

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF KINCARDINE**

Year ended December 31, 2014

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Consolidated Financial Statements

Year ended December 31, 2014

	Page
Consolidated Financial Statements	
Independent Auditors' Report	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations	2
Consolidated Statement of Change in Net Debt	3
Consolidated Statement of Cash Flows	4
Summary of Significant Accounting Policies	5-9
Notes to Consolidated Financial Statements	10-28
Schedule of Deferred Revenue	29
The Corporation of the Municipality of Kincardine Trust Funds	
Independent Auditor's Report	
Balance Sheet and Statement of Continuity	1
Notes to Consolidated Financial Statements	2-3



KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3

Telephone (519) 747-8800
Fax (519) 747-8830
Internet www.kpmg.ca

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, 2014 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. 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.



Page 2

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, 2014, 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.

Comparative information

Without modifying our opinion, we draw attention to note 23 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2013 has been restated.

The consolidated financial statements of The Corporation of the Municipality of Kincardine as at and for the year ended December 31, 2013, excluding the restatement described in note 23 to the consolidated financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on May 7, 2014.

As part of our audit of the consolidated financial statements as at and for the year ended December 31, 2014, we audited the restatement described in note 23 to the consolidated financial statements that was applied to restate the comparative information as at and for the year ended December 31, 2013. In our opinion, the restatement is appropriate and has been properly applied.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 3, 2015
Waterloo, Canada

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Consolidated Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
		(Restated, note 23)
Financial assets:		
Cash (note 2)	\$ 27,655,603	\$ 23,358,957
Taxes receivable	1,578,068	1,394,145
Trade and other receivables	3,745,498	3,256,886
Inventory held for resale	235,876	302,154
Assets held-for-sale (note 5)	23,666,620	24,000,000
Long-term investments - other (note 3)	6,010,878	6,340,233
Investment in Westario Power Inc (note 3)	3,941,610	3,753,114
Loans receivable (note 4)	2,218,046	1,610,998
	<u>69,052,199</u>	<u>64,016,487</u>
Financial liabilities:		
Accounts payable and accrued liabilities	6,763,936	5,236,324
Deferred revenue	3,312,578	2,860,776
Long-term liabilities (note 7)	3,498,257	4,132,262
Post-employment benefits (note 14)	977,255	884,325
Solid waste landfill closure and post closure liability (note 8)	609,997	624,516
	<u>15,162,023</u>	<u>13,738,203</u>
Net financial assets	<u>53,890,176</u>	<u>50,278,284</u>
Non-financial assets:		
Inventory of supplies	635,467	690,071
Prepaid expenses	559,697	861,542
Tangible capital assets (note 5)	120,644,971	121,752,510
	<u>121,840,135</u>	<u>123,304,123</u>
Commitments and contingencies (note 18)		
Accumulated surplus (note 9)	<u>\$ 175,730,311</u>	<u>\$ 173,582,407</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, 2014, with comparative information for 2013

	Budget	2014	2013 (Restated, note 23)
Revenue:			
Taxation	\$ 12,131,423	\$ 12,151,612	\$ 11,275,781
Water and sewer charges	4,479,993	4,287,169	4,282,740
Fees and user charges	20,053,805	20,753,613	20,479,797
Grants (note 11)	1,882,682	2,036,019	2,026,278
Other income	3,269,355	4,955,117	4,382,945
Obligatory reserve fund revenue recognized	1,829,500	133,335	290,551
Equity earnings from Westario Power Inc. (note 3)	-	283,731	301,841
Total revenue	43,646,758	44,600,596	43,039,933
Expenses:			
General government	2,631,502	3,215,731	2,902,517
Protection services	4,493,290	4,316,778	4,212,862
Transportation services	3,524,592	5,944,203	5,831,034
Environmental services	3,591,648	4,706,792	4,672,496
Health services	474,515	639,560	753,371
Recreation and cultural services	3,535,665	4,345,264	4,529,678
Planning and development	1,132,148	2,287,027	909,201
Telecommunications	17,962,782	16,525,155	24,369,168
Transfers to obligatory reserve funds	-	472,182	-
Total expenses	37,346,142	42,452,692	48,180,327
Annual surplus (deficit) (note 14)	6,300,616	2,147,904	(5,140,394)
Accumulated surplus, beginning of year	172,291,517	173,582,407	176,985,388
Restatement of opening fund balance (note 23)	-	-	1,737,413
Accumulated surplus, beginning of year as restated	172,291,517	173,582,407	178,722,801
Accumulated surplus, end of year	\$ 178,592,133	\$ 175,730,311	\$ 173,582,407

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, 2014, with comparative information for 2013

	2014	2013
		(Restated, note 23)
Annual surplus (deficit)	\$ 2,147,904	\$ (5,140,394)
Restatement of opening fund balance	-	1,737,413
	2,147,904	(3,402,981)
Acquisition of tangible capital assets	(4,927,836)	(8,141,962)
Amortization of tangible capital assets	4,840,124	7,812,712
Loss on disposal of tangible capital assets	1,149,788	501,228
Proceeds on disposal of tangible capital assets	45,463	33,218
Impairment of Bruce Telecom capital assets	-	7,114,133
Tangible capital assets transferred to held-for-sale	-	24,000,000
	1,107,539	31,319,329
Change in prepaid expenses	301,845	41,941
Change in inventory of supplies	54,604	(13,599)
	356,449	28,342
Increase in net financial assets	3,611,892	27,944,690
Net financial assets, beginning of year	50,278,284	22,333,594
Net financial assets, end of year	\$ 53,890,176	\$ 50,278,284

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, 2014, with comparative information for 2013

	2014	2013
		(Restated, note 23)
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 2,147,904	\$ (5,140,394)
Items not involving cash:		
Income from contributions of capital assets	(443,365)	(1,487,720)
Amortization of bond premiums	(99,215)	(89,789)
Change in inventories of supplies	54,604	(13,599)
Amortization of capital assets	4,840,124	7,812,712
Solid waste closure and post-closure liabilities	(14,519)	27,384
Post-employment benefits payable	92,930	138,381
Loss (gain) on sale of capital assets	1,149,788	501,228
Change in prepaid expenses	301,845	41,941
Change in assets held for sale	333,380	-
Equity earnings from Westario Power Inc.	(283,731)	(301,841)
Impairment of Bruce Telecom capital assets	-	7,114,133
Net change in non-cash working capital items:		
Taxes receivable	(183,923)	386,583
Trade and other receivables	(488,612)	(601,261)
Inventory held-for-resale	66,278	(6,344)
Accounts payable and accrued liabilities	1,527,612	101,472
Deferred revenue	451,802	881,710
	9,452,902	9,364,596
Capital transactions:		
Cash used to acquire capital assets	(4,484,471)	(5,982,469)
Proceeds on sale of capital assets	45,463	33,218
	(4,439,008)	(5,949,251)
Investing activities:		
Acquisition of investments	(95,419)	(4,451,669)
Proceeds on sale of investments	523,989	1,932,986
Dividends received from Westario Power Inc.	95,235	76,591
Repayment of loans receivable	285,348	319,035
Issuance of loans receivable	(892,396)	(150,000)
	(83,243)	(2,273,057)
Financing activities:		
Repayment of long-term liabilities	(634,005)	(630,538)
New debt issued	-	150,000
	(634,005)	(480,538)
Net change in cash and cash equivalents	4,296,646	661,750
Cash and cash equivalents, beginning of year	23,358,957	22,697,207
Cash and cash equivalents, end of year	\$ 27,655,603	\$ 23,358,957

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

2. Cash:

	2014	2013
Unrestricted	\$ 26,208,768	\$ 22,411,704
Restricted	1,446,835	947,253
	<u>\$ 27,655,603</u>	<u>\$ 23,358,957</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:

	2014	2013
Fixed income bonds, mutual funds and investment certificates	\$ 6,010,878	\$ 6,340,233

The other investments in fixed income bonds, mutual funds and investment certificates have a market value of \$6,226,351 (2013 - \$6,480,529) at the end of the year. They earn interest at rates ranging from 1.90% to 11.25% and mature in 2015 through 2023. The mutual funds include money market and bond funds.

The other investments in fixed income bonds, mutual funds and investment certificates include \$252,517 (2013 - \$250,332) in internally and externally restricted funds that are segregated and will be used only for specific purposes.

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 \$95,071 (2013 - \$76,460) 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, 2014

3. Long-term investments (continued):

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

	2014	2013
1,348 common shares	\$ 2,462,224	\$ 2,462,224
13.5% of accumulated earnings less dividends	1,479,386	1,290,890
	\$ 3,941,610	\$ 3,753,114

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

	2014	2013
Current assets	\$ 15,276,444	\$ 11,574,048
Non-current assets	46,965,666	44,269,258
Total assets	\$ 62,242,110	\$ 55,843,306

	2014	2013
Current liabilities	\$ 10,458,476	\$ 9,028,549
Non-current liabilities	22,541,198	18,971,539
Total liabilities	\$ 32,999,674	\$ 28,000,088

Net assets	\$ 29,242,436	\$ 27,843,218
-------------------	----------------------	----------------------

Results of operations:		
Revenues	\$ 57,778,434	\$ 55,295,429
Expenses	55,676,725	53,059,570
Net income	\$ 2,101,709	\$ 2,235,859

Municipality's share of net income - 13.5%	\$ 283,731	\$ 301,841
---	-------------------	-------------------

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2014

4. Loans receivable:

	2014	2013
Kincardine Water Treatment Plant Expanded Service Area loans receivable, 4.25%, receivable interest and principal annually, due July 2015	\$ 566,603	\$ 666,154
Doctor recruitment loans receivable, 1.12%, \$1,000 principal and interest received monthly, repaid in 2014	-	36,958
Friends of the Pavillion loan receivable, 4.10%, \$21,565 principal and interest received semi-annually, due 2019	193,497	227,807
Drain 19 and Lake Street loans receivable, interest ranging from 2.77% to 3.77%, principal and interest payments ranging from \$511 to \$3,503 semi-annually, due 2015	25,177	75,816
Tile drain loans receivable, 6.00%, principal and interest payments ranging from \$381 to \$6,793 annually, due 2014 to 2023	492,075	535,930
Family Health Team loan receivable, 0%, \$1,667 principal received monthly, due 2017	48,299	68,333
Kincardine Water Treatment Plant Expanded Service Area loans receivable, 3.84%, Receivable interest and principal annually, due July 2020	881,012	-
Wrightson Drain loans receivable, 1.95% received semi-annually, due 2019	11,383	-
	\$ 2,218,046	\$ 1,610,998

Interest earned on the loans receivables during the year was \$71,123 (2013 - \$72,170).

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2014

5. Tangible capital assets:

	Land & land improvements	Buildings	Equipment & Vehicles	Roads & Bridges	Water & Sewer Systems	Assets under construction	Total Net book value 2014
Cost							
Balance, beginning of year	\$ 25,386,510	\$ 43,133,114	\$ 13,566,579	\$ 65,168,336	\$ 62,530,988	\$ 1,846,560	\$ 211,632,087
Additions	89,189	57,632	300,840	362,824	219,041	3,898,310	4,927,836
Disposals	(148,783)	(1,354,232)	(719,162)	(203,984)	(409,250)	-	(2,835,411)
Transfers	286,516	155,254	75,315	1,035,907	1,101,406	(2,654,398)	-
Cost, end year	25,613,432	41,991,768	13,223,572	66,363,083	63,442,185	3,090,472	213,724,512
Accumulated amortization							
Balance, beginning of year	6,148,803	20,639,664	9,748,098	33,445,973	19,897,039	-	89,879,577
Amortization	391,147	1,145,623	565,086	1,678,515	1,059,753	-	4,840,124
Disposals	(79,727)	(656,634)	(682,353)	(66,416)	(155,030)	-	(1,640,160)
Accumulated amortization, end of year	6,460,223	21,128,653	9,630,831	35,058,072	20,801,762	-	93,079,541
Net book value, end of year	\$ 19,153,209	\$ 20,863,115	\$ 3,592,741	\$ 31,305,011	\$ 42,640,423	\$ 3,090,472	\$ 120,644,971

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2014

5. Tangible capital assets (continued):

	Land & land improvements	Buildings	Equipment & Vehicles	Roads & Bridges	Water & Sewer Systems	Assets under construction	Total Net book value 2013
Cost							
Balance, beginning of year	\$ 24,967,913	\$ 49,090,510	\$ 87,461,785	\$ 65,015,860	\$ 61,058,886	\$ 992,991	\$ 288,587,945
Additions	742,682	6,974	2,407,873	42,014	1,605,898	3,336,521	8,141,962
Disposals	(266,440)	(101,441)	(1,343,895)	(215,291)	(693,950)	(11,056)	(2,632,073)
Impairment	-	-	(7,106,394)	-	-	(7,739)	(7,114,133)
Assets held for sale	(220,343)	(6,394,067)	(68,737,204)	-	-	-	(75,351,614)
Transfers	162,698	531,138	884,414	325,753	560,154	(2,464,157)	-
Cost, end year	25,386,510	43,133,114	13,566,579	65,168,336	62,530,988	1,846,560	211,632,087
Accumulated amortization							
Balance, beginning of year	5,980,323	21,495,707	56,876,018	31,914,674	19,249,384	-	135,516,106
Amortization	389,718	1,246,645	3,460,766	1,666,009	1,049,574	-	7,812,712
Disposals	(221,238)	(82,545)	(1,257,215)	(134,710)	(401,919)	-	(2,097,627)
Assets held for sale	-	(2,020,143)	(49,331,471)	-	-	-	(51,351,614)
Accumulated amortization, end of year	6,148,803	20,639,664	9,748,098	33,445,973	19,897,039	-	89,879,577
Net book value, end of year	\$ 19,237,707	\$ 22,493,450	\$ 3,818,481	\$ 31,722,363	\$ 42,633,949	\$ 1,846,560	\$ 121,752,510

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 \$3,090,472 (2013 - \$1,846,560).

\$443,365 (2013 - \$1,487,720) 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.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2014

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.

7. Long-term liabilities:

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

	2014	2013
Loan payable, Ontario Infrastructure Project Corporation, 2.35%, payable \$71,543 semi-annually principal and interest, due August 2020	\$ 796,392	\$ 918,605
Loan payable, Canadian Imperial Bank of Commerce, 4.86%, payable \$30,688 semi-annually principal and interest, due on demand	315,654	359,897
Loan payable, Canadian Imperial Bank of Commerce, bank prime rate less 0.25%, payable \$833 monthly principal plus interest, due on demand	-	48,354
Loan payable, Ontario Infrastructure Project Corporation, 2.77%, payable \$25,839 semi-annually principal and interest, due August 2015	50,623	99,872
Tile drain debentures payable, 6% to 8%, payable interest and principal annually, due 2014 through 2023	492,076	535,931
Loan payable, Canadian Imperial Bank of Commerce, 4.1%, payable \$21,545 semi-annually principal and interest, due on demand	192,201	226,282
Loan payable, Canadian Imperial Bank of Commerce, 4.09%, payable \$184,268 semi-annually principal and interest, due on demand	1,651,311	1,943,321
	\$ 3,498,257	\$ 4,132,262

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.

2015	\$ 900,889
2016	555,813
2017	571,136
2018	587,770
2019	593,809
Thereafter	288,840
	\$ 3,498,257

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2014

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 \$609,997 (2013 - \$624,561) 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 2.91% (2013 - 4.10%) and adjusted for inflation of 1.50% (2013 - 3.00%). 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 \$1,064,689 (2013 - \$1,251,968) leaving an amount to be recognized of \$454,692 (2013 - \$627,452).

As at December 31, 2014, the Municipality has set aside \$248,593 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 640,500 cubic meters. The sites have remaining life of 60 and 33 years.

9. Accumulated surplus:

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

	2014	2013
Investment in tangible capital assets:		
Tangible capital assets purchased	\$ 120,644,971	\$ 121,752,510
Capital assets financed by long-term liabilities, to be funded in future years	(1,843,512)	(2,169,603)
Unfinanced capital assets	(1,319,764)	(2,011,690)
Total invested in capital assets	117,481,695	117,571,217
Other surplus	23,280,027	24,000,000
General surplus	-	363,484
Bruce Telecom	3,833,101	2,372,059
Westario Power Inc.	1,479,386	1,290,890
Business improvement area	4,242	23,270
Transit	346	347
Unfunded post-employment benefits	(376,172)	(390,278)
Unfunded solid waste closure and post-closure costs	(609,997)	(624,516)
	145,092,628	144,606,473
Reserves and reserve funds (note 10)	30,637,683	28,975,934
Accumulated surplus	\$ 175,730,311	\$ 173,582,407

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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

	2014	2013
Reserves:		
Working funds	\$ 348,484	\$ 383,802
Capital purposes	6,785,704	7,029,671
Current purposes	34,003	72,000
	<u>7,168,191</u>	<u>7,485,473</u>
Reserve funds:		
Contingencies	3,286	3,245
Insurance, sick leave, WSIB	352,597	346,436
Capital purposes	23,113,609	21,140,780
	<u>23,469,492</u>	<u>21,490,461</u>
	<u>\$ 30,637,683</u>	<u>\$ 28,975,934</u>

11. Grants:

	2014 Budget	2014 Actual	2013 Actual
Operating:			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,239,000	\$ 1,239,000	\$ 1,484,530
Conditional - other	184,011	287,630	197,055
	<u>1,423,011</u>	<u>1,526,630</u>	<u>1,681,585</u>
Government of Canada			
Conditional - other	500	1,000	11,247
Other municipalities			
Conditional - other	191,870	171,853	202,081
Total operating grants	<u>\$ 1,615,381</u>	<u>\$ 1,699,483</u>	<u>\$ 1,894,913</u>
Capital grants:			
Province of Ontario			
Conditional - water, sewer and other	\$ 46,125	\$ 191,488	\$ 86,362
Government of Canada			
Conditional - water, sewer and other	-	145,048	45,002
	<u>46,125</u>	<u>336,536</u>	<u>131,364</u>
Total grants	<u>\$ 1,661,506</u>	<u>\$ 2,036,019</u>	<u>\$ 2,026,277</u>

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

12. Government partnerships:

The following summarizes the financial position and results of operations of the government partnerships. The Corporations of the Municipality of Kincardine'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	
	2014	2013	2014	2013
Financial assets	\$ 228,716	\$ 166,004	\$ 2,399,265	\$ 2,262,678
Liabilities	260,185	201,128	97,823	103,583
Net (debt) financial assets	(31,469)	(35,124)	2,301,442	2,159,095
Non-financial assets	703,747	535,855	1,665,922	1,651,414
Accumulated surplus	\$ 672,278	\$ 500,731	\$ 3,967,364	\$ 3,810,509
Revenues	1,573,192	\$ 1,160,941	\$ 2,559,346	\$ 2,392,547
Expenses	1,401,645	971,770	2,402,491	2,309,648
Accumulated surplus	\$ 171,547	\$ 189,171	\$ 156,855	\$ 82,899

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, 2014

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:

	2014	2013
Post-employment benefits	\$ 139,727	\$ 135,672
Sick leave	174,690	193,484
Workplace Safety and Insurance Board Obligations	71,983	77,869
Bruce Telecom post-employment benefits	601,083	494,047
	<u>987,483</u>	<u>901,072</u>
Unamortized actuarial gain (loss)	(10,228)	(16,747)
	<u>\$ 977,255</u>	<u>\$ 884,325</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, 2012.

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 4.0% (2013 - 4.0%). For extended health care costs, a 4.0% annual rate of increase was assumed. For dental costs, a 4.0% annual rate of increase was assumed.

	2014	2013
Current period benefit cost	\$ 60,885	\$ 71,631
Amortization of actuarial loss	27,453	39,907
Retirement benefit expense	88,338	111,538
Interest costs	48,760	44,293
Total expense for the year	<u>\$ 137,098</u>	<u>\$ 155,831</u>

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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 91 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 2014 was \$455,896 (2013 - \$431, 951) for current service. The contribution rate for 2014 was 9.0% to 14.6% (2013 9.0% to 15.9%) depending on age and level of income level.

The latest available report for the OMERS plan was December 31, 2014. At that time the plan reported a \$7.1 billion actuarial deficit (2013 - \$8.6 billion deficit), based on actuarial liabilities of \$76.9 billion (2013 \$73.0 billion) and actuarial assets of \$69.8 billion (2013 - \$64.4 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, 2014

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 2014 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.

	2014 Budget	2014 Actual	2013 Actual
Annual surplus (deficit)	\$ 6,300,616	\$ 2,147,904	\$ (5,140,394)
Acquisition of tangible capital assets less disposal and write-downs	(9,138,916)	(3,664,238)	(6,937,995)
Amortization	2,407,667	4,840,124	7,812,712
Equity earnings from Westario Power Inc., net of dividends	(188,496)	(225,250)	-
Impairment of Bruce Telecom capital assets	-	-	7,114,133
Change in long-term debt to be funded in future years	1,506,990	(326,091)	(313,137)
Net transfers (to) from reserves	(546,066)	(2,125,662)	(1,126,812)
Change in unfunded liabilities	-	(28,625)	84,420
Change in consolidated entities	(530,291)	(790,387)	(927,919)
	(6,300,616)	53,025	5,705,402
Capital projects not funded (expended)	-	(691,926)	23,726
General surplus (deficit), beginning of year	-	363,484	-
Transfer of reserves to fund operating deficit	-	275,417	-
	\$ -	\$ -	\$ 363,484

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:

	2014	2013
School boards	\$ 4,221,925	\$ 4,245,952
Municipality of Bruce	7,134,495	6,886,748
	\$ 11,356,420	\$ 11,132,700

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

16. Trust funds:

The trust funds administered by the Municipality amounting to \$517,368 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, 2014, the trust fund balances are as follows:

	2014	2013
Cemetery Care and Maintenance	\$ 414,798	\$ 399,562
Willow West Security	92,162	90,999
Ontario Home Renewal Program	10,408	10,378
	<u>\$ 517,368</u>	<u>\$ 500,939</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. The annual hosting payment received by Kincardine in 2014 amounted to \$784,952. The lump sum payment of \$1,300,000 is being held in trust by OPG until such time that the licence to construct the DGR has received approval under the Canadian Nuclear Safety & Control Act.

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, 2014

18. Subsequent events:

On January 14, 2015, the Council for the Municipality of Kincardine passed By-law 2015-005 related to the Kincardine Water Treatment Expanded Service Area (the Pipeline project) which repealed By-law 2014-044 passed in April of 2014. By-law 2014-044 had required mandatory payment of all optional and deferred charges originally assigned to properties serviced by the Pipeline project under By-law 2005-142 but not yet paid. Refunds will be issued prior to June 30, 2015 for those who made payments or a reduction in the Tax Receivable for those who did not, as well as a reduction in the Loan Receivable for those who chose financing. This will result in a decrease in Other Revenue – Sewer & Water and an offsetting increase in Unfinanced Capital Outlay of \$1,188,876, a decrease in Penalty Revenue of \$9,000, and a decrease in Taxes Receivable of \$177,500, Loans Receivable of \$881,012 and Cash of \$783,364.

19. Economic dependence:

Approximately 32% (2013 - 34%) 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.

20. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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.

(c) Transportation:

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

(d) Sewer and water:

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

(e) Environmental:

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

(f) Health:

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

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

21. Segmented information (continued):

(g) Telecommunications:

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

(h) Recreational and cultural services:

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

(i) Planning and development:

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

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

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

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

22. Segmented information:

	General Government	Protective Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Telecommuni- cations	Recreation and Cultural Services	Planning and Development	Total 2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:										
Taxation	1,770,616	2,376,865	3,178,016	-	772,176	352,148	-	2,392,549	1,309,242	12,151,612
Fees and user charges	493,839	814,484	113,956	4,287,534	825,521	63,066	17,745,677	593,383	113,828	25,051,288
Specific grants	4,555	54,621	160,730	290,097	80,458	894	-	159,665	45,999	797,019
OMPF grant	181,281	243,350	325,374	-	79,058	36,054	-	244,956	128,927	1,239,000
Other revenue	1,496,883	125,323	280,143	1,857,933	25,392	294,022	320,547	788,455	39,645	5,228,342
Obligatory reserve fund revenue recognized	-	-	-	-	133,335	-	-	-	-	133,335
	3,947,174	3,614,643	4,058,218	6,435,564	1,915,940	746,184	18,066,224	4,179,008	1,637,641	44,600,596
Expenses:										
Salaries and benefits	1,780,914	978,307	1,680,397	797,925	535,709	119,131	6,970,216	1,812,838	363,616	15,039,053
Interest on debt	-	-	51	37,100	-	74,238	-	-	34,345	145,734
Material and supplies	1,301,820	311,201	1,794,062	879,295	400,866	224,249	7,219,518	1,398,087	1,201,017	14,730,115
Contract services	3,054	2,516,950	276,778	148,736	505,917	-	-	199,799	641,808	4,293,042
Other transfers	-	295,342	-	-	20,820	28,333	-	48,428	1,500	394,423
Rents and financial expenses	44,940	-	57,193	24,833	7,290	-	-	36,255	26,064	196,575
Amortization	85,003	214,980	2,135,722	1,216,892	131,409	193,609	2,335,421	849,856	18,676	7,181,568
Transfers to obligatory reserve funds	-	472,182	-	-	-	-	-	-	-	472,182
	3,215,731	4,788,962	5,944,203	3,104,781	1,602,011	639,560	16,525,155	4,345,263	2,287,026	42,452,692
Annual surplus (deficit)	\$ 731,443	\$ (1,174,319)	\$ (1,885,985)	\$ 3,330,783	\$ 313,929	\$ 106,624	\$ 1,541,069	\$ (166,255)	\$ (649,385)	\$ 2,147,904

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2014

22. Segmented information (continued):

	General Government	Protective Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Telecommunic ations	Recreation and Cultural Services	Planning and Development	Total 2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:										
Taxation	1,472,029	2,327,302	3,116,213	-	889,666	416,183	-	2,502,320	552,068	11,275,781
Fees and user charges	340,430	311,571	253,478	4,282,740	912,979	51,946	17,856,230	637,659	115,504	24,762,537
Specific grants	-	60,886	188,760	90,005	-	34,000	-	122,696	45,401	541,748
OMPF grant	194,662	307,764	412,090	-	117,650	55,036	-	330,908	66,420	1,484,530
Other Revenue	1,547,519	88,146	458,466	1,032,950	40,769	232,166	411,878	833,540	39,352	4,684,786
Obligatory reserve fund revenue recognized	-	75,000	113,435	-	102,116	-	-	-	-	290,551
	3,554,640	3,170,669	4,542,442	5,405,695	2,063,180	798,331	18,268,108	4,427,123	818,745	43,039,933
Expenses:										
Salaries and benefits	1,727,078	928,116	1,739,434	772,023	288,970	126,671	7,394,964	1,848,657	386,907	15,212,820
Interest on debt	-	-	87	41,198	-	84,323	-	-	29,485	155,093
Material and supplies	744,808	285,821	1,866,069	880,052	221,754	209,951	6,919,310	1,494,376	289,831	12,911,972
Contract services	272,533	2,488,550	21,816	145,957	980,812	-	-	187,724	163,723	4,261,115
Rents and financial expenses	-	289,964	-	-	18,354	125,106	-	110,357	1,499	545,460
Other transfers	45,703	-	41,076	13,918	6,914	2,349	-	37,132	19,930	167,022
Amortization	112,395	220,411	2,162,552	1,208,882	93,482	204,971	2,940,761	851,432	17,826	7,812,712
Impairment	-	-	-	-	-	-	7,114,133	-	-	7,114,133
	2,902,517	4,212,862	5,831,034	3,062,030	1,610,466	753,371	24,369,168	4,529,678	909,201	48,180,327
Annual surplus (deficit)	\$ 652,123	\$(1,042,193)	\$(1,288,592)	\$ 2,343,665	\$ 452,714	\$ 35,960	\$(6,101,060)	\$(102,555)	\$(90,456)	\$(5,140,394)

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2014

23. Prior period adjustments:

The Municipality made adjustments to the 2013 comparative figures as follows:

(i) Government business enterprise:

The Municipality has changed its accounting policy for investments in government business enterprises from the cost method to the modified equity method. As a result, investments and accumulated surplus at December 31, 2013 were increased by \$1,290,890 and the annual surplus was increased by \$188,496.

(ii) Tangible capital assets:

The Municipality has recorded an addition of tangible capital assets in the 2013 comparative financial statements. During 2014, additional tangible capital assets had been found on hand that belong to the Municipality and not previously recorded in the financial statements. Had these assets previously been recorded, a corresponding amortization expense would have been incurred.

The above adjustment resulted in the following changes to the comparative financial statements:

	2013
Statement of Financial Position	
Tangible capital assets, as previously stated	\$ 121,095,036
Adjustment for additional assets	657,474
Tangible capital assets, restated	\$ 121,752,510
Accumulated surplus, as previously stated	\$ 171,634,043
Adjustment for additional assets	657,474
Accumulated surplus, restated	\$ 172,291,517
Statement of Operations	
Amortization expense, as previously stated	\$ 7,800,665
Amortization for additional assets	12,047
	\$ 7,812,712

(iii) Government partnerships:

The opening fund balance of the government partnerships required an adjustment of \$nil (2013 - \$2,252) to reflect the municipality's decrease in their proportionate interest in BASWRA and SMART from 2013 to 2014.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2014

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory reserve funds:					
Reserves:					
Building permit fees	\$ 49,386	\$ 472,182	\$ 653	\$ -	\$ 522,221
Development charges	322,295	284,071	4,770	-	611,136
Parkland	122,280	14,192	1,618	-	138,090
Gas tax	403,582	332,704	6,268	(133,335)	609,219
Parking	66,849	-	914	-	67,763
Other	165,261	-	2,113	-	167,374
	1,129,653	1,103,149	16,336	(133,335)	2,115,803
Other:					
Subdivider contributions	1,219,200	552,780	-	(1,063,099)	708,881
Other	219,926	204,625	-	(83,472)	341,079
Grants	25,000	-	-	(25,000)	-
Telecommunications	266,997	161,000	-	(281,183)	146,814
	1,731,123	918,405	-	(1,452,754)	1,196,774
Total	\$ 2,860,776	\$ 2,021,554	\$ 16,336	\$ (1,586,089)	\$ 3,312,577

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF KINCARDINE**

Trust Funds

Year ended December 31, 2014



KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3

Telephone (519) 747-8800
Fax (519) 747-8830
Internet www.kpmg.ca

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 trust funds of the Corporation of the Municipality of Kincardine ("the Entity"), which comprise of the statement of financial position as at December 31, 2014 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. 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.



Page 2

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, 2014, and the continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

The consolidated financial statements of the trust funds of the Corporation of the Municipality of Kincardine as at and for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 7, 2014.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 3, 2015
Waterloo, Canada

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Trust Funds

Statement of Consolidated Financial Position

Year ended December 31, 2014, with comparative information for 2013

	Cemetery Care and Maintenance	Willow West Security	Ontario Home Renewal Program	2014	2013
Asset					
Cash	\$ 352,637	\$ 92,052	\$ 2,384	\$ 447,073	\$ 433,629
Interest receivable	417	110	3	530	412
Loans receivable (note 2)	-	-	8,021	8,021	8,021
Due from/to municipality	1,744	-	-	1,744	(3,123)
Investments (note 3)	60,000	-	-	60,000	62,000
	\$ 414,798	\$ 92,162	\$ 10,408	\$ 517,368	\$ 500,939

Liabilities and Fund Balances

Fund balances	\$ 414,798	\$ 92,162	\$ 10,408	\$ 517,368	\$ 500,939
---------------	------------	-----------	-----------	------------	------------

Statement of Continuity

Year ended December 31, 2014, with comparative information for 2013

	Cemetery Care and Maintenance	Willow West Security	Ontario Home Renewal Program	2014	2013
Balance, beginning of year	\$ 399,562	\$ 90,999	\$ 10,378	\$ 500,939	\$ 488,949
Receipts:					
Bank and investment interest	9,363	1,163	30	10,556	8,598
Care and maintenance	15,236	-	-	15,236	12,045
	24,599	1,163	30	25,792	20,643
Expenses:					
Transfer to municipality	9,363	-	-	9,363	8,653
Balance, end of year	\$ 414,798	\$ 92,162	\$ 10,408	\$ 517,368	\$ 500,939

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, 2014

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. Ontario Home Renewal Program:

The Ontario Home Renewal Program (OHRP) was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans were limited to \$7,500, of which the maximum forgivable portion was \$4,000.

OHRP loans receivable at December 31, 2014 comprise repayable loans of \$6,662 (2013 - \$6,662) and forgivable loans of \$1,359 (2013 - \$1,359). Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continuous ownership and occupancy. In the event of the sale or lease of the home or in the event of the home owner ceasing to occupy the home, the balance of the repayable loan and the unearned forgivable loan immediately becomes due and payable by the home owner.

As of July 16, 1993, the OHRP was discontinued and municipalities were prohibited from issuing further loans as of that date. All OHRP funds held in municipal trust accounts as of December 31, 1993 were remitted to the Province by March 1, 1994. Any loans receivable under the program which are collected subsequent to December 31, 1993 were remitted to the Province by March 1 of the following year. However, municipalities will be provided an administration fee of five percent of the balances collected after December 31, 1993 and are permitted to retain the interest earned on unremitted OHRP trust account balances.

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Trust Funds

Notes to Consolidated Financial Statements, (continued)

Year ended December 31, 2014

3. Investments:

The total investments of \$60,000 (2013 - \$62,000) reported on the balance sheet have a market value of \$64,510 (2013 - \$62,368) at the end of the year.