

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF KINCARDINE**

Year ended December 31, 2021

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Consolidated Financial Statements

Year ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



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We also:

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

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

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

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

June 22, 2022

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash (note 2)	\$ 46,714,037	\$ 40,448,791
Taxes receivable	1,379,335	1,216,004
Trade and other receivables	2,983,131	2,367,778
Inventory held for resale	53,730	61,283
Long-term investments - other (note 3)	5,096,970	5,011,284
Investment in Westario Power Inc. (note 4)	5,247,136	4,982,025
Investment in Bruce Telecom Holdings Inc. (note 5)	29,071,222	27,701,992
Loans receivable (note 6)	68,199	122,103
	90,613,760	81,911,260
Financial liabilities		
Accounts payable and accrued liabilities	6,476,505	5,267,789
Deferred revenue (note 22)	6,396,956	5,953,144
Long-term liabilities (note 9)	11,881,253	4,596,795
Post-employment benefits (note 15)	455,567	445,397
Solid waste landfill closure and post closure liability (note 10)	2,418,521	623,824
	27,628,802	16,886,949
Net financial assets	62,984,958	65,024,311
Non-financial assets		
Inventory of supplies	438,268	413,571
Prepaid expenses	260,218	181,533
Tangible capital assets (note 7)	156,091,691	148,572,369
	156,790,177	149,167,473
Commitments and contingencies (note 19)		
Impact of COVID-19 (note 23)		
Accumulated surplus (note 11)	\$ 219,775,135	\$ 214,191,784

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, 2021, with comparative information for 2020

	Budget	2021	2020
Revenue:			
Taxation	\$ 19,401,442	\$ 19,497,547	\$ 18,759,355
Water and sewer charges	5,257,709	5,395,435	5,233,341
Fees and user charges	2,349,210	2,899,241	2,504,963
Grants (note 13)	3,750,537	2,825,201	2,500,181
Other income	2,503,077	2,567,085	3,556,921
Obligatory reserve fund revenue recognized	–	1,114,553	1,353,659
Equity earnings from			
Westario Power Inc. (note 4)	60,000	373,111	248,585
Equity earnings from			
Bruce Telecom Holdings Inc. (note 5)	500,000	1,869,230	2,343,747
Total revenue	33,821,975	36,541,403	36,500,752
Expenses:			
General government	3,558,504	3,952,711	3,972,315
Protection services	4,569,978	4,831,575	4,604,588
Transportation services	5,115,428	7,117,266	6,774,912
Environmental services	4,528,390	8,375,405	6,336,136
Health services	1,077,002	750,867	732,797
Recreation and cultural services	4,609,464	4,723,179	4,153,407
Planning and development	1,081,530	1,207,049	926,968
Total expenses	24,540,296	30,958,052	27,501,123
Annual surplus (note 16)	9,281,679	5,583,351	8,999,629
Accumulated surplus, beginning of year	214,191,784	214,191,784	205,192,155
Accumulated surplus, end of year	\$ 223,473,463	\$ 219,775,135	\$ 214,191,784

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, 2021, with comparative information for 2020

	2021	2020
Annual surplus	\$ 5,583,351	\$ 8,999,629
Acquisition of tangible capital assets	(14,332,705)	(13,363,060)
Amortization of tangible capital assets	6,394,940	6,063,386
Loss on disposal of tangible capital assets	368,702	334,002
Proceeds on disposal of tangible capital assets	49,741	56,653
	(7,519,322)	(6,909,019)
Change in prepaid expenses	(78,685)	7,565
Change in inventory of supplies	(24,697)	49,667
	(103,382)	57,232
Increase (decrease) in net financial assets	(2,039,353)	2,147,842
Net financial assets, beginning of year	65,024,311	62,876,469
Net financial assets, end of year	\$ 62,984,958	\$ 65,024,311

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, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 5,583,351	\$ 8,999,629
Items not involving cash:		
Amortization of tangible capital assets	6,394,940	6,063,386
Contributed tangible capital assets	(121,392)	(106,922)
Solid waste closure and post-closure liabilities	1,794,697	37,649
Post-employment benefits payable	10,170	9,399
Loss on sale tangible of capital assets	368,702	334,002
Equity earnings from Westario Power Inc. (note 4)	(373,111)	(248,585)
Equity earnings from Bruce Telecom Holdings Inc. (note 5)	(1,869,230)	(2,343,747)
Net change in non-cash assets and liabilities:		
Taxes receivable	(163,331)	233,176
Trade and other receivables	(615,352)	(33,403)
Inventory held-for-resale	7,553	10,177
Change in inventories of supplies	(24,697)	7,565
Change in prepaid expenses	(78,685)	49,667
Accounts payable and accrued liabilities	1,208,716	587,171
Deferred revenue	443,811	364,317
	12,566,142	13,963,481
Capital transactions:		
Cash used to acquire tangible capital assets	(14,211,312)	(13,256,138)
Proceeds on sale of tangible capital assets	49,741	56,653
	(14,161,571)	(13,199,485)
Investing activities:		
Purchase of investments	(85,686)	47,726
Dividends received from Westario Power Inc. (note 4)	108,000	108,000
Dividends received from Bruce Telecom Holdings Inc. (note 5)	500,000	500,000
Repayment of loans receivable	53,903	95,265
	576,217	750,991
Financing activities:		
Repayment of long-term liabilities	(491,542)	(368,762)
Proceeds from debt issuance	7,776,000	2,750,000
	7,284,458	2,381,238
Net change in cash and cash equivalents	6,265,246	3,896,225
Cash and cash equivalents, beginning of year	40,448,791	36,552,566
Cash and cash equivalents, end of year	\$ 46,714,037	\$ 40,448,791

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, 2021

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

1. Significant accounting policies:

(a) Management Responsibility:

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

(b) Basis of consolidation:

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

Kincardine Police Services Board

Kincardine Business Improvement Area

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

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

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

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

(c) Basis of accounting:

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

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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, 2021

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, 2021

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, 2021

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, 2021

2. Cash:

	2021	2020
Unrestricted	\$ 42,786,292	\$ 36,140,142
Restricted	3,927,745	4,308,649
	<u>\$ 46,714,037</u>	<u>\$ 40,448,791</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:

	2021	2020
Fixed income bonds, mutual funds and investment certificates	\$ 5,096,970	\$ 5,011,284

The other investments in fixed income bonds, mutual funds and investment certificates have a market value of \$5,156,499 (2020 - \$5,216,794) at the end of the year. They earn interest at rates ranging from 0.04% to 3.28% and mature in 2022 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, 2021

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 (2020 - \$108,000) were received on these shares during the year.

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

	2021	2020
1,348 common shares	\$ 2,462,224	\$ 2,462,224
13.5% of accumulated earnings less dividends	2,784,912	2,519,801
	\$ 5,247,136	\$ 4,982,025

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

	2021	2020
Current assets	\$ 10,443,818	\$ 14,021,185
Non-current assets	64,004,976	60,485,650
Regulatory balances	8,425,077	6,623,602
Total assets	\$ 82,873,871	\$ 81,130,437
	2021	2020
Current liabilities	\$ 11,451,649	\$ 12,282,958
Non-current liabilities	31,704,725	30,890,809
Regulatory balances	819,350	1,022,312
Total liabilities	\$ 43,975,724	\$ 44,196,079
Net assets	\$ 38,898,147	\$ 36,934,358
Results of operations:		
Revenues	\$ 66,776,440	\$ 74,513,410
Expenses	64,012,652	72,672,040
Net income	\$ 2,763,788	\$ 1,841,370
Municipality's share of net income - 13.5%	\$ 373,111	\$ 248,585

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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.

The investment in Bruce Telecom is comprised of the following:

	2021	2020
2,100 common shares	\$ 100	\$ 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	3,390,613	2,021,383
	\$ 29,071,222	\$ 27,701,992

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

	2021	2020
Current assets	\$ 9,164,205	\$ 5,784,524
Non-current assets	26,915,774	27,605,661
Total assets	\$ 36,079,979	\$ 33,390,185
Current liabilities	\$ 3,404,877	\$ 2,192,496
Non-current liabilities	3,603,880	3,495,697
Total liabilities	\$ 7,008,757	\$ 5,688,193
Net assets	\$ 29,071,222	\$ 27,701,992
Results of operations:		
Revenues	\$ 18,231,873	\$ 17,683,019
Expenses	16,362,643	15,339,272
Net income	\$ 1,869,230	\$ 2,343,747
Municipality's share of net income - 100%	\$ 1,869,230	\$ 2,343,747

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

6. Loans receivable:

	2021	2020
<hr/>		
Tile drain loans receivable, 6.00%, principal and interest payments ranging from \$1,616 to \$6,793 annually, due 2022 to 2025	\$ 68,199	\$ 122,103
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Interest earned on the loans receivables during the year was \$7,080 (2020 - \$11,336).

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

7. Tangible capital assets:

2021	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 CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

7. Tangible capital assets (continued):

2020	Land & land improvements	Buildings	Equipment & Vehicles	Roads & Bridges	Water & Sewer Systems	Assets under construction	Total Net book value 2020
Cost							
Balance, beginning of year	\$ 31,151,539	\$ 56,846,732	\$ 14,340,844	\$ 72,799,556	\$ 73,892,228	\$ 4,090,876	\$ 253,121,775
Additions	6,275	8,471	62,145	5,392	209,845	13,070,932	13,363,060
Disposals	(1,752)	(105,727)	(751,767)	(625,190)	(624,190)	–	(2,108,626)
Transfers	260,744	1,461,297	875,873	3,979,723	2,381,460	(8,959,097)	–
Cost, end year	31,416,806	58,210,773	14,527,095	76,159,481	75,859,343	8,202,711	264,376,209
Accumulated amortization							
Balance, beginning of year	8,546,841	26,692,140	9,063,352	41,550,440	25,605,652	–	111,458,425
Amortization	594,219	1,817,888	836,690	1,543,778	1,270,811	–	6,063,386
Disposals	(1,121)	(103,262)	(751,358)	(567,932)	(294,298)	–	(1,717,971)
Accumulated amortization, end of year	9,139,939	28,406,766	9,148,684	42,526,286	26,582,165	–	115,803,840
Net book value, end of year	\$ 22,276,867	\$ 29,804,007	\$ 5,378,411	\$ 33,633,195	\$ 49,277,178	\$ 8,202,711	\$ 148,572,369

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 \$5,264,194 (2020 - \$8,202,711).

Contributed infrastructure capital assets of \$121,392 (2020 - \$106,922) 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, 2021

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:

	2021	2020
Loan payable, Real Term Energy, 4.47%, payable interest and principal monthly, due September, 2025	\$ 494,611	\$ 604,785
Loan payable, Ontario Infrastructure Project Corporation, 2.12%, interest and principal payable semi-annually, due September 2025	765,830	947,405
Loan payable, Ontario Infrastructure Project Corporation, 2.48%, interest and principal payable semi-annually, due July 2025	139,680	172,501
Tile drain debentures payable, 6%, payable interest and principal annually, due 2020 through 2025	68,201	122,104
Loan payable, Ontario Infrastructure Project Corporation, 2%, interest and principal payable semi-annually, due 2021 through 2040	2,636,931	2,750,000
Loan payable, Ontario Infrastructure Project Corporation, floating rate, interest payable monthly	1,726,000	–
Loan payable, Ontario Infrastructure Project Corporation, floating rate, interest payable monthly	6,050,000	–
	\$ 11,881,253	\$ 4,596,795

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

2022	\$ 477,379
2023	495,152
2024	498,404
2025	472,842
2026	124,898
Thereafter	9,812,578
	\$ 11,881,253

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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 \$2,418,521 (2020 - \$623,824) 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 2.76% (2020 - 2.06%) and adjusted for inflation of 5.2% (2020 - 0.7%). 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 \$8,691,260 (2020 - \$1,046,013) leaving an amount to be recognized of \$6,272,739 (2020 - \$422,189).

As at December 31, 2021, 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 655,500 cubic meters. The sites have remaining life of 78 and 37 years.

11. Accumulated surplus:

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

	2021	2020
Investment in tangible capital assets:		
Tangible capital assets purchased	\$ 156,091,691	\$ 148,572,369
Capital assets financed by long-term liabilities, to be funded in future years	(11,813,053)	(4,474,691)
Unfinanced capital assets	(1,710,576)	(4,163,577)
Total invested in capital assets	142,568,062	139,934,101
General surplus	1,369,959	1,425,531
Bruce Telecom	29,071,222	27,701,992
Westario Power	2,784,912	2,519,801
Business improvement area	15,435	3,009
Transit	-	-
Unfunded post-employment benefits	(455,567)	(445,397)
Unfunded solid waste closure and post-closure costs	(2,418,521)	(623,824)
	172,935,502	170,515,213
Reserves and reserve funds (note 12)	46,839,633	43,676,571
Accumulated surplus	\$ 219,775,135	\$ 214,191,784

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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

	2021	2020
Reserves:		
Working funds	\$ 354,677	\$ 354,677
Capital purposes	8,455,076	8,024,155
Current purposes	97,343	82,343
	<u>8,907,096</u>	<u>8,461,175</u>
Reserve funds:		
Contingencies	576,175	700,889
Insurance, sick leave, WSIB	393,668	387,208
Capital purposes	36,962,694	34,127,299
	<u>37,932,537</u>	<u>35,215,396</u>
	<u>\$ 46,839,633</u>	<u>\$ 43,676,571</u>

13. Grants:

	2021 Actual	2020 Actual
Operating:		
Province of Ontario:		
Ontario Municipal Partnership Fund (OMPF)	\$ 1,144,200	\$ 1,192,400
Conditional - other	558,242	442,732
	<u>1,702,442</u>	<u>1,635,132</u>
Government of Canada:		
Conditional - other	17,353	3,600
Other municipalities:		
Conditional - other	248,481	253,897
	<u>248,481</u>	<u>253,897</u>
Total operating grants	1,968,276	1,892,629
Capital grants:		
Province of Ontario:		
Conditional - water, sewer and other	781,584	584,653
Government of Canada:		
Conditional - water, sewer and other	75,341	22,899
	<u>75,341</u>	<u>22,899</u>
Total grants	<u>\$ 2,825,201</u>	<u>\$ 2,500,181</u>

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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	
	2021	2020	2021	2020
Financial assets	\$ 161,988	\$ 166,306	\$ 2,438,898	\$ 2,517,711
Liabilities	235,349	219,401	354,286	256,318
Net (debt) financial assets	(73,361)	(53,095)	2,084,612	2,261,393
Non-financial assets	637,341	523,352	1,444,615	1,398,521
Accumulated surplus	\$ 563,980	\$ 470,257	\$ 3,529,227	\$ 3,659,914
Revenues	\$ 1,615,928	\$ 1,532,861	\$ 3,608,239	\$ 3,007,471
Expenses	1,522,205	1,422,393	3,738,926	3,193,011
Annual surplus (deficit)	\$ 93,723	\$ 110,468	\$ (130,687)	\$ (185,540)

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, 2021

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:

	2021	2020
Post-employment benefits	\$ 223,561	\$ 232,045
Sick leave	647,680	319,693
Workplace Safety and Insurance Board Obligations	5,918	6,307
	877,159	558,045
Unamortized actuarial loss	(421,592)	(112,648)
	\$ 455,567	\$ 445,397

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% (2020 - 3.75%). 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.

	2021	2020
Current period benefit cost	\$ 52,886	\$ 49,975
Amortization of actuarial loss	4,313	4,313
Retirement benefit expense	57,199	54,288
Interest costs	20,634	20,432
Total expense for the year	\$ 77,833	\$ 74,720

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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 106 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 2021 was \$636,449 (2020 - \$612,297) for current service. The contribution rate for 2021 was 9.0% to 14.6% (2020 - 9.0% to 14.6%) depending on age and level of income level.

The latest available report for the OMERS plan was December 31, 2021. At that time the plan reported a \$3.1 billion actuarial deficit (2020 - \$3.2 billion actuarial deficit), based on actuarial liabilities of \$119.3 billion (2020 - \$111.8 billion) and actuarial assets of \$116.2 billion (2020 - \$108.6 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 2021 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.

	2021 Budget
Annual deficit	\$ (39,572)
Acquisition of tangible capital assets less disposal and write-downs	38,563,374
Change in long-term debt to be funded in future years	(11,924,391)
Net transfers from reserves	(17,317,732)
	\$ 9,281,679

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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:

	2021	2020
School boards	\$ 4,215,443	\$ 4,394,538
County of Bruce	9,565,360	9,102,863
	<u>\$ 13,780,803</u>	<u>\$ 13,497,401</u>

18. Trust funds:

The trust funds administered by the Municipality amounting to \$567,070 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, 2021, the trust fund balances are as follows:

	2021	2020
Cemetery Care and Maintenance	\$ 567,070	\$ 536,212
Willow West Security	—	100,961
	<u>\$ 567,070</u>	<u>\$ 637,173</u>

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.

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

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

19. Contractual commitments (continued):

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.

- 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 \$260,000 per year, beginning November 1, 2019.
- d) The Municipality of Kincardine has entered into several physician recruitment agreements and is committed to spend \$120,000 in incentive payments throughout 2022 - 2026.
- 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 \$120,000 per year for full-time and seasonal enforcement.

20. Economic dependence:

Approximately 22% (2020 - 23%) 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 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.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

21. Segmented information (continued):

(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, 2021

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 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, 2021

21. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Sewer and Environmental Water Services	Health Services	Recreation and Cultural Services	Planning and Development	Total 2020	
	\$	\$	\$	\$	\$	\$	\$	\$	
Revenue:									
Taxation	3,274,582	3,795,796	5,440,681	–	1,378,430	604,082	3,423,864	841,920	18,759,355
Fees and user charges	286,078	360,097	235,727	5,233,341	1,189,288	98,974	229,152	105,647	7,738,304
Specific grants	185,018	78,010	712,125	–	117,405	17,000	167,289	30,934	1,307,781
OMPF grant	209,024	242,295	347,292	–	87,988	38,560	218,553	48,688	1,192,400
Other revenue	5,033,852	8,075	65,937	210,532	23,544	211,343	568,074	27,896	6,149,253
Obligatory reserve fund revenue recognized	–	88,652	360,343	904,664	–	–	–	–	1,353,659
	8,988,554	4,572,925	7,162,105	6,348,537	2,796,655	969,959	4,606,932	1,055,085	36,500,752
Expenses:									
Salaries and benefits	2,226,272	1,334,047	2,193,308	1,231,501	669,708	168,155	1,817,881	417,863	10,058,735
Interest on debt	22,028	4,482	36,750	1,360	–	–	–	10,676	75,296
Material and supplies	582,656	253,245	1,576,571	1,139,615	432,405	200,644	1,114,535	174,687	5,474,358
Contract services	630,403	2,495,422	834,795	143,393	453,670	34,651	244,341	281,598	5,118,273
Other transfers	–	308,794	–	–	–	80,000	65,668	9,000	463,462
Rents and financial expenses	27,344	127	61,487	29,557	68,504	3,222	41,250	16,122	247,613
Amortization	483,612	208,471	2,072,001	1,893,335	273,088	246,125	869,732	17,022	6,063,386
	3,972,315	4,604,588	6,774,912	4,438,761	1,897,375	732,797	4,153,407	926,968	27,501,123
Annual surplus (deficit)	5,016,239	(31,663)	387,193	1,909,776	899,280	237,162	453,525	128,117	8,999,629

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

22. Deferred revenue:

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory reserve funds:					
Reserves:					
Building permit fees	\$ 2,126,081	\$ –	\$ 20,239	\$ 67,640	\$ 2,078,680
Development charges	682,254	538,399	6,607	468,671	758,589
Parkland	99,365	80,300	864	–	180,529
Gas tax	229,820	708,439	5,757	578,242	365,774
Parking	51,840	–	365	–	52,205
Other	183,352	–	1,728	–	185,080
	3,372,712	1,327,138	35,560	1,114,553	3,620,857
Other:					
Subdivider contributions	1,440,965	880,023	–	931,196	1,389,792
Other	1,139,467	2,410,110	–	2,163,270	1,386,307
	2,580,432	3,290,133	–	3,094,466	2,776,099
Total	\$ 5,953,144	\$ 4,617,271	\$ 35,560	\$ 4,209,019	\$ 6,396,956

23. Impact of COVID-19:

In 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

Markets are prone to volatility and the COVID-19 virus has presented many uncertainties and is threatening the outlook for future global trade and GDP. This uncertainty has translated into widespread volatility across equity and bond markets since December 31, 2020.

At this time these factors present uncertainty over future cash flows and may cause significant changes to the assets or liabilities. An estimate of the financial effect is not practicable at this time.

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF KINCARDINE**

Trust Funds

Year ended December 31, 2021



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of continuity for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its consolidated results of operations and its consolidated changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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



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

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

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

Kitchener, Canada
June 22, 2022

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Trust Funds

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	Cemetery Care and Maintenance	Willow West Security	2021	2020
Assets				
Cash	\$ 544,079	\$ –	\$ 544,079	\$ 613,245
Interest receivable	438	–	438	495
Due from municipality	2,553	–	2,553	3,433
Investments (note 2)	20,000	–	20,000	20,000
	<u>\$ 567,070</u>	<u>\$ –</u>	<u>\$ 567,070</u>	<u>\$ 637,173</u>
Fund Balances	567,070	–	567,070	637,173
	<u>\$ 567,070</u>	<u>\$ –</u>	<u>\$ 567,070</u>	<u>\$ 637,173</u>

Consolidated Statement of Continuity

Year ended December 31, 2021, with comparative information for 2020

	Cemetery Care and Maintenance	Willow West Security	2021	2020
Balance, beginning of year	\$536,212	\$100,961	\$ 637,173	\$ 615,534
Receipts:				
Bank and investment interest	6,685	32	6,717	9,123
Care and maintenance	30,858	–	30,858	17,903
Donations	–	–	–	2,500
	<u>37,543</u>	<u>32</u>	<u>37,575</u>	<u>29,526</u>
Expenses:				
Transfer to municipality	6,685	100,993	107,678	7,887
	<u>6,685</u>	<u>100,993</u>	<u>107,678</u>	<u>7,887</u>
Balance, end of year	<u>\$567,070</u>	<u>\$ –</u>	<u>\$ 567,070</u>	<u>\$ 637,173</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, 2021

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 (2020 - \$20,000) reported on the balance sheet have a market value of \$20,000 (2020 - \$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.