

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF KINCARDINE**

Year ended December 31, 2017

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Consolidated Financial Statements

Year ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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, 2017 and the consolidated statement of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.



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In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Municipality of Kincardine as at December 31, 2017, and its consolidated results of operations and the changes in its net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
June 13, 2018

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash (note 2)	\$ 31,299,262	\$ 28,886,421
Taxes receivable	1,407,026	1,703,226
Trade and other receivables	3,412,318	2,621,027
Inventory held for resale	312,711	310,808
Long-term investments - other (note 3)	4,819,403	4,871,052
Investment in Westario Power Inc. (note 3)	4,352,250	4,220,256
Loans receivable (note 4)	620,706	831,345
	<u>46,223,676</u>	<u>43,444,135</u>
Financial liabilities:		
Accounts payable and accrued liabilities	7,229,132	6,072,667
Deferred revenue (note 20)	4,673,771	3,800,799
Long-term liabilities (note 7)	3,727,169	4,447,985
Post-employment benefits (note 13)	1,044,502	971,319
Solid waste landfill closure and post closure liability (note 8)	501,394	443,083
	<u>17,175,968</u>	<u>15,735,853</u>
Net financial assets	29,047,708	27,708,282
Non-financial assets:		
Inventory of supplies	876,916	855,789
Prepaid expenses	811,509	864,235
Tangible capital assets (note 5)	155,909,812	152,529,296
	<u>157,598,237</u>	<u>154,249,320</u>
Commitments and contingencies (note 17)		
Accumulated surplus (note 9)	<u>\$ 186,645,945</u>	<u>\$ 181,957,602</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, 2017, with comparative information for 2016

	Budget	2017	2016
Revenue:			
Taxation	\$ 15,376,845	\$ 15,493,001	\$ 15,030,031
Water and sewer charges	4,324,346	4,710,258	4,653,088
Fees and user charges	19,933,334	20,459,509	20,112,766
Grants (note 11)	3,884,085	2,143,033	1,567,534
Other income	2,509,485	4,065,767	3,499,572
Obligatory reserve fund revenue recognized	-	226,989	837,152
Equity earnings from Westario Power Inc. (note 3)	80,000	212,994	263,048
Total revenue	46,108,095	47,311,551	45,963,191
Expenses:			
General government	3,519,413	3,256,646	3,270,727
Protection services	4,047,251	4,242,779	4,257,662
Transportation services	4,194,002	5,985,576	5,907,201
Environmental services	3,640,537	5,447,783	4,852,805
Health services	609,003	730,688	1,186,164
Recreation and cultural services	4,088,847	4,890,164	4,771,896
Planning and development	878,908	992,608	2,444,374
Telecommunications	16,987,419	16,844,003	16,382,203
Transfers to building permit reserve funds	-	232,961	-
Total expenses	37,965,380	42,623,208	43,073,032
Annual surplus (note 14)	8,142,715	4,688,343	2,890,159
Accumulated surplus, beginning of year	181,957,602	181,957,602	179,067,443
Accumulated surplus, end of year	\$ 190,100,317	\$ 186,645,945	\$ 181,957,602

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 Debt

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Annual surplus	\$ 4,688,343	\$ 2,890,159
Acquisition of tangible capital assets	(11,601,989)	(12,558,810)
Amortization of tangible capital assets	8,091,377	7,733,010
Loss on disposal of tangible capital assets	101,814	358,181
Proceeds on disposal of tangible capital assets	28,282	20,649
	(3,380,516)	(4,446,970)
Change in prepaid expenses	52,726	(257,417)
Change in inventory of supplies	(21,127)	49,946
	31,599	(207,471)
Increase/(decrease) in net financial assets	1,339,426	(1,764,282)
Net financial assets, beginning of year	27,708,282	29,472,564
Net financial assets, end of year	\$ 29,047,708	\$ 27,708,282

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, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 4,688,343	\$ 2,890,159
Items not involving cash:		
Amortization of tangible capital assets	8,091,377	7,733,010
Contributed tangible capital assets	(757,587)	(731,033)
Solid waste closure and post-closure liabilities	58,311	(116,226)
Post-employment benefits payable	73,183	10,247
Loss on sale tangible of capital assets	101,814	358,181
Change in assets held for sale	-	329,841
Equity earnings from Westario Power Inc.	(212,994)	(263,048)
Net change in non-cash assets and liabilities:		
Taxes receivable	296,200	(321,713)
Trade and other receivables	(791,291)	1,633,709
Unbilled revenue	-	93,314
Inventory held-for-resale	(1,903)	(48,667)
Change in inventories of supplies	(21,127)	49,946
Change in prepaid expenses	52,726	(257,417)
Accounts payable and accrued liabilities	1,156,465	(483,550)
Deferred revenue	872,972	(287,046)
	<u>13,606,489</u>	<u>10,589,707</u>
Capital transactions:		
Cash used to acquire tangible capital assets	(10,844,402)	(11,827,777)
Proceeds on sale of tangible capital assets	28,282	20,649
	<u>(10,816,120)</u>	<u>(11,807,128)</u>
Investing activities:		
Proceeds on sale of investments	51,649	750,589
Dividends received from Westario Power Inc.	81,000	107,815
Repayment of loans receivable	210,639	198,055
	<u>343,288</u>	<u>1,056,459</u>
Financing activities:		
Repayment of long-term liabilities	(720,816)	(697,504)
Net change in cash and cash equivalents	2,412,841	(858,466)
Cash and cash equivalents, beginning of year	28,886,421	29,744,887
Cash and cash equivalents, end of year	<u>\$ 31,299,262</u>	<u>\$ 28,886,421</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, 2017

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

Bruce Telecom

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. 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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

2. Cash:

	2017	2016
Unrestricted	\$ 28,295,366	\$ 26,281,722
Restricted	3,003,896	2,604,699
	<u>\$ 31,299,262</u>	<u>\$ 28,886,421</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:

	2017	2016
Fixed income bonds, mutual funds and investment certificates	\$ 4,819,403	\$ 4,871,052

The other investments in fixed income bonds, mutual funds and investment certificates have a market value of \$4,924,091 (2016 - \$4,987,703) at the end of the year. They earn interest at rates ranging from 0.6% to 4.4% and mature in 2018 through 2023. The mutual funds include money market and bond funds.

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 \$81,000 (2016 - \$107,815) were received on these shares during the year.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

3. Long-term investments (continued):

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

	2017	2016
1,348 common shares	\$ 2,462,224	\$ 2,462,224
13.5% of accumulated earnings less dividends	1,890,026	1,758,032
	\$ 4,352,250	\$ 4,220,256

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

	2017	2016
Current assets	\$ 10,726,646	\$ 12,280,707
Non-current assets	50,464,909	47,702,612
Regulatory balances	15,740,179	16,858,895
Total assets	\$ 76,931,734	\$ 76,842,214

	2017	2016
Current liabilities	\$ 13,408,607	\$ 11,630,568
Non-current liabilities	22,515,261	21,442,455
Regulatory balances	8,738,505	12,477,564
Total liabilities	\$ 44,662,373	\$ 45,550,587

Net assets	\$ 32,269,361	\$ 31,291,627
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Results of operations:

Revenues	\$ 63,319,773	\$ 70,459,425
Expenses	61,742,039	68,510,921
Net income	\$ 1,577,734	\$ 1,948,504

Municipality's share of net income - 13.5%	\$ 212,994	\$ 263,048
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THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

4. Loans receivable:

	2017	2016
Kincardine Water Treatment Plant Expanded Service Area loans receivable, 3.35%, receivable interest and principal annually, due 2020	\$ 177,902	\$ 244,904
Friends of the Pavillion loan receivable, 4.10%, \$21,565 principal and interest received semi-annually, due 2019	81,722	120,515
Tile drain loans receivable, 6.00%, principal and interest payments ranging from \$381 to \$6,793 annually, due 2017 to 2023	321,529	397,643
Family Health Team loan receivable, 0%, \$1,667 principal received monthly, due 2017	-	8,298
Wrightson Drain loans receivable, 1.95% received semi-annually, due 2019	8,157	12,012
Kincardine Old Girls and Old Boys Reunion loan receivable, 0%, principal due March 2019	20,000	20,000
Physician Incentive loan receivable, 3.70%, \$1,444 principal received monthly, due 2018	11,396	27,973
	\$ 620,706	\$ 831,345

Interest earned on the loans receivables during the year was \$36,948 (2016 - \$56,457).

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

5. Tangible capital assets:

2017	Land & land improvements	Buildings	Equipment & Vehicles	Roads & Bridges	Water & Sewer Systems	Assets under construction	Total Net book value 2017
Cost							
Balance, beginning of year	\$ 27,409,859	\$ 55,032,428	\$ 82,618,410	\$ 67,747,614	\$ 64,688,851	\$ 4,161,869	\$ 301,659,031
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	29,652,752	55,144,746	89,937,958	68,541,630	64,870,184	3,977,678	312,124,948
Accumulated amortization							
Balance, beginning of year	7,206,523	25,420,089	56,435,076	37,427,118	22,640,048	881	149,129,735
Amortization	493,887	1,421,611	3,494,913	1,547,496	1,110,610	22,860	8,091,377
Disposals	(167,115)	(21,506)	(705,942)	(68,339)	(43,074)	-	(1,005,976)
Accumulated amortization, end of year	7,533,295	26,820,194	59,224,047	38,906,275	23,707,584	23,741	156,215,136
Net book value, end of year	\$ 22,119,457	\$ 28,324,552	\$ 30,713,911	\$ 29,635,355	\$ 41,162,600	\$ 3,953,937	\$ 155,909,812

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

5. Tangible capital assets (continued):

2016	Land & land improvements	Buildings	Equipment & Vehicles	Roads & Bridges	Water & Sewer Systems	Assets under construction	Total Net book value 2016
Cost							
Balance, beginning of year	\$ 26,738,437	\$ 50,006,744	\$ 80,466,921	\$ 67,287,586	\$ 64,215,434	\$ 3,289,124	\$ 292,004,246
Additions	80,446	420,699	3,906,233	4,909	408,381	7,738,142	12,558,810
Disposals	(150,789)	(284,187)	(1,916,087)	(314,168)	(222,868)	(782)	(2,888,881)
Transfers	741,765	4,889,172	161,343	769,287	287,904	(6,864,615)	(15,144)
Cost, end year	27,409,859	55,032,428	82,618,410	67,747,614	64,688,851	4,161,869	301,659,031
Accumulated amortization							
Balance, beginning of year	6,861,642	24,283,927	55,034,971	36,089,043	21,652,337	-	143,921,920
Amortization	427,695	1,345,657	3,286,012	1,579,884	1,090,555	3,207	7,733,010
Disposals	(82,814)	(209,495)	(1,885,907)	(241,809)	(102,844)	(2,326)	(2,525,195)
Accumulated amortization, end of year	7,206,523	25,420,089	56,435,076	37,427,118	22,640,048	881	149,129,735
Net book value, end of year	\$ 20,203,336	\$ 29,612,339	\$ 26,183,334	\$ 30,320,496	\$ 42,048,803	\$ 4,160,988	\$ 152,529,296

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

5. Tangible capital assets (continued):

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 \$3,953,937 (2016 - \$4,160,988).

\$757,587 (2016 - \$731,033) in contributed infrastructure capital assets were recognized in the financial statements during the year.

In July 2013, the council of the Municipality committed to selling the assets of Bruce Telecom. At that date, the tangible capital assets of Bruce Telecom were considered held-for-sale and were therefore recognized at their net recoverable amount and removed from tangible capital assets. As a result of recording the assets at their net recoverable amount, an impairment charge of \$7,114,133 was recorded.

In 2016, the assets of Bruce Telecom were no longer committed to be sold and as such, were reclassified back into tangible capital assets.

6. 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.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

7. Long-term liabilities:

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

	2017	2016
Loan payable, Real Term Energy, 4.47%, payable interest and principal monthly, due September, 2025	\$ 887,632	\$ 967,454
Loan payable, Ontario Infrastructure Project Corporation, 2.12%, interest and principal payable semi-annually, due September 2025	1,469,710	1,636,596
Loan payable, Ontario Infrastructure Project Corporation, 2.48%, interest and principal payable semi-annually, due July 2025	266,245	295,985
Tile drain debentures payable, 6% to 8%, payable interest and principal annually, due 2017 through 2025	321,531	397,644
Loan payable, Canadian Imperial Bank of Commerce, 4.1%, payable \$21,545 semi-annually principal and interest, due on demand	81,174	119,708
Loan payable, Canadian Imperial Bank of Commerce, 4.09%, payable \$184,268 semi-annually principal and interest, due on demand	700,877	1,030,598
	\$ 3,727,169	\$ 4,447,985

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.

2018	\$ 745,865
2019	760,761
2020	373,748
2021	369,132
2022	366,573
Thereafter	1,111,090
	\$ 3,727,169

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

8. 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 \$501,394 (2016 - \$443,083) 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 3.46% (2016 - 3.54%) and adjusted for inflation of 1.9% (2016 - 1.5%). 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 \$864,054 (2016 - \$738,007) leaving an amount to be recognized of \$362,660 (2016 - \$294,924).

As at December 31, 2017, 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 613,200 cubic meters. The sites have remaining life of 75 and 30 years.

9. Accumulated surplus:

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

	2017	2016
Investment in tangible capital assets:		
Tangible capital assets purchased	\$ 155,909,812	\$ 152,529,296
Capital assets financed by long-term liabilities, to be funded in future years	(3,405,638)	(4,050,341)
Unexpended capital financing (unfinanced capital assets)	(91,480)	(1,053)
Total invested in capital assets	152,412,694	148,477,902
General surplus	1,105,378	(405,178)
Bruce Telecom	(587,999)	1,935,866
Westario Power	1,890,026	1,758,032
Business improvement area	2,951	6,330
Transit	346	346
Unfunded post-employment benefits	(378,795)	(350,169)
Unfunded solid waste closure and post-closure costs	(501,394)	(443,083)
	153,943,207	150,980,046
Reserves and reserve funds (note 10)	32,702,738	30,977,556
Accumulated surplus	\$ 186,645,945	\$ 181,957,602

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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

	2017	2016
Reserves:		
Working funds	\$ 364,502	\$ 348,483
Capital purposes	6,041,157	6,709,285
Current purposes	75,289	64,003
	<u>6,480,948</u>	<u>7,121,771</u>
Reserve funds:		
Contingencies	558,031	3,362
Insurance, sick leave, WSIB	362,370	369,482
Capital purposes	25,301,389	23,482,941
	<u>26,221,790</u>	<u>23,855,785</u>
	<u>\$ 32,702,738</u>	<u>\$ 30,977,556</u>

11. Grants:

	2017 Budget	2017 Actual	2016 Actual
Operating:			
Province of Ontario:			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,041,300	\$ 1,041,300	\$ 958,000
Conditional - other	223,961	260,177	248,020
	<u>1,265,261</u>	<u>1,301,477</u>	<u>1,206,020</u>
Government of Canada:			
Conditional - other	1,000	123,933	22,735
Other municipalities:			
Conditional - other	228,758	229,966	218,379
Total operating grants	<u>1,495,019</u>	<u>1,655,376</u>	<u>1,447,134</u>
Capital grants:			
Province of Ontario:			
Conditional - water, sewer and other	1,720,794	146,708	120,400
Government of Canada:			
Conditional - water, sewer and other	668,272	340,949	-
Total grants	<u>\$ 3,884,085</u>	<u>\$ 2,143,033</u>	<u>\$ 1,567,534</u>

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

12. 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	
	2017	2016	2017	2016
Financial assets	\$ 110,332	\$ 93,126	\$ 2,893,033	\$ 2,524,184
Liabilities	150,855	120,313	169,417	125,953
Net (debt) financial assets	(40,523)	(27,187)	2,723,616	2,398,231
Non-financial assets	546,876	427,623	1,585,072	1,746,705
Accumulated surplus	\$ 506,353	\$ 400,436	\$ 4,308,688	\$ 4,144,936
Revenues	\$ 1,758,577	\$ 1,367,973	\$ 3,047,316	\$ 2,960,015
Expenses	1,652,660	1,534,436	2,883,564	2,801,970
Annual surplus	\$ 105,917	\$ (166,463)	\$ 163,752	\$ 158,045

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, 2017

13. 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:

	2017	2016
Post-employment benefits	\$ 353,733	\$ 344,684
Sick leave	190,881	191,709
Workplace Safety and Insurance Board Obligations	58,716	62,562
Bruce Telecom post-employment benefits	780,523	663,045
	<u>1,383,853</u>	<u>1,262,000</u>
Unamortized actuarial loss	(339,351)	(290,681)
	<u>\$ 1,044,502</u>	<u>\$ 971,319</u>

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, 2015.

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 4.25% (2016 - 4.25%). For extended health care costs, a 4.67% annual rate of increase was assumed. For dental costs, a 4.0% annual rate of increase was assumed.

	2017	2016
Current period benefit cost	\$ 110,900	\$ 97,642
Amortization of actuarial loss	29,166	28,131
Retirement benefit expense	<u>140,066</u>	<u>125,773</u>
Interest costs	52,343	50,540
Total expense for the year	<u>\$ 192,409</u>	<u>\$ 176,313</u>

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

13. 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 89 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 2017 was \$534,975 (2016 - \$517,263) for current service. The contribution rate for 2017 was 9.0% to 14.6% (2016 - 9.0% to 14.6%) depending on age and level of income level.

The latest available report for the OMERS plan was December 31, 2017. At that time the plan reported a \$5.4 billion actuarial deficit (2016 - \$5.7 billion actuarial deficit), based on actuarial liabilities of \$93.6 billion (2016 - \$87 billion) and actuarial assets of \$88.2 billion (2016 - \$81.2 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

14. 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 2017 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.

	2017 Budget
Annual surplus (deficit)	\$ 810,806
Acquisition of tangible capital assets less disposal and write-downs	10,536,725
Change in long-term debt to be funded in future years	644,701
Net transfers to (from) reserves	(3,849,517)
	\$ 8,142,715

15. 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:

	2017	2016
School boards	\$ 4,363,530	\$ 4,330,844
County of Bruce	7,958,054	7,854,677
	\$ 12,321,584	\$ 12,185,521

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

16. Trust funds:

The trust funds administered by the Municipality amounting to \$563,539 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, 2017, the trust fund balances are as follows:

	2017	2016
Cemetery Care and Maintenance	\$ 468,027	\$ 453,145
Willow West Security	95,512	94,286
	<u>\$ 563,539</u>	<u>\$ 547,431</u>

17. Contractual commitments:

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.

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.

The Municipality has 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.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

18. Economic dependence:

Approximately 28% (2016 - 30%) 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.

19. 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.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

19. Segmented information (continued):

(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) 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, 2017

19. 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	1,883,958	1,464,851	250,740	205,328	3,028,112	867,855	15,666	8,091,377
Transfers to obligatory reserve funds	-	232,961	-	-	-	-	-	-	-	232,961
	3,256,646	4,475,740	5,985,576	3,639,878	1,807,905	730,688	16,844,003	4,890,164	992,608	42,623,208
Annual surplus (deficit)	\$ 1,228,363	\$ 132,262	\$ (1,252,107)	\$ 1,931,953	\$ 435,466	\$ 150,813	\$ 739,327	\$ 954,012	\$ 368,254	\$ 4,688,343

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

19. 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 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:										
Taxation	2,145,863	2,793,526	3,751,986	-	760,747	778,263	-	3,130,925	1,668,721	15,030,031
Fees and user charges	224,110	330,328	180,402	4,653,088	719,423	95,471	17,862,306	631,772	68,954	24,765,854
Specific grants	22,895	53,457	239,904	-	85,427	17,000	-	145,382	45,468	609,533
OMPF grant	137,369	178,829	240,186	-	48,700	49,821	-	200,428	102,668	958,001
Other revenue	1,467,101	4,859	223,286	268,502	31,590	204,170	117,157	1,400,010	45,945	3,762,620
Obligatory reserve fund revenue recognized	1,284	36,751	66,762	20,081	597,317	300	-	114,657	-	837,152
	3,998,622	3,397,750	4,702,526	4,941,671	2,243,204	1,145,025	17,979,463	5,623,174	1,931,756	45,963,191
Expenses:										
Salaries and benefits	2,032,393	952,874	1,977,414	941,496	591,039	169,142	6,405,718	2,056,680	314,115	15,440,871
Interest on debt	39,180	7,505	44,605	-	-	48,320	-	6,935	38,313	184,858
Material and supplies	661,580	269,788	1,633,163	886,455	326,845	234,637	7,142,940	1,478,872	168,328	12,802,608
Contract services	358,577	2,525,020	343,951	183,868	224,933	10,135	-	260,007	1,881,179	5,787,670
Other transfers	-	301,916	-	-	-	525,493	-	78,255	1,500	907,164
Rents and financial expenses	29,187	-	48,246	29,669	39,870	-	-	45,264	24,615	216,851
Amortization	149,810	200,559	1,859,822	1,439,848	188,782	198,437	2,833,545	845,883	16,324	7,733,010
	3,270,727	4,257,662	5,907,201	3,481,336	1,371,469	1,186,164	16,382,203	4,771,896	2,444,374	43,073,032
Annual surplus (deficit)	\$ 727,895	\$ (859,912)	\$ (1,204,675)	\$ 1,460,335	\$ 871,735	\$ (41,139)	\$ 1,597,260	\$ 851,278	\$ (512,618)	\$ 2,890,159

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

20. Deferred revenue:

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory reserve funds:					
Reserves:					
Building permit fees	\$ 1,483,941	\$ 232,961	\$ 19,354	\$ -	\$ 1,736,256
Development charges	911,640	468,491	11,741	(174,681)	1,217,191
Parkland	59,712	18,250	762	(52,308)	26,416
Gas tax	-	345,739	1,630	-	347,369
Other	171,231	-	2,226	-	173,457
	2,626,524	1,065,441	35,713	(226,989)	3,500,689
Other:					
Subdivider contributions	522,397	124,827	-	(138,161)	509,063
Other	491,850	449,679	-	(360,453)	581,076
Telecommunications	160,028	712	-	(77,797)	82,943
	1,174,275	575,218	-	(576,411)	1,173,082
Total	\$ 3,800,799	\$ 1,640,659	\$ 35,713	\$ (803,400)	\$ 4,673,771

21. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect the annual surplus

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF KINCARDINE**

Trust Funds

Year ended December 31, 2017



KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada
Tel 519 747-8800
Fax 519 747-8830

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the trust funds of the Corporation of the Municipality of Kincardine ("the Entity"), which comprise of the statement of financial position as at December 31, 2017 and the statement of continuity of trust funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.



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In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the Municipality of Kincardine as at December 31, 2017, and the continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
June 13, 2018

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Trust Funds

Statement of Consolidated Financial Position

Year ended December 31, 2017, with comparative information for 2016

	Cemetery Care and Maintenance	Willow West Security	2017	2016
Asset				
Cash	\$ 307,991	\$ 95,383	\$ 403,374	\$ 384,577
Interest receivable	417	129	546	359
Due from/to municipality	(102)	-	(102)	870
Investments (note 2)	159,721	-	159,721	161,625
	<u>\$ 468,027</u>	<u>\$ 95,512</u>	<u>\$ 563,539</u>	<u>\$ 547,431</u>

Liabilities and Fund Balances

Fund balances	\$ 468,027	\$ 95,512	\$ 563,539	\$ 547,431
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Statement of Continuity

Year ended December 31, 2017, with comparative information for 2016

	Cemetery Care and Maintenance	Willow West Security	2017	2016
Balance, beginning of year	\$ 453,145	\$ 94,286	\$ 547,431	\$ 525,339
Receipts:				
Bank and investment interest	8,757	1,226	9,983	10,999
Care and maintenance	17,645	-	17,645	21,061
	<u>26,402</u>	<u>1,226</u>	<u>27,628</u>	<u>32,060</u>
Expenses:				
Transfer to municipality	8,757	-	8,757	9,968
Administration fees	2,763	-	2,763	-
	<u>11,520</u>	<u>-</u>	<u>11,520</u>	<u>9,968</u>
Balance, end of year	<u>\$ 468,027</u>	<u>\$ 95,512</u>	<u>\$ 563,539</u>	<u>\$ 547,431</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, 2017

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 \$159,721 (2016 - \$161,625) reported on the balance sheet have a market value of \$159,721 (2016 - \$159,507) at the end of the year.