

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF KINCARDINE**

Year ended December 31, 2022

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Consolidated Financial Statements

Year ended December 31, 2022

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THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
		(Restated – See Note 23)
Financial assets		
Cash (note 2)	\$ 45,852,748	\$ 46,714,037
Taxes receivable	1,165,508	1,379,335
Trade and other receivables	4,691,123	2,983,131
Inventory held for resale	67,758	53,730
Long-term investments - other (note 3)	5,193,131	5,096,970
Investment in Westario Power Inc. (note 4)	2,462,224	2,462,224
Investment in Bruce Telecom Holdings Inc. (note 5)	33,744,918	29,071,222
Loans receivable (note 6)	44,139	68,199
	<u>93,221,549</u>	<u>87,828,848</u>
Financial liabilities		
Accounts payable and accrued liabilities	8,000,086	6,476,505
Deferred revenue (note 22)	6,679,930	6,396,956
Long-term liabilities (note 9)	13,753,874	11,881,253
Post-employment benefits (note 15)	557,365	455,567
Solid waste landfill closure and post closure liability (note 10)	2,275,383	2,418,521
	<u>31,266,638</u>	<u>27,628,802</u>
Net financial assets	61,954,911	60,200,046
Non-financial assets		
Inventory of supplies	537,543	438,268
Prepaid expenses	301,103	260,218
Tangible capital assets (note 7)	163,834,084	156,091,691
	<u>164,672,730</u>	<u>156,790,177</u>
Commitments and contingencies (note 19)		
Accumulated surplus (note 11)	<u>\$ 226,627,641</u>	<u>\$ 216,990,223</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, 2022, with comparative information for 2021

	Budget	2022	2021
			(Restated – See Note 23)
Revenue:			
Taxation	\$ 20,460,832	\$ 20,546,226	\$ 19,497,547
Water and sewer charges	5,471,044	5,584,657	5,395,435
Fees and user charges	2,942,836	3,276,452	2,899,241
Grants (note 13)	4,234,548	4,269,459	2,825,201
Other income	3,673,551	5,313,396	2,567,085
Obligatory reserve fund revenue recognized		971,263	1,114,553
Dividends earned from			
Westario Power Inc. (note 4)	60,000	108,000	108,000
Equity earnings from			
Bruce Telecom Holdings Inc. (note 5)	500,000	2,654,223	1,869,230
Total revenue	37,342,811	42,723,676	36,276,292
Expenses:			
General government	4,118,677	4,078,749	3,952,711
Protection services	4,551,378	4,786,250	4,831,575
Transportation services	5,385,489	8,073,987	7,117,266
Environmental services	4,888,550	7,544,917	8,375,405
Health services	751,937	1,071,434	750,867
Recreation and cultural services	4,993,800	6,166,581	4,723,179
Planning and development	1,230,504	1,364,340	1,207,049
Total expenses	25,920,335	33,086,258	30,958,052
Annual surplus (note 16)	11,422,476	9,637,418	5,318,240
Accumulated surplus, beginning of year	216,990,223	216,990,223	211,671,983
Accumulated surplus, end of year	\$ 228,412,699	\$ 226,627,641	\$ 216,990,223

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, 2022, with comparative information for 2021

	2022	2021
Annual surplus	\$ 9,637,418	\$ 5,318,240
Acquisition of tangible capital assets	(17,067,508)	(14,332,705)
Amortization of tangible capital assets	6,692,835	6,394,940
Transfer of assets to Bruce Telecom Holdings Inc. (note 5)	2,519,473	
Loss on disposal of tangible capital assets	105,268	368,702
Proceeds on disposal of tangible capital assets	7,539	49,741
	(7,742,393)	(7,519,322)
Change in prepaid expenses	(40,885)	(78,685)
Change in inventory of supplies	(99,275)	(24,697)
	(140,160)	(103,382)
Increase (decrease) in net financial assets	1,754,865	(2,304,464)
Net financial assets, beginning of year	60,200,046	62,504,510
Net financial assets, end of year	\$ 61,954,911	\$ 60,200,046

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, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 9,637,418	\$ 5,318,240
Items not involving cash:		
Amortization of tangible capital assets	6,692,835	6,394,940
Contributed tangible capital assets	(594,171)	(121,392)
Solid waste closure and post-closure liabilities	(143,138)	1,794,697
Post-employment benefits payable	101,798	10,170
Loss on sale tangible of capital assets	105,268	368,702
Equity earnings from Bruce Telecom Holdings Inc. (note 5)	(2,654,223)	(1,869,230)
Net change in non-cash assets and liabilities:		
Taxes receivable	213,827	(163,331)
Trade and other receivables	(1,707,992)	(615,352)
Inventory held-for-resale	(14,028)	7,553
Change in inventories of supplies	(99,275)	(24,697)
Change in prepaid expenses	(40,885)	(78,685)
Accounts payable and accrued liabilities	1,523,581	1,208,716
Deferred revenue	282,974	443,811
	<u>13,303,989</u>	<u>12,674,142</u>
Capital transactions:		
Cash used to acquire tangible capital assets	(16,473,337)	(14,211,312)
Proceeds on sale of tangible capital assets	7,539	49,741
	<u>(16,465,798)</u>	<u>(14,161,571)</u>
Investing activities:		
Purchase of investments	(96,161)	(85,686)
Dividends received from Bruce Telecom Holdings Inc. (note 5)	500,000	500,000
Repayment of loans receivable	24,060	53,903
	<u>427,899</u>	<u>468,217</u>
Financing activities:		
Repayment of long-term liabilities	(8,253,379)	(491,542)
Proceeds from debt issuance	10,126,000	7,776,000
	<u>1,872,621</u>	<u>7,284,458</u>
Net change in cash and cash equivalents	(861,289)	6,265,246
Cash and cash equivalents, beginning of year	46,714,037	40,448,791
Cash and cash equivalents, end of year	<u>\$ 45,852,748</u>	<u>\$ 46,714,037</u>

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, 2022

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 100% ownership interest in Bruce Telecom Holdings Inc. ("Bruce Telecom") as a government business enterprise.

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, 2022

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.

The Municipality accounts for its 13.5% ownership interest in Westario Power Inc. as a long-term investment.

(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, 2022

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, 2022

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, 2022

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, 2022

2. Cash:

	2022	2021
Unrestricted	\$ 41,931,352	\$ 42,786,292
Restricted	3,921,396	3,927,745
	<u>\$ 45,852,748</u>	<u>\$ 46,714,037</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.

3. Long-term investments:

	2022	2021
Fixed income bonds, mutual funds and investment certificates	\$ 5,193,131	\$ 5,096,970

The other investments in fixed income bonds, mutual funds and investment certificates have a market value of \$4,946,021 (2021 - \$5,156,499) at the end of the year. They earn interest at rates ranging from 0.95% to 3.18% and mature in 2023 through 2026. 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, 2022

4. 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 \$108,000 (2021 - \$108,000) were received on these shares during the year.

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

	2022	2021
1,348 common shares	\$ 2,462,224	\$ 2,462,224
	\$ 2,462,224	\$ 2,462,224

5. 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. During 2022, the Municipality contributed land and buildings to Bruce Telecom with a carrying value of \$2,519,473 in exchange for 1,000 common shares of Bruce Telecom.

The investment in Bruce Telecom is comprised of the following:

	2022	2021
3,100 common shares	\$ 2,519,573	\$ 100
Net assets contributed	29,621,582	29,621,582
Tangible capital assets received	(3,826,257)	(3,826,257)
Change in accounting policy	(114,816)	(114,816)
Share of net income since acquisition, net of dividends and other adjustments	5,544,836	3,390,613
	\$ 33,744,918	\$ 29,071,222

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Investment in Bruce Telecom Holdings Inc. (continued):

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

	2022		2021
Current assets	\$ 10,016,422	\$	9,164,205
Non-current assets	30,318,552		26,915,774
Total assets	\$ 40,334,974	\$	36,079,979
Current liabilities	\$ 3,279,102	\$	3,404,877
Non-current liabilities	3,310,954		3,603,880
Total liabilities	\$ 6,590,056	\$	7,008,757
Net assets	\$ 33,744,918	\$	29,071,222
Results of operations:			
Revenues	\$ 18,103,024	\$	18,231,873
Expenses	15,448,801		16,362,643
Net income	\$ 2,654,223	\$	1,869,230
Municipality's share of net income - 100%	\$ 2,654,223	\$	1,869,230

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

6. Loans receivable:

	2022	2021
Tile drain loans receivable, 6.00%, principal and interest payments ranging from \$1,616 to \$6,793 annually, due 2023 to 2025		
	\$ 44,139	\$ 68,199

Interest earned on the loans receivables during the year was \$4,092 (2021 - \$7,080).

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Tangible capital assets:

	Land & land improvements	Buildings	Equipment & Vehicles	Roads & Bridges	Water & Sewer Systems	Assets under construction	Total Net book value 2022
Cost							
Balance, beginning of year	\$ 33,410,999	60,545,999	15,987,906	79,515,249	82,479,891	5,264,194	277,204,238
Additions	(46,077)	1,183	51,561	23,459	118,236	16,919,146	17,067,508
Disposals	(206,164)	(3,369,871)	(314,959)	(253,751)	(387,412)		(4,532,157)
Transfers	2,644,614	(54,937)	1,197,888	3,710,929	3,367,495	(10,865,989)	-
Cost, end year	35,803,372	57,122,374	16,922,396	82,995,886	85,578,210	11,317,351	289,739,589
Accumulated amortization							
Balance, beginning of year	9,745,186	30,237,512	9,731,948	43,677,729	27,720,172	-	121,112,547
Amortization	761,718	1,790,058	949,944	1,750,204	1,440,911		6,692,835
Disposals		(1,227,913)	(235,861)	(239,205)	(196,898)		(1,899,877)
Transfers	4,772	(94,225)		(4,772)	94,225		-
Accumulated amortization, end of year	10,511,676	30,705,432	10,446,031	45,183,956	29,058,410		125,905,505
Net book value, end of year	\$ 25,291,696	\$ 26,416,942	\$ 6,476,365	\$ 37,811,930	\$ 56,519,800	\$ 11,317,351	\$ 163,834,084

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Tangible capital assets (continued):

	Land & land improvements	Buildings	Equipment & Vehicles	Roads & Bridges	Water & Sewer Systems	Assets under construction	Total Net book value 2021
Cost							
Balance, beginning of year	\$ 31,416,806	\$ 58,210,773	\$ 14,527,095	\$ 76,159,481	\$ 75,859,343	\$ 8,202,711	\$ 264,376,209
Additions	4,055	2,281	59,276	–	102,621	14,164,472	14,332,705
Disposals	(13,450)	(75,237)	(330,667)	(739,500)	(345,822)	–	(1,504,676)
Transfers	2,003,588	2,408,182	1,732,202	4,095,268	6,863,749	(17,102,989)	–
Cost, end year	33,410,999	60,545,999	15,987,906	79,515,249	82,479,891	5,264,194	277,204,238
Accumulated amortization							
Balance, beginning of year	9,139,939	28,406,766	9,148,684	42,526,286	26,582,165	–	115,803,840
Amortization	618,697	1,905,983	912,732	1,614,742	1,342,786	–	6,394,940
Disposals	(13,450)	(75,237)	(329,468)	(463,299)	(204,779)	–	(1,086,233)
Accumulated amortization, end of year	9,745,186	30,237,512	9,731,948	43,677,729	27,720,172	–	121,112,547
Net book value, end of year	\$ 23,665,813	\$ 30,308,487	\$ 6,255,958	\$ 35,837,520	\$ 54,759,719	\$ 5,264,194	\$ 156,091,691

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 \$11,317,351 (2021 - \$5,264,194).

Contributed infrastructure capital assets of \$594,171 (2021 - \$121,392) 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, 2022

8. 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.

9. Long-term liabilities:

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

	2022	2021
Loan payable, Real Term Energy, 4.47%, payable interest and principal monthly, due September 2025	\$ 375,717	\$ 494,611
Loan payable, Ontario Infrastructure & Lands Corporation, 2.12%, interest and principal payable semi-annually, due September 2025	580,386	765,830
Loan payable, Ontario Infrastructure & Lands Corporation, 2.48%, interest and principal payable semi-annually, due July 2025	106,041	139,680
Tile drain debentures payable, 6%, payable interest and principal annually, due 2023 through 2025	44,139	68,201
Loan payable, Ontario Infrastructure & Lands Corporation, 2%, interest and principal payable semi-annually, due 2023 through 2040	2,521,591	2,636,931
Loan payable, Ontario Infrastructure & Lands Corporation, floating rate, interest payable monthly	1,826,000	1,726,000
Loan payable, Ontario Infrastructure & Lands Corporation, floating rate, 4.42% interest and principal payable semi-annually, due 2023 through 2042	8,300,000	6,050,000
	\$ 13,753,874	\$ 11,881,253

Principal payments estimated for the next 5 fiscal years and thereafter, if not demanded, are as follows:

2023	\$ 910,153
2024	913,404
2025	887,842
2026	539,898
2027	542,408
Thereafter	9,960,169
	\$ 13,753,874

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

10. 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 \$2,275,383 (2021 - \$2,418,521) 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 2.17% (2021 - 2.76%) and adjusted for inflation of 3.27% (2021 - 5.2%). 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 \$6,812,068 (2021 - \$8,691,260) leaving an amount to be recognized of \$4,536,685 (2021 - \$6,272,739).

As at December 31, 2022, 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 602,075 cubic meters. The sites have remaining life of 76 and 43 years.

11. Accumulated surplus:

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

	2022	2021
Investment in tangible capital assets:		
Tangible capital assets purchased	\$ 163,834,084	\$ 156,091,691
Capital assets financed by long-term liabilities, to be funded in future years	(13,689,851)	(11,813,053)
Unfinanced capital assets	105,032	(1,710,576)
Total invested in capital assets	150,249,265	142,568,062
General surplus	715,260	1,369,959
Bruce Telecom	33,744,918	29,071,222
Business improvement area	11,936	15,435
Transit		-
Unfunded post-employment benefits	(557,365)	(455,567)
Unfunded solid waste closure and post-closure costs	(2,275,383)	(2,418,521)
	181,888,631	170,150,590
Reserves and reserve funds (note 12)	44,739,010	46,839,633
Accumulated surplus	\$ 226,627,641	\$ 216,990,223

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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

	2022	2021
Reserves:		
Working funds	\$ 354,677	\$ 354,677
Capital purposes	8,425,023	8,455,076
Current purposes	66,308	97,343
	<u>8,846,008</u>	<u>8,907,096</u>
Reserve funds:		
Contingencies	669,780	576,175
Insurance, sick leave, WSIB	388,230	393,668
Capital purposes	34,834,992	36,962,694
	<u>35,893,002</u>	<u>37,932,537</u>
	<u>\$ 44,739,010</u>	<u>\$ 46,839,633</u>

13. Grants:

	2022 Actual	2021 Actual
Operating:		
Province of Ontario:		
Ontario Municipal Partnership Fund (OMPF)	\$ 1,142,900	\$ 1,144,200
Conditional - other	663,211	558,242
	<u>1,806,111</u>	<u>1,702,442</u>
Government of Canada:		
Conditional - other	13,140	17,353
Other municipalities:		
Conditional - other	258,549	248,481
Total operating grants	<u>2,077,800</u>	<u>1,968,276</u>
Capital grants:		
Province of Ontario:		
Conditional - water, sewer and other	1,733,902	781,584
Government of Canada:		
Conditional - water, sewer and other	457,757	75,341
Total grants	<u>\$ 4,269,459</u>	<u>\$ 2,825,201</u>

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. 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	
	2022	2021	2022	2021
Financial assets	\$ 231,199	\$ 161,988	\$ 1,989,111	\$ 2,438,898
Liabilities	320,310	235,349	230,105	354,286
Net (debt) financial assets	(89,111)	(73,361)	1,759,006	2,084,612
Non-financial assets	462,716	637,341	1,516,006	1,444,615
Accumulated surplus	\$ 373,605	\$ 563,980	\$ 3,275,012	\$ 3,529,227
Revenues	\$ 1,554,678	\$ 1,615,928	\$ 4,000,874	\$ 3,608,239
Expenses	1,745,053	1,522,205	4,255,089	3,738,926
Annual surplus (deficit)	\$ (190,375)	\$ 93,723	\$ (254,215)	\$ (130,687)

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, Municipality of Grey Highlands, Township of Chatsworth, 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, 2022

15. 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:

	2022	2021
Post-employment benefits	\$ 220,609	\$ 223,561
Sick leave	692,785	647,680
Workplace Safety and Insurance Board Obligations	5,564	5,918
	918,958	877,159
Unamortized actuarial loss	(361,593)	(421,592)
	\$ 557,365	\$ 455,567

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, 2021.

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 3.00% (2021 - 3.00%). For extended health care costs, a 5.75% annual rate of increase was assumed. For dental costs, a 3.75% annual rate of increase was assumed.

	2022	2021
Current period benefit cost	\$ 118,819	\$ 52,886
Amortization of actuarial loss	59,999	4,313
Retirement benefit expense	178,818	57,199
Interest costs	26,571	20,634
Total expense for the year	\$ 205,389	\$ 77,833

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

15. 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 109 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 2022 was \$707,562 (2021 - \$636,449) for current service. The contribution rate for 2022 was 9.0% to 14.6% (2021 - 9.0% to 14.6%) depending on age and level of income level.

The latest 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), based on actuarial liabilities of \$128.8 billion (2021 - \$119.3 billion) and actuarial assets of \$122.1 billion (2021 - \$116.2 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

16. 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 2022 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.

	2022 Budget
Annual surplus (page 2)	\$ 11,422,476
Acquisition of tangible capital assets less disposal and write-downs	22,357,622
Change in long-term debt to be funded in future years	555,320
Net transfers from reserves	(11,482,750)
Change in consolidated entities	(7,716)
	\$ 0

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

17. 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:

	2022	2021
School boards	\$ 4,272,839	\$ 4,215,443
County of Bruce	10,297,228	9,565,360
	\$ 14,570,067	\$ 13,780,803

18. Trust funds:

The trust funds administered by the Municipality amounting to \$615,608 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, 2022, the trust fund balances are as follows:

	2022	2021
Cemetery Care and Maintenance	\$ 615,608	\$ 567,070
	\$ 615,608	\$ 567,070

19. Contractual commitments:

- a) On December 13, 2021, the Municipality entered into a third amending agreement with Bruce Power L.P. commencing January 1, 2022 for funding assistance for Nuclear Emergency Preparedness as a requirement of the Emergency Management and Civil Protection Act. Under this Agreement, Bruce Power will reimburse the Municipality up to \$115,847 per year (adjusted in accordance with the Consumer Price Index-Canada (CPI)) for expenses incurred to comply with this Act.
- b) 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.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

19. Contractual commitments (continued):

- c) 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 \$275,000 per year, beginning January 1, 2023.
- d) The Municipality of Kincardine has entered into several physician recruitment agreements and is committed to spend \$120,000 in incentive payments throughout 2023 - 2026. Two agreements were completed in 2022 and both commit a down payment of up to \$250,000 towards a house in the Municipality through a non-interest-bearing loan to be repaid after 5 years of its receipt.
- e) Effective November 1, 2021, the Municipality entered into an agreement with James Special Services Inc. for the provision of full-time by-law enforcement services in Kincardine. The agreement is for a 3-year term ending November 1, 2024. The contract is estimated to cost \$94,000 per year for full-time and seasonal enforcement.
- f) The Municipality of Kincardine entered into a three-year contract extension with Phoenix AMG Inc. for the provision of management services at the Municipal Airport at an approximate cost of \$104,000 per year. The agreement expires March 31, 2025, with an optional three year extension.

20. Economic dependence:

Approximately 22% (2021 - 22%) 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.

21. 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

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

21. Segmented information (continued):

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.

(g) 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.

(h) 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, 2022

21. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Sewer and Environmental Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total 2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:									
Taxation	3,094,125	3,619,935	5,962,071		1,269,557	812,786	4,677,946	1,109,806	20,546,226
Fees and user charges	333,670	516,090	144,905	5,584,657	1,322,850	161,341	635,202	162,394	8,861,109
Specific grants	194,186	94,412	1,464,976		174,312	17,000	1,149,125	32,548	3,126,559
OMPF grant	172,770	202,129	332,909		70,889	45,384	261,207	57,612	1,142,900
Other revenue	4,553,281	14,481	833,469	1,159,018	10,751	205,910	1,235,753	62,956	8,075,619
Obligatory reserve fund revenue recognized			20,941	950,322					971,263
	8,348,032	4,447,047	8,759,271	7,693,997	2,848,359	1,242,421	7,959,233	1,425,316	42,723,676
Expenses:									
Salaries and benefits	2,349,557	1,253,651	2,689,704	1,370,996	744,249	356,797	2,865,712	661,346	12,292,012
Interest on debt	14,096	2,844	119,249	154,376				4,092	294,657
Material and supplies	778,992	358,228	2,137,998	1,237,434	614,228	252,638	1,549,307	265,373	7,194,198
Contract services	583,192	2,610,999	673,532	470,212	286,097	39,174	579,183	396,551	5,638,940
Other transfers		332,674				184,684	96,652	935	614,945
Rents and financial expenses	36,825	1,147	69,890	69,922	65,704	4,791	76,827	19,200	344,306
Amortization	316,087	212,342	2,383,614	2,171,617	360,082	233,350	998,900	16,843	6,692,835
Transfers to obligatory reserve funds		14,365							14,365
	4,078,749	4,786,250	8,073,987	5,474,557	2,070,360	1,071,434	6,166,581	1,364,340	33,086,258
Annual surplus (deficit)	4,269,283	(339,203)	685,284	2,219,440	777,999	170,987	1,792,652	60,976	9,637,418

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

21. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total 2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:									
Taxation	2,977,238	3,639,212	5,219,801	–	2,550,986	565,563	3,557,566	987,181	19,497,547
Fees and user charges	294,824	481,584	118,793	5,395,435	1,347,352	140,689	328,658	187,341	8,294,676
Specific grants	244,156	66,689	867,084	–	135,573	17,000	303,934	46,565	1,681,001
OMPF grant	175,419	214,423	307,551	–	150,304	33,323	209,612	53,568	1,144,200
Other revenue	3,534,122	2,594	77,316	342,569	6,732	247,293	577,156	21,644	4,809,426
Obligatory reserve fund revenue recognized	–	67,640	680,214	355,524	–	–	–	11,175	1,114,553
	7,225,759	4,472,142	7,270,759	6,093,528	4,190,947	1,003,868	4,976,926	1,307,474	36,541,403
Expenses:									
Salaries and benefits	2,191,803	1,437,555	2,474,591	1,254,893	626,542	225,384	2,163,166	569,189	10,943,123
Interest on debt	18,196	3,673	78,489	22,154	–	–	–	7,080	129,592
Material and supplies	568,710	342,490	1,740,063	1,195,323	527,948	196,081	1,203,666	212,048	5,986,329
Contract services	673,883	2,531,085	565,841	83,132	2,180,189	31,980	334,875	375,063	6,776,048
Other transfers	–	311,010	–	–	–	40,000	62,750	8,065	421,825
Rents and financial expenses	28,131	1,386	64,463	70,514	68,562	3,828	50,729	18,582	306,195
Amortization	471,988	204,376	2,193,819	2,048,883	297,265	253,594	907,993	17,022	6,394,940
	3,952,711	4,831,575	7,117,266	4,674,899	3,700,506	750,867	4,723,179	1,207,049	30,958,052
Annual surplus (deficit)	3,273,048	(359,433)	153,493	1,418,629	490,441	253,001	253,747	100,425	5,583,351

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

22. Deferred revenue:

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory reserve funds:					
Building permit fees	\$ 2,078,680	\$ 14,365	\$ 55,199		\$ 2,148,244
Development charges	758,589	686,431	19,531	246,263	1,218,288
Parkland	180,529	51,841	4,609		236,979
Gas tax	365,774	361,204	13,367	725,000	15,345
Parking	52,205		1,384		53,589
Other	185,080		4,905		189,985
	3,620,857	1,113,841	98,995	971,263	3,862,430
Other:					
Subdivider contributions	1,389,792	744,803		335,719	1,798,876
Other	1,386,307	3,233,254		3,600,937	1,018,624
	2,776,099	3,978,057		3,936,656	2,817,500
Total	\$ 6,396,956	\$ 5,091,898	\$ 98,995	\$ 4,907,919	\$ 6,679,930

23. Restatement:

During the year ended December 31, 2022, the Municipality changed its accounting policy for its investment in Westario Power Inc. from a government business enterprise to a long-term investment. As a result, the change has been applied retrospectively and, accordingly, the comparative financial information has been restated as follows:

	Increase (Decrease)
Statement of financial position:	
Investment in Westario Power Inc.	\$ (2,784,912)
Net financial assets	(2,784,912)
Accumulated surplus	(2,784,912)
Statement of operations:	
Equity earnings from Westario Power Inc.	(373,111)
Dividend income from Westario Power Inc.	108,000
Annual surplus	(265,111)
Accumulated surplus, beginning year	(2,519,801)
Accumulated surplus, end of year	(2,784,912)

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF KINCARDINE**

Trust Funds

Year ended December 31, 2022

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Trust Funds

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Cash	\$ 594,764	\$ 544,079
Interest receivable	2,445	438
Due from municipality	(1,601)	2,553
Investments (note 2)	20,000	20,000
	<u>\$ 615,608</u>	<u>\$567,070</u>
Fund Balances	615,608	567,070
	<u>\$ 615,608</u>	<u>\$567,070</u>

Consolidated Statement of Continuity

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

	2022	2021
Balance, beginning of year	\$ 567,070	\$637,173
Receipts:		
Bank and investment interest	16,888	6,717
Care and maintenance	48,538	30,858
Donations	-	-
	<u>65,426</u>	<u>37,575</u>
Expenses:		
Transfer to municipality	16,888	107,678
	<u>16,888</u>	<u>107,678</u>
Balance, end of year	<u>\$ 615,608</u>	<u>\$567,070</u>

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, 2022

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 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.

(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 \$20,000 (2021 - \$20,000) reported on the balance sheet have a market value of \$20,000 (2021 - \$20,000) at the end of the year.

3. Willow West Security:

In 2021, the Municipality was directed to forfeit the funds held in trust of a dissolved corporation for the Willow West Security. The balance in the trust was paid to the Office of the Public Guardian and Trustee pursuant to s.244 of the Business Corporations Act.