

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF KINCARDINE**

Year ended December 31, 2018

DRAFT



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Municipality of Kincardine:

Opinion

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

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net debt 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, 2018, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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

Waterloo, Canada
June 17, 2019

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Consolidated Financial Statements

Year ended December 31, 2018

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THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017 (restated – note 2)
Financial assets:		
Cash (note 3)	\$ 30,166,763	\$ 31,299,262
Taxes receivable	1,166,909	1,407,026
Trade and other receivables	2,870,448	3,412,318
Inventory held for resale	61,195	312,711
Long-term investments - other (note 4)	4,936,339	4,819,403
Investment in Westario Power Inc. (note 5)	4,608,980	4,352,250
Investment in Bruce Telecom Holdings Inc. (note 6)	25,891,795	-
Loans receivable (note 7)	461,182	620,706
	<u>70,163,611</u>	<u>46,223,676</u>
Financial liabilities:		
Accounts payable and accrued liabilities	4,452,014	7,229,132
Deferred revenue (note 23)	3,979,179	4,673,771
Long-term liabilities (note 10)	3,021,614	3,727,169
Post-employment benefits (note 16)	413,560	1,044,502
Solid waste landfill closure and post closure liability (note 11)	428,849	501,394
	<u>12,295,216</u>	<u>17,175,968</u>
Net financial assets	57,868,395	29,047,708
Non-financial assets:		
Inventory of supplies	433,637	876,916
Prepaid expenses	180,922	811,509
Tangible capital assets (note 8)	138,340,061	158,440,652
	<u>138,954,620</u>	<u>160,129,077</u>
Commitments and contingencies (note 20)		
Accumulated surplus (note 12)	<u>\$ 196,823,015</u>	<u>\$ 189,176,785</u>

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

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Consolidated Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017 (restated – note 2)
Revenue:			
Taxation	\$ 16,328,429	\$ 16,426,521	\$ 15,493,001
Water and sewer charges	4,450,232	4,876,737	4,710,258
Fees and user charges	2,261,994	3,026,546	20,459,509
Grants (note 14)	3,315,029	3,027,231	2,143,033
Other income	2,695,960	4,767,854	4,065,767
Obligatory reserve fund revenue recognized	-	1,387,591	226,989
Equity earnings from			
Westario Power Inc. (note 4)	50,000	317,480	212,994
Equity earnings from			
Bruce Telecom Holdings Inc. (note 5)	500,000	711,186	-
Total revenue	29,601,644	34,541,146	47,311,551
Expenses:			
General government	3,174,268	3,332,859	3,256,646
Protection services	4,011,870	4,182,376	4,242,779
Transportation services	4,367,388	6,427,113	5,986,737
Environmental services	4,134,825	5,762,934	5,499,093
Health services	547,572	742,654	730,688
Recreation and cultural services	4,189,357	5,108,213	4,890,164
Planning and development	787,071	1,021,344	992,608
Telecommunications	-	-	16,844,003
Transfers to building permit reserve funds	-	202,607	232,961
Total expenses	21,212,351	26,780,100	42,675,679
Annual surplus (note 17)	8,389,293	7,761,046	4,635,872
Accumulated surplus as previously stated, beginning of year	186,645,945	186,645,945	181,957,602
Prior year adjustments (note 2(a))	2,530,840	2,530,840	2,583,311
Change in accounting policy (note 2(b))	(114,816)	(114,816)	-
Accumulated surplus restated, beginning of year	189,061,969	189,061,969	184,540,913
Accumulated surplus, end of year	\$ 197,451,262	\$ 196,823,015	\$ 189,176,785

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

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	2018	2017 (restated – note 2)
Annual surplus	\$ 7,761,046	\$ 4,635,872
Change in accounting policy (note 2(b))	(114,816)	-
Acquisition of tangible capital assets	(16,843,568)	(11,601,989)
Amortization of tangible capital assets	5,471,931	8,143,848
Loss on disposal of tangible capital assets	502,028	101,814
Proceeds on disposal of tangible capital assets	760,519	28,282
Tangible capital assets transferred to investment in Bruce Telecom Holdings Inc.	30,209,681	-
	27,746,821	(3,328,045)
Change in prepaid expenses	443,279	52,726
Change in inventory of supplies	630,587	(21,127)
	1,073,866	31,599
Increase in net financial assets	28,820,687	1,339,426
Net financial assets, beginning of year	29,047,708	27,708,282
Net financial assets, end of year	\$ 57,868,395	\$ 29,047,708

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

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 7,761,046	\$ 4,635,872
Items not involving cash:		
Amortization of tangible capital assets	5,471,931	8,143,848
Contributed tangible capital assets	(79,832)	(757,587)
Solid waste closure and post-closure liabilities	(72,545)	58,311
Post-employment benefits payable	34,765	73,183
Loss on sale tangible of capital assets	502,028	101,814
Equity earnings from Westario Power Inc. (note 4)	(317,480)	(212,994)
Equity earnings from Bruce Telecom Holdings Inc. (note 5)	(711,186)	-
Net change in non-cash assets and liabilities:		
Taxes receivable	240,117	296,200
Trade and other receivables	(125,907)	(791,291)
Inventory held-for-resale	638	(1,903)
Change in inventories of supplies	(18,667)	(21,127)
Change in prepaid expenses	(39,554)	52,726
Accounts payable and accrued liabilities	515,953	1,156,465
Deferred revenue	(611,649)	872,972
	12,549,658	13,606,489
Capital transactions:		
Cash used to acquire tangible capital assets	(12,937,479)	(10,844,402)
Proceeds on sale of tangible capital assets	760,519	28,282
	(12,176,960)	(10,816,120)
Investing activities:		
Proceeds on sale of investments	-	51,649
Purchase of investments	(116,936)	-
Dividends received from Westario Power Inc.	60,750	81,000
Dividends received from Bruce Telecom Holdings Inc.	500,000	-
Repayment of loans receivable	159,524	210,639
	603,338	343,288
Financing activities:		
Repayment of long-term liabilities	(705,555)	(720,816)
Net change in cash and cash equivalents	270,481	2,412,841
Cash transferred to Bruce Telecom Holdings Inc.	(1,402,980)	-
Cash and cash equivalents, beginning of year	31,299,262	28,886,421
Cash and cash equivalents, end of year	\$ 30,166,763	\$ 31,299,262

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

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

The Corporation of the Municipality of Kincardine (the "Municipality") is a municipality in the Province of Ontario, Canada. The Municipality provides services such as fire, public works, planning, parks and recreation, library and other general government operations.

1. Significant accounting policies:

(a) Management Responsibility:

The consolidated financial statements of the Municipality of Kincardine are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Municipality are as follows:

(b) Basis of consolidation:

These consolidated statements include the activities of all committees of Council and the following boards, municipal enterprises and utilities which are under the control of Council:

Kincardine Police Services Board

Kincardine Business Improvement Area

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

Government business enterprises are separate legal entities which do not rely on the Municipality for funding. Investments in government business enterprises are accounted for using the modified equity method. The Municipality accounts for its 13.5% ownership interest in Westario Power Inc. and its 100% ownership interest in Bruce Telecom Holdings Inc. ("Bruce Telecom") as government business enterprises.

Under PSAB standards, the Municipality reports only its share of assets, liabilities and results of operations of any government partnerships in which it participates. The Municipality's proportionate interest of the following government partnerships are reflected in the consolidated financial statements:

Saugeen Mobility and Regional Transit (SMART)	12.30%
Bruce Area Solid Waste Recycling (BASWRA)	17.99%

(c) Basis of accounting:

The Municipality follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(d) Long-term investments:

Investments consist of bonds and debentures and are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

(e) Tangible capital assets:

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

Asset	Useful Life - Years
Land Improvements	10 - 15 years
Buildings	10 - 50 years
Equipment	3 - 50 years
Vehicles	7 - 20 years
Roads and Bridges	15 - 80 years
Water and Sewer Systems	15 - 80 years

Landfill sites are amortized using the units of production method based upon capacity used during the year.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the assets is available for productive use.

(i) Contributions of tangible capital assets:

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

(ii) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(e) Tangible capital assets (continued):

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

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

(iv) Interest capitalization:

The Municipality does not capitalize interest costs associated with the acquisition or construction of a capital asset.

(v) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(f) Deferred revenue:

Deferred revenue represents grants, user charges and fees which have been collected, but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(g) Post-employment benefits:

The contributions to the Ontario Municipal Employers Retirement System (OMERS), a multi-employer defined benefit pension plan, are expensed when contributions are due.

The cost of post-employment benefits are recognized when the event that obligated the Municipality occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The cost of pensions and other retirement benefits is actuarially determined using the projected benefits method prorates on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs and plan investment performance. Any actuarial gains or losses from changes in assumptions are amortized over the average remaining service period for active employees.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(h) County and school board:

The Municipality collects taxation revenue on behalf of the school boards and the County of Bruce. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Bruce are not reflected in these financial statements.

(i) Trust funds:

Trust funds and their related operations administered by the Municipality are not included in these consolidated financial statements.

(j) Government transfers:

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

(k) Revenue recognition:

User fees and other revenues are recognized when related goods or services are provided and collectability are reasonably assured.

Investment income earned on surplus funds (other than obligatory reserve funds) are reported as revenue on the daily accrual basis. Investment income earned on obligatory reserve funds is recorded directly to each fund balance.

(l) Taxation and related revenues:

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by Municipal Council, incorporating amounts to be raised for local services. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued.

Assessments and the related property taxes are subject to appeal. Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(l) Taxation and related revenues (continued):

For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of allowance for anticipated uncollectible amounts.

The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

(m) Use of estimates:

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, landfill closure and post-closure liability, actuarial valuations of employee future benefits, and the historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

(n) Financial instruments:

The Municipality classifies all of its financial instruments at amortized cost. The maximum exposure to credit risk is the carrying value of the financial instruments. These financial instruments include cash, taxes receivable, trade and other receivables, long-term investments, loans receivable, accounts payable and accrued liabilities, and long-term liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

(o) Held-for-sale:

Assets held for sale are those expected to be sold within one year. They are valued at the lower of cost or expected net realizable value. When a decline in net realizable value is determined to be other than temporary, the impairment is recognized in the consolidated statement of operations and accumulated surplus.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

2. Adjustment to opening accumulated surplus:

(a) Tangible capital assets:

In 2009, the Municipality had implemented Public Sector Accounting Board (“PSAB”) section 3150 Tangible Capital Assets. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements.

During 2018, the Municipality identified capital assets that were either omitted from prior years; assets that did not exist; assets incorrectly recorded; and assets that the Municipality were not in control of at this point in time (contributed assets). These adjustments have been applied retroactively with a revision of the 2017 Financial Statements.

This adjustment is applied retrospectively and is detailed below.

Consolidated Statement of Financial Position

	As previously presented	Restatements	Restated as at December 31, 2017
Tangible capital assets	\$ 155,909,812	\$ 2,530,840	\$ 158,440,652

Consolidated Statement of Operations

	As previously presented	Restatements	Restated as at December 31, 2017
Transportation services	\$ 5,985,576	\$ 1,161	\$ 5,986,737
Environmental services	5,447,783	51,310	5,499,093

Consolidated Statement of Change in Net Financial Assets

	As previously presented	Restatements	Restated as at December 31, 2017
Annual surplus	\$ 4,688,343	\$ (52,471)	\$ 4,635,872
Amortization of tangible capital assets	8,091,377	52,471	8,143,848

Consolidated Statement of Cash Flows

	As previously presented	Restatements	Restated as at December 31, 2017
Annual surplus	\$ 4,688,343	\$ (52,471)	\$ 4,635,872
Amortization of tangible capital assets	8,091,377	52,471	8,143,848

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

2. Adjustment to opening accumulated surplus (continued):

(b) Investment in Bruce Telecom Holdings Inc.:

Upon the adoption of International Financial Reporting Standards (“IFRS”) by Bruce Telecom Holdings Inc. (“Bruce Telecom”), there was an adjustment required to derecognize the unamortized actuarial losses on employee future benefits as of January 1, 2018. This resulted in an adjustment to opening accumulated surplus and the investment in Bruce Telecom Holdings Inc. of \$114,816.

3. Cash:

	2018	2017
Unrestricted	\$ 27,374,988	\$ 28,295,366
Restricted	2,791,775	3,003,896
	<u>\$ 30,166,763</u>	<u>\$ 31,299,262</u>

The Municipality has internally and externally restricted funds that are segregated and will be used only for specific purposes.

Interest is earned on bank balances at the bank’s monthly average prime rate less 1.6%, subject to a rate cap based on the average monthly 30 day banker’s acceptance rate less 0.1%. The municipality’s bank accounts are all held at one financial institution.

4. Long-term investments:

	2018	2017
Fixed income bonds, mutual funds and investment certificates	\$ 4,936,339	\$ 4,819,403

The other investments in fixed income bonds, mutual funds and investment certificates have a market value of \$4,997,475 (2017 - \$4,924,091) at the end of the year. They earn interest at rates ranging from 0.6% to 4.4% and mature in 2019 through 2023. The mutual funds include money market and bond funds.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

5. Investment in Westario Power Inc.:

The Municipality owns 1,348 common shares, representing 13.5% of the outstanding common shares of Westario Power Inc., a private company incorporated under the laws of the Province of Ontario. The shares have no fixed maturity dates and are generally not exposed to interest rate risk. The fair value of these shares is not practicable to determine in the absence of published market quotations. Dividends of \$60,750 (2017 - \$81,000) were received on these shares during the year.

The investment in Westario Power Inc. is comprised of the following:

	2018	2017
1,348 common shares	\$ 2,462,224	\$ 2,462,224
13.5% of accumulated earnings less dividends	2,146,756	1,890,026
	\$ 4,608,980	\$ 4,352,250

The following table provides condensed financial information with respect to Westario Power Inc.:

	2018	2017
Current assets	\$ 15,654,986	\$ 10,726,646
Non-current assets	54,474,049	50,464,909
Regulatory balances	6,141,627	15,740,179
Total assets	\$ 76,270,662	\$ 76,931,734
	2018	2017
Current liabilities	\$ 12,249,009	\$ 13,408,607
Non-current liabilities	29,058,037	22,515,261
Regulatory balances	792,554	8,738,505
Total liabilities	\$ 42,099,600	\$ 44,662,373
Net assets	\$ 34,171,062	\$ 32,269,361
Results of operations:		
Revenues	\$ 62,894,064	\$ 63,319,773
Expenses	60,542,363	61,742,039
Net income	\$ 2,351,701	\$ 1,577,734
Municipality's share of net income - 13.5%	\$ 317,480	\$ 212,994

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

6. Investment in Bruce Telecom Holdings Inc.:

Under the provincial government's Business Corporation Act, Bruce Telecom Holdings Inc. ("Bruce Telecom") was incorporated on December 1, 2017.

Effective January 1, 2018, the Municipality contributed the telecommunications assets and liabilities to Bruce Telecom for proceeds of \$nil. As the transaction is a related party transaction between a parent and wholly owned subsidiary, the net assets were transferred at their previous carrying amounts within the Municipality.

The investment in Bruce Telecom is comprised of the following:

	2018
2,100 common shares	\$ 100
Net assets contributed	29,621,582
Tangible capital assets received	(3,826,257)
Change in accounting policy (note 2(b))	(114,816)
Share of net income since acquisition, net of dividends	211,186
	\$ 25,891,795

The following table provides condensed financial information with respect to Bruce Telecom:

	2018
Current assets	\$ 2,790,287
Non-current assets	26,238,259
Total assets	\$ 29,028,546
Current liabilities	\$ 2,420,228
Non-current liabilities	716,523
Total liabilities	\$ 3,136,751
Net assets	\$ 25,891,795
Results of operations:	
Revenues	\$ 17,154,647
Expenses	16,443,461
Net income	\$ 711,186
Municipality's share of net income - 100%	\$ 711,186

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

7. Loans receivable:

	2018	2017
Kincardine Water Treatment Plant Expanded Service Area loans receivable, 3.35%, receivable interest and principal annually, due 2020	\$ 108,508	\$ 177,902
Friends of the Pavillion loan receivable, 4.10%, \$21,565 principal and interest received semi-annually, due 2019	41,307	81,722
Tile drain loans receivable, 6.00%, principal and interest payments ranging from \$381 to \$6,793 annually, due 2018 to 2028	287,165	321,529
Wrightson Drain loans receivable, 1.95% received semi-annually, due 2019	4,202	8,157
Kincardine Old Girls and Old Boys Reunion loan receivable, non-interest bearing, principal due March 2019	-	20,000
Physician Incentive loan receivable, 3.70%, \$1,444 principal received monthly, due 2018	-	11,396
Tiverton Reunion loan receivable, non-interest bearing, principal due March 2020	20,000	-
	\$ 461,182	\$ 620,706

Interest earned on the loans receivables during the year was \$28,180 (2017 - \$36,948).

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

8. Tangible capital assets:

2018	Land & land improvements	Buildings	Equipment & Vehicles	Roads & Bridges	Water & Sewer Systems	Assets under construction	Total Net book value 2018
Cost							
Balance, beginning of year	\$ 29,653,415	\$ 55,144,748	\$ 88,663,792	\$ 68,610,226	\$ 67,771,414	\$ 3,579,043	313,422,638
Additions	237,364	3,323,751	322,209	6,827	270,799	12,682,618	16,843,568
Disposals	(386,764)	(7,217,279)	(75,794,075)	(506,673)	(893,656)	(557,981)	(85,356,428)
Transfers	326,759	2,937,543	821,162	2,569,885	4,863,929	(11,519,278)	-
Cost, end year	29,830,774	54,188,763	14,013,088	70,680,265	72,012,486	4,184,402	244,909,778
Accumulated amortization							
Balance, beginning of year	7,550,259	26,819,164	57,955,638	38,888,195	23,744,989	23,741	154,981,986
Amortization	547,303	1,528,843	681,465	1,517,541	1,196,779	-	5,471,931
Disposals	(95,442)	(3,306,323)	(49,716,947)	(289,209)	(452,538)	(23,741)	(53,884,200)
Accumulated amortization, end of year	8,002,120	25,041,684	8,920,156	40,116,527	24,489,230	-	106,569,717
Net book value, end of year	\$ 21,828,654	\$ 29,147,079	\$ 5,092,932	\$ 30,563,738	\$ 47,523,256	\$ 4,184,402	\$ 138,340,061

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

8. Tangible capital assets (continued):

2017 (restated – note 2)	Land & land improvements	Buildings	Equipment & Vehicles	Roads & Bridges	Water & Sewer Systems	Assets under construction	Total Net book value 2017
Cost							
Balance, beginning of year	\$ 27,410,522	\$ 55,032,430	\$ 81,344,244	\$ 67,816,210	\$ 67,590,081	\$ 3,763,234	\$ 302,956,721
Additions	37,613	6,123	7,545,006	10,813	203,191	5,465,483	13,268,229
Adjustments	-	(358,802)	-	-	-	-	(358,802)
Disposals	(150,149)	(22,536)	(712,305)	(135,415)	(115,667)	-	(1,136,072)
Transfers	2,355,429	487,533	486,847	918,618	93,809	(5,649,674)	(1,307,438)
Cost, end year	29,653,415	55,144,748	88,663,792	68,610,226	67,771,414	3,579,043	313,422,638
Accumulated amortization							
Balance, beginning of year	7,223,487	25,419,059	55,166,667	37,407,876	22,626,144	881	147,844,114
Amortization	493,887	1,421,611	3,494,913	1,548,658	1,161,919	22,860	8,143,848
Disposals	(167,115)	(21,506)	(705,942)	(68,339)	(43,074)	-	(1,005,976)
Accumulated amortization, end of year	7,550,259	26,819,164	57,955,638	38,888,195	23,744,989	23,741	154,981,986
Net book value, end of year	\$ 22,103,156	\$ 28,325,584	\$ 30,708,154	\$ 29,722,031	\$ 44,026,425	\$ 3,555,302	\$ 158,440,652

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$4,184,405 (2017 - \$3,579,043).

Contributed infrastructure capital assets of \$79,832 (2017 - \$757,587) were recognized in the financial statements during the year.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

9. Temporary borrowings:

The Municipality has an undrawn operating line of credit of \$3,000,000 that bears interest at the bank's prime rate less 0.50%. This facility is secured by a current borrowing by-law.

10. Long-term liabilities:

The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2018	2017
Loan payable, Real Term Energy, 4.47%, payable interest and principal monthly, due September, 2025	\$ 800,855	\$ 887,632
Loan payable, Ontario Infrastructure Project Corporation, 2.12%, interest and principal payable semi-annually, due September 2025	1,299,266	1,469,710
Loan payable, Ontario Infrastructure Project Corporation, 2.48%, interest and principal payable semi-annually, due July 2025	235,765	266,245
Tile drain debentures payable, 6%, payable interest and principal annually, due 2018 through 2028	287,166	321,531
Loan payable, Canadian Imperial Bank of Commerce, 4.1%, payable \$21,545 semi-annually principal and interest, due on demand	41,031	81,174
Loan payable, Canadian Imperial Bank of Commerce, 4.09%, payable \$184,268 semi-annually principal and interest, due on demand	357,531	700,877
	\$ 3,021,614	\$ 3,727,169

The loans with the Canadian Imperial Bank of Commerce are due on demand, however the bank is accepting periodic repayments in accordance with the loan agreements. These loans are secured by capital borrowing by-laws. The loans with the Canadian Imperial Bank of Commerce included certain reporting requirements.

2019	\$ 759,851
2020	372,783
2021	373,394
2022	371,091
2023	387,089
Thereafter	757,406
	\$ 3,021,614

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

11. Solid waste landfill closure and post-closure liability:

Solid waste landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates and ongoing environmental monitoring, site inspection and maintenance. These costs will be incurred as each landfill site stops accepting waste, with the post-closure care expected to continue for an additional 25 years.

The liability recorded is \$428,849 (2017 - \$501,394) and represents value of closure and post-closure costs for two active sites and four closed sites, using the municipality's average long-term borrowing rate of 3.54% (2017 - 3.46%) and adjusted for inflation of 2.0% (2017 - 1.9%). The liability is recorded based on the capacity of the landfills used to date. The total estimated future expenditures for closure and post-closure care are \$850,352 (2017 - \$864,054) leaving an amount to be recognized of \$421,503 (2017 - \$362,660).

As at December 31, 2018, the Municipality has set aside \$nil in reserve funds from which the closure and post-closure care costs are expected to be funded. The unfunded balance of the liability is expected to be funded from taxation in the year the costs arise or from landfill reserve funds, allocations to which are expected to be made over the remaining lives of the landfill sites.

The estimated remaining capacity of the two sites is approximately 680,250 cubic meters. The sites have remaining life of 75 and 40 years.

12. Accumulated surplus:

The accumulated surplus consists of individual fund surplus (deficit) amounts and reserve funds as follows:

	2018	2017
		(restated – note 2)
Investment in tangible capital assets:		
Tangible capital assets purchased	\$ 138,340,061	\$ 158,440,652
Capital assets financed by long-term liabilities, to be funded in future years	(2,734,448)	(3,405,638)
Unexpended capital financing (unfinanced capital assets)	(264,624)	(91,480)
Total invested in capital assets	135,340,989	154,943,534
General surplus	446,734	1,105,378
Bruce Telecom	25,891,795	(587,999)
Westario Power	2,146,756	1,890,026
Business improvement area	2,951	2,951
Transit	346	346
Unfunded post-employment benefits	(413,560)	(378,795)
Unfunded solid waste closure and post-closure costs	(428,849)	(501,394)
	162,987,162	156,474,047
Reserves and reserve funds (note 13)	33,835,853	32,702,738
Accumulated surplus	\$ 196,823,015	\$ 189,176,785

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

13. Reserves and reserve funds set aside for specific purpose by council:

	2018	2017
Reserves:		
Working funds	\$ 354,676	\$ 364,502
Capital purposes	7,113,182	6,041,157
Current purposes	52,100	75,289
	<u>7,519,958</u>	<u>6,480,948</u>
Reserve funds:		
Contingencies	569,287	558,031
Insurance, sick leave, WSIB	370,499	362,370
Capital purposes	25,376,109	25,301,389
	<u>26,315,895</u>	<u>26,221,790</u>
	<u>\$ 33,835,853</u>	<u>\$ 32,702,738</u>

14. Grants:

	2018 Budget	2018 Actual	2017 Actual
Operating:			
Province of Ontario:			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,149,100	\$ 1,149,100	\$ 1,041,300
Conditional - other	238,980	340,785	260,177
	<u>1,388,080</u>	<u>1,489,885</u>	<u>1,301,477</u>
Government of Canada:			
Conditional - other	193,452	161,547	123,933
Other municipalities:			
Conditional - other	232,718	230,465	229,966
Total operating grants	<u>1,814,250</u>	<u>1,881,897</u>	<u>1,655,376</u>
Capital grants:			
Province of Ontario:			
Conditional - water, sewer and other	929,174	832,111	146,708
Government of Canada:			
Conditional - water, sewer and other	571,605	313,223	340,949
Total grants	<u>\$ 3,315,029</u>	<u>\$ 3,027,231</u>	<u>\$ 2,143,033</u>

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

15. Government partnerships:

The following summarizes the financial position and results of operations of the government partnerships. The Municipality's pro-rata share of these amounts has been reported in these financial statements using the proportionate consolidation method.

	Saugeen Mobility and Regional Transit		Bruce Area Solid Waste Recycling Association	
	2018	2017	2018	2017
Financial assets	\$ 253,623	\$ 228,488	\$ 2,883,665	\$ 2,893,033
Liabilities	300,623	269,011	162,306	169,417
Net (debt) financial assets	(47,000)	(40,523)	2,721,359	2,723,616
Non-financial assets	540,385	546,876	1,554,408	1,585,072
Accumulated surplus	\$ 493,385	\$ 506,353	\$ 4,275,767	\$ 4,308,688
Revenues	\$ 1,929,610	\$ 1,758,577	\$ 3,057,540	\$ 3,047,316
Expenses	1,942,578	1,652,660	3,090,461	2,883,564
Annual surplus (deficit)	\$ (12,968)	\$ 105,917	\$ (32,921)	\$ 163,752

Saugeen Mobility and Regional Transit (SMART) is a partnership between the Town of Hanover, the Town of Saugeen Shores, Municipality of Brockton, Municipality of West Grey, Municipality of Arran-Elderslie, Township of Southgate, Township of Huron Kinloss, and the Municipality of Kincardine to provide transportation services to the physically disabled.

Bruce Area Solid Waste Recycling Association (BASWRA) is a partnership between the Town of South Bruce Peninsula, the Municipality of Arran-Elderslie, the Town of Saugeen Shores, the Municipality of Kincardine and others to provide garbage, recycling and cardboard collection services.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

16. Post-employment benefits:

Other benefits:

The Municipality provides certain benefits, including retirement benefits and other post-employment benefits, to its employees. The post-employment benefit at December 31 includes the following components:

	2018	2017
Post-employment benefits	\$ 240,865	\$ 353,733
Sick leave	303,112	190,881
Workplace Safety and Insurance Board Obligations	55,426	58,716
Bruce Telecom post-employment benefits	-	780,523
	599,403	1,383,853
Unamortized actuarial loss	(185,843)	(339,351)
	\$ 413,560	\$ 1,044,502

Actuarial valuations for accounting purposes are performed using the projected benefit method, pro-rated on services. The most recent actuarial report was prepared as at December 31, 2018.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, medical inflation rates, wage increases, employee turnover and mortality rates. The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 3.75% (2017 - 4.25%). For extended health care costs, a 4.33% annual rate of increase was assumed. For dental costs, a 3.75% annual rate of increase was assumed.

	2018	2017
Current period benefit cost	\$ 63,423	\$ 110,900
Amortization of actuarial loss	24,252	29,166
Retirement benefit expense	87,675	140,066
Interest costs	25,189	52,343
Total expense for the year	\$ 112,864	\$ 192,409

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

16. Post-employment benefits (continued):

Pension plan:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 97 members of its staff. This 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. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are the joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2018 was \$556,593 (2017 - \$534,975) for current service. The contribution rate for 2018 was 9.0% to 14.6% (2017 - 9.0% to 14.6%) depending on age and level of income level.

The latest available report for the OMERS plan was December 31, 2018. At that time the plan reported a \$4.2 billion actuarial deficit (2017 - \$5.4 billion actuarial deficit), based on actuarial liabilities of \$99.1 billion (2017 - \$93.6 billion) and actuarial assets of \$94.9 billion (2017 - \$88.2 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

17. Budget amounts:

Under Canadian generally accepted accounting principles, budget amounts are to be reported on a consolidated statement of operations and changes in net debt for comparative purposes. The 2018 budget amounts for the Corporation of the Municipality of Kincardine as approved by Council have been restated to conform to the presentation of the revenues and expenses on the consolidated statements of operations and change in net debt. The following is a reconciliation of the budget approved by Council.

	2018 Budget
Annual deficit	\$ (61,563)
Acquisition of tangible capital assets less disposal and write-downs	18,644,585
Change in long-term debt to be funded in future years	(5,287,595)
Net transfers from reserves	(4,906,134)
	\$ 8,389,293

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

18. Operations of School Boards and the County of Bruce:

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Bruce:

	2018	2017
School boards	\$ 4,348,469	\$ 4,363,530
County of Bruce	8,207,429	7,958,054
	<u>\$ 12,555,898</u>	<u>\$ 12,321,584</u>

19. Trust funds:

The trust funds administered by the Municipality amounting to \$588,380 have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At December 31, 2018, the trust fund balances are as follows:

	2018	2017
Cemetery Care and Maintenance	\$ 490,941	\$ 468,027
Willow West Security	97,439	95,512
	<u>\$ 588,380</u>	<u>\$ 563,539</u>

20. Contractual commitments:

- a) On October 13, 2004 the Municipality of Kincardine entered into an agreement with Ontario Power Generation (OPG) to act as the host community for a Deep Geological Repository (DGR) for the management and storage of Low and Intermediate Level Waste (L&ILW). The agreement will continue until such time as the Western Waste Management Facility including the DGR is no longer needed for Decommissioning Waste and in respect of all other L&ILW up to and including December 31, 2035. As part of this agreement, Kincardine and several adjacent municipalities will receive compensation consisting of both yearly and lump sum payments, indexed for inflation. Kincardine's share comprises an annual payment of \$650,000 for the years 2005 to 2035, a lump sum payment of \$2,900,000 in 2005 as well as a lump sum payment of \$1,300,000 in 2013 subject to OPG receiving a licence to construct the DGR. Since 2015, the annual and lump sum payments have been held by OPG in trust, as required by the agreement, due to a longer-than-anticipated approvals process. The original agreement called for an amendment by June 2018, to account for the money in trust and determine payments going forward.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

20. Contractual commitments (continued):

On February 14, 2018, the Municipality entered into an amending agreement that releases half of the money held in trust to Kincardine and the adjacent municipalities. Total funds held in trust by OPG and released to Kincardine in 2018 is \$1,240,521. The agreement also resumes annual payments at 50% of the originally agreed formula until a decision is made on the DGR.

- b) The Municipality entered into a five-year agreement commencing January 1, 2013 Bylaw 2013-070 (automatically renewed annually) with Bruce Power L.P. for funding assistance for Nuclear Emergency Preparedness as a requirement of The Emergency Management and Civil Protection Act. Bruce Power will reimburse the municipality up to \$105,000 per year (adjusted by CPI) for expenses incurred to comply with this Act.
- c) On May 21, 2014, the Municipality entered into a development agreement with SP Armow Wind Ontario LP, whereby the Municipality received a lump-sum payment of \$1,030,000 as a contribution to the refurbishment of the main runway at the municipal airport. As part of this agreement, Kincardine will receive annual lump sum payments of \$630,000 for the years 2014 to 2034, with 20% of the payment indexed for inflation. The funds are held in a community benefits reserve fund and used exclusively for municipal projects, subject to the terms and conditions of the agreement.
- d) The Municipality of Kincardine has entered into a three-year contract extension with Bruce Area Solid Waste Association for the collection of residential garbage and commercial cardboard at an approximate cost of \$245,000 per year, beginning November 1, 2016.
- e) The Municipality of Kincardine has entered into several physician recruitment agreements and is committed to spend \$300,000 in incentive payments throughout 2019 – 2022.

21. Economic dependence:

Approximately 26% (2017 - 28%) of the Municipality's taxation revenues are generated from Ontario Power Generation (OPG). The loss of a material amount of taxation revenue from OPG could have a material adverse effect on the operations of the municipality.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

22. Segmented information:

The Corporation of the Municipality of Kincardine is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, building inspection, sewer, water waste, collection, disposal and recycling, recreational, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

(a) General government:

This item reports the revenues and expenses that relate to the governance and operations of the Municipality itself and cannot be directly attributed to a specific segment.

(b) Protection to persons and property:

Protection is comprised of police services, fire protection, conservation authority, emergency measures, animal control and building and structural inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. The building department provides a number of services including maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

(c) Transportation:

Transportation is responsible for construction and maintenance of the Municipality's roadways, bridges, parking areas and streetlighting. Transportation also includes the management of the Kincardine Airport.

(d) Sewer and water:

Sewers are responsible for collecting and cleaning the sewage. Water collects, treats and distributes the Municipality's drinking water. They ensure the Municipality's sewer and water systems meet all Provincial standards.

(e) Environmental:

Environmental services consists of providing waste collection, disposal and recycling to its citizens.

(f) Health:

Health services include doctor recruitment, provision of a medical clinic and operation of a Locum house. Health services also includes the operations of local cemeteries.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

22. Segmented information (continued):

(g) Telecommunications:

Telecommunications services is Bruce Telecom, which is owned by the Municipality of Kincardine. Bruce Telecom provides telephone and internet services to the Municipality of Kincardine and surrounding municipalities.

(h) Recreational and cultural services:

This service area provides services meant to improve the health and development of the Municipality's citizens. The Municipality operates and maintains parks, arenas, a swimming pool, community centres, and a marina. The Municipality also provides recreational programs and library facilities.

(i) Planning and development:

This department is responsible for planning and zoning including the Official plan. This service area also includes tourist information. Promotion and events as well as business improvement area, weed control and drainage.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation and payments-in-lieu, OMPF grant, net income of government business enterprise and shared other revenue consisting of penalty and interest on taxes, bank and investment income and Ontario Power Generation contribution have been allocated to those segments that are funded by these amounts based on the net surplus for the year.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

22. Segmented information (continued):

	General Government	Protective Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Telecommuni- cations	Recreation and Cultural Services	Planning and Development	Total 2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:										
Taxation	2,467,210	3,096,080	4,580,908	-	1,125,535	549,763	-	3,781,448	825,577	16,426,521
Fees and user charges	308,896	592,784	134,685	4,876,737	995,460	102,081	-	749,725	142,915	7,903,283
Specific grants	141,611	61,360	806,608	468,511	106,960	17,000	-	203,904	72,177	1,878,131
OMPF grant	173,326	217,503	321,814		79,070	38,622	-	265,651	53,114	1,149,100
Other revenue	3,492,870	(610)	(127,459)	415,610	10,436	223,163	-	991,159	791,351	5,796,520
Obligatory reserve fund revenue recognized	-	-	345,724	1,031,972	-	-	-	9,895	-	1,387,591
	6,583,913	3,967,117	6,062,280	6,792,830	2,317,461	930,629	-	6,001,782	1,885,134	34,541,146
Expenses:										
Salaries and benefits	2,004,047	1,058,647	2,215,329	1,056,917	756,283	155,093	-	2,257,303	383,490	9,887,109
Interest on debt	30,915	6,041	37,465	-	-	21,275	-	2,666	19,500	117,862
Material and supplies	550,693	269,150	1,715,289	893,886	430,157	208,943	-	1,517,911	223,514	5,809,543
Contract services	402,655	2,294,568	433,351	385,224	283,554	42,334	-	336,377	355,127	4,533,190
Other transfers		307,022				100,000	-	66,500	10,500	484,022
Rents and financial expenses	26,945		87,699	35,231	56,158		-	55,000	12,803	273,836
Amortization	317,604	246,948	1,937,980	1,624,153	241,371	215,009	-	872,456	16,410	5,471,931
Transfers to obligatory reserve funds	-	202,607	-	-	-	-	-	-	-	202,607
	3,332,859	4,384,983	6,427,113	3,995,411	1,767,523	742,654	-	5,108,213	1,021,344	26,780,100
Annual surplus (deficit)	\$ 3,251,054	\$ (417,866)	\$ (364,833)	\$ 2,797,419	\$ 549,938	\$ 187,975	\$ -	\$ 893,569	\$ 863,790	\$ 7,761,046

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

22. Segmented information (continued):

	General Government	Protective Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Telecommuni- cations	Recreation and Cultural Services	Planning and Development	Total 2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:										
Taxation	2,337,691	3,045,560	4,150,662	-	1,141,353	524,504	-	3,510,267	782,964	15,493,001
Fees and user charges	325,710	617,034	125,893	4,710,258	916,393	108,205	17,483,344	679,141	203,789	25,169,767
Specific grants	120,000	60,850	189,849	313,897	96,270	17,000	-	256,192	47,675	1,101,733
OMPF grant	157,837	205,630	280,244	-	77,062	35,413	-	237,006	48,108	1,041,300
Other revenue	1,543,771	678,928	(13,179)	521,068	12,293	196,379	99,986	961,189	278,326	4,278,761
Obligatory reserve fund revenue recognized	-	-	-	26,608	-	-	-	200,381	-	226,989
	4,485,009	4,608,002	4,733,469	5,571,831	2,243,371	881,501	17,583,330	5,844,176	1,360,862	47,311,551
Expenses:										
Salaries and benefits	2,050,677	991,346	2,031,602	971,586	672,386	156,369	6,454,843	2,085,366	328,743	15,742,918
Interest on debt	34,494	6,812	41,186	-	-	35,089	-	4,287	23,858	145,726
Material and supplies	576,082	252,178	1,543,596	867,902	416,479	195,962	7,361,048	1,440,680	173,486	12,827,413
Contract services	396,615	2,464,379	432,292	254,001	418,900	37,940	-	365,690	427,307	4,797,124
Other transfers	-	307,708	-	-	-	100,000	-	74,678	10,500	492,886
Rents and financial expenses	44,267	-	52,942	81,538	49,400	-	-	51,608	13,048	292,803
Amortization	154,511	220,356	1,885,119	1,516,161	250,740	205,328	3,028,112	867,855	15,666	8,143,848
Transfers to obligatory reserve funds	-	232,961	-	-	-	-	-	-	-	232,961
	3,256,646	4,475,740	5,986,737	3,691,188	1,807,905	730,688	16,844,003	4,890,164	992,608	42,675,679
Annual surplus (deficit)	\$ 1,228,363	\$ 132,262	\$ (1,253,268)	\$ 1,880,643	\$ 435,466	\$ 150,813	\$ 739,327	\$ 954,012	\$ 368,254	\$ 4,635,872

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

23. Deferred revenue:

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory reserve funds:					
Reserves:					
Building permit fees	\$ 1,736,256	\$ 202,607	\$ 33,964	\$ -	\$ 1,972,827
Development charges	1,217,191	225,887	19,167	670,130	792,115
Parkland	26,416	9,250	484	7,404	28,746
Gas tax	347,369	355,903	6,785	710,057	-
Other	173,457	-	3,499	-	176,956
	3,500,689	793,647	63,899	1,387,591	2,970,644
Other:					
Subdivider contributions	509,063	75,000	-	58,660	525,403
Other	581,076	587,204	-	685,148	483,132
Telecommunications	82,943	-	-	82,943	-
	1,173,082	662,204	-	826,751	1,008,535
Total	\$ 4,673,771	\$ 1,455,851	\$ 63,899	\$ 2,214,342	\$ 3,979,179

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF KINCARDINE**

Trust Funds

Year ended December 31, 2018

DRAFT



KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
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Tel 519 747-8800
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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Corporation of the Municipality of Kincardine:

Opinion

We have audited the consolidated financial statements of the trust funds of The Corporation of the Municipality of Kincardine (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and changes in net financial assets 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, 2018, and its results of operations and its changes in net financial assets 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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

Waterloo, Canada

June 17, 2019

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Trust Funds

Statement of Consolidated Financial Position

Year ended December 31, 2018, with comparative information for 2017

	Cemetery Care and Maintenance	Willow West Security	2018	2017
Asset				
Cash	\$ 425,374	\$ 97,249	\$ 522,623	\$ 403,374
Interest receivable	846	190	1,036	546
Due from/to municipality	4,721	-	4,721	(102)
Investments (note 2)	60,000	-	60,000	159,721
	\$ 490,941	\$ 97,439	\$ 588,380	\$ 563,539

Liabilities and Fund Balances

Fund balances	\$ 490,941	\$ 97,439	\$ 588,380	\$ 563,539
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Statement of Continuity

Year ended December 31, 2018, with comparative information for 2017

	Cemetery Care and Maintenance	Willow West Security	2018	2017
Balance, beginning of year	\$ 468,027	\$ 95,512	\$ 563,539	\$ 547,431
Receipts:				
Bank and investment interest	10,812	1,927	12,739	9,983
Care and maintenance	19,208	-	19,208	17,645
	30,020	1,927	31,947	27,628
Expenses:				
Transfer to municipality	6,102	-	6,102	8,757
Administration fees	1,004	-	1,004	2,763
	7,106	-	7,106	11,520
Balance, end of year	\$ 490,941	\$ 97,439	\$ 588,380	\$ 563,539

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

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Trust Funds

Notes to Consolidated Financial Statements

Year ended December 31, 2018

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements of The Municipality of Kincardine Trust Funds are representations of management. They have been prepared in accordance with the Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB).

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measureable; expenses are recognized as they are incurred and measureable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Management responsibility:

The financial information of the Corporation of the Municipality of Kincardine Trust Funds are the representation of management. Precise determination of some assets and liabilities may be dependent upon future events and estimates and approximations. These estimates and approximations have been based upon the available information, using careful judgment and review.

2. Investments:

The total investments of \$60,000 (2017 - \$159,721) reported on the balance sheet have a market value of \$60,000 (2017 - \$159,721) at the end of the year.