681
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	458,890	1,704,860	3,378,342	27,342	87,938	709,866	11,452	6,570,816
	4,463,669	9,460,240	6,777,760	11,393,493	375,715	1,082,250	4,733,971	1,313,409	39,600,507
Excess of expenses over revenue before taxation	(2,230,773)	(8,112,153)	(4,145,036)	860,257	(179,088)	(1,021,847)	(1,996,812)	(1,078,659)	(17,904,111)
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)	\$ (2,230,773)	\$ (8,112,153)	\$ (4,145,036)	\$ 860,257	\$ (179,088)	\$ (1,021,847)	\$ (1,996,812)	\$ (1,078,659)	\$ 7,383,886

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Library	Recreation and Culture Services	Planning and Development	2021 Total
Revenue:									
User charges	\$ 52,769	\$ 1,069,274	\$ 142,364	\$ 8,818,768	\$ 128,036	\$ -	\$ 413,427	\$ 157,590	\$ 10,782,228
Government grants	121,400	98,445	685,610	1,396,817	-	67,774	188,621	42,144	2,600,811
Grants from other municipalities	-	16,138	20,000	101,186	-	-	-	-	137,324
Investment income	381,578	-	-	-	-	-	-	-	381,578
Penalties and interest on taxes	473,826	-	-	-	-	-	-	-	473,826
Donations	-	-	-	-	-	18,014	31,370	2,636	52,020
Transfer (to) from deferred obligatory	16,165	(9,901)	42,813	-	-	(537)	(2,688)	-	45,852
Contributions from others	-	-	-	-	-	-	-	-	-
Other	18,627	121,434	97,357	41,105	21,804	8,402	33,629	61,242	403,600
Contributions from others (tangible capital assets)	-	-	-	-	-	-	-	-	-
	1,064,365	1,295,390	988,144	10,357,876	149,840	93,653	664,359	263,612	14,877,239
Expenses:									
Salaries, wages and employee benefits	2,731,048	5,445,094	2,907,891	2,368,987	224,943	558,286	1,931,362	849,832	17,017,443
Long-term debt interest expense	-	79,486	-	1,083,166	-	-	68,650	-	1,231,302
Materials	856,191	1,161,740	1,185,976	3,227,448	45,799	251,063	1,004,521	359,167	8,091,905
Contracted services	277,183	924,349	490,728	1,103,866	6,298	35,388	60,480	218,017	3,116,309
Rents and financial expenses	6,725	1,173	13,495	4,767	-	386	1,614	8,676	36,836
External transfers	-	280,597	-	-	40,814	-	288,110	-	609,521
Amortization	193,709	468,418	1,648,053	3,332,150	24,368	92,116	724,773	11,452	6,495,039
	4,064,856	8,360,857	6,246,143	11,120,384	342,222	937,239	4,079,510	1,447,144	36,598,355
Excess of expenses over revenue before taxation	(3,000,491)	(7,065,467)	(5,257,999)	(762,508)	(192,382)	(843,586)	(3,415,151)	(1,183,532)	(21,721,116)
Funded through:									
Property taxation									20,936,339
Taxation from other governments									499,241
Transfer from deferred obligatory reserve funds									162,604
Excess of revenue over expenses (expenses over revenue)	\$ (3,000,491)	\$ (7,065,467)	\$ (5,257,999)	\$ (762,508)	\$ (192,382)	\$ (843,586)	\$ (3,415,151)	\$ (1,183,532)	\$ (122,932)

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

15. 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, 2022 to December 31, 2022 to finance expenses, pending receipt of property taxes and other income. As at December 31, 2022, \$486,568 was drawn, bearing interest at prime rate, less 0.25%.

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CORPORATION OF THE MUNICIPALITY OF PORT HOPE

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

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Net levy	\$ 62,317	\$ 59,350
Other revenue	13,183	9,622
Advertising revenue	7,314	4,876
	<u>82,814</u>	<u>73,848</u>
Expenses:		
Stationery, supplies and office	9,353	11,804
Improvements	11,319	3,425
Advertising	20,337	12,242
Special events	3,372	—
Wages and employee benefits	35,495	34,598
	<u>79,876</u>	<u>62,069</u>
Excess of revenue over expenses	2,938	11,779
Surplus, beginning of year	20,615	8,836
Surplus, end of year	<u>\$ 23,553</u>	<u>\$ 20,615</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, 2022
- 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, 2022, 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

October 17, 2023

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance Trust Funds Statement of Financial Position

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Cash	\$ 386,445	\$ 432,169
Accrued interest receivable	2,674	1,880
Investments (market value \$686,676)	622,971	519,209
Due to (from) operating fund	(489)	3,124
	<u>\$ 1,011,601</u>	<u>\$ 956,382</u>
Liabilities and Fund Balances		
Trust fund:		
Balances:		
Capital	\$ 892,637	\$ 833,572
Income	118,964	122,810
	<u>\$ 1,011,601</u>	<u>\$ 956,382</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, 2022, with comparative information for 2021

	2022	2021
Funds balances, beginning of year	\$ 956,382	\$ 930,767
Revenue and Capital Contributions:		
Cemetery care and maintenance	54,828	25,889
Interest, dividends earned and other	12,379	11,008
	<u>67,207</u>	<u>36,897</u>
Expenses:		
Transfer to operating fund	11,988	11,282
Funds balances, end of year	<u>\$ 1,011,601</u>	<u>\$ 956,382</u>

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

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CORPORATION OF THE MUNICIPALITY OF PORT HOPE

Cemetery Care and Maintenance Trust Funds
Notes to Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

The financial statements of the Corporation of the Municipality of Port Hope Trust Funds (the "Trusts") are prepared by management in accordance with Canadian public sector accounting standards.

(a) Basis of presentation:

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

(b) Basis of accounting:

Revenue and expenses are recorded on an accrual basis.

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

(c) Use of estimates:

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

(d) Investments:

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

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

2. Statement of cash flows:

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

3. 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.

CORPORATION OF THE MUNICIPALITY OF PORT HOPE

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

Year ended December 31, 2022

4. 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.

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