

Financial Statements of

**GUELPH MUNICIPAL HOLDINGS INC.**

Year ended December 31, 2021  
(Expressed in thousands of dollars)



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## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Guelph Municipal Holdings Inc.

### ***Opinion***

We have audited the financial statements of Guelph Municipal Holdings Inc. (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of profit or loss and other comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2021 and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### ***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.



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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations, 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'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada  
May 9, 2022

# Guelph Municipal Holdings Inc.

## Statement of Financial Position

December 31, 2021, with comparative information for 2020  
(Expressed in thousands of dollars)

	2021	2020
	\$	\$
<b>Assets</b>		
<b>Current Assets</b>		
Cash	343	1,509
Accounts receivable	213	215
Total current assets	556	1,724
Due from related parties (Note 8)	2,333	1,777
Investment in Alectra Inc. (Note 4)	102,663	100,943
Total non-current assets	104,996	102,720
<b>Total Assets</b>	<b>105,552</b>	<b>104,444</b>
<b>Liabilities and Shareholder's Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	35	599
Total current liabilities	35	599
Deferred tax liability (Note 7)	14,891	14,464
Total non-current liabilities	14,891	14,464
<b>Total Liabilities</b>	<b>14,926</b>	<b>15,063</b>
<b>Shareholder's Equity</b>		
Share capital		
Authorized: Unlimited common shares		
Issued: 67,530 common shares (Note 5)	67,530	67,530
Retained earnings	23,096	21,851
Total shareholder's equity	90,626	89,381
<b>Total Liabilities and Shareholder's Equity</b>	<b>105,552</b>	<b>104,444</b>

# Guelph Municipal Holdings Inc.

## Statement of Income and Other Comprehensive Income

Year ended December 31, 2021, with comparative information for 2020  
(Expressed in thousands of dollars)

	2021	2020
	\$	\$
<b>Revenue</b>		
Equity share of earnings in Alectra Inc. (Note 4)	5,186	3,473
Gain on disposal of investment in Guelph Hydro Electric Systems Inc.	-	731
Electricity sales	208	210
Other revenue	13	65
<b>Total revenue</b>	<b>5,407</b>	<b>4,479</b>
<b>Expenses</b>		
Operations	316	506
Management and general administration	124	121
District energy wind down costs (recovery)	(5)	847
<b>Total expenses</b>	<b>435</b>	<b>1,474</b>
<b>Earnings before the undernoted</b>	<b>4,972</b>	<b>3,005</b>
<b>Income tax expense</b>		
Deferred income taxes (Note 7)	166	-
	<b>166</b>	<b>-</b>
<b>Total come and comprehensive income for the year</b>	<b>4,806</b>	<b>3,005</b>

# Guelph Municipal Holdings Inc.

## Statement of Changes in Equity

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

(Expressed in thousands of dollars)

	Share capital	Retained earnings	Total
	\$	\$	\$
Balance at January 1, 2020	67,530	21,881	89,411
Dividends	-	(3,035)	(3,035)
Total comprehensive income for the year	-	3,005	3,005
Balance, December 31, 2020	67,530	21,851	89,381
Increase in refundable portion of deferred tax liability		(261)	(261)
Dividends	-	(3,300)	(3,300)
Total comprehensive income for the year	-	4,806	4,806
<b>Balance, December 31, 2021</b>	<b>67,530</b>	<b>23,096</b>	<b>90,626</b>

# Guelph Municipal Holdings Inc.

## Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020  
(Expressed in thousands of dollars)

	2021	2020
	\$	\$
<b>Operating Activities</b>		
Total comprehensive income for the year	4,806	3,005
Adjustment for non-cash items:		
Investment revenue	(5,186)	(3,473)
Deferred income taxes	166	-
Changes in non-cash working capital balances		
(Increase) in non-cash current assets	2	(86)
Decrease (increase) in amount receivable from related party	(556)	769
Increase (decrease) in accounts payable and accrued liabilities	(564)	416
<b>Cash provided by (applied to) operating activities</b>	<b>(1,332)</b>	<b>631</b>
<b>Investing Activities</b>		
Dividends received	3,466	3,638
<b>Cash provided by investing activities</b>	<b>3,466</b>	<b>3,638</b>
<b>Financing Activities</b>		
Dividends paid	(3,300)	(3,035)
<b>Cash applied to financing activities</b>	<b>(3,300)</b>	<b>(3,035)</b>
<b>Net change in cash during the year</b>	<b>(1,166)</b>	<b>1,234</b>
Cash, beginning of year	1,509	275
<b>Cash, end of year</b>	<b>343</b>	<b>1,509</b>



# GUELPH MUNICIPAL HOLDINGS INC.

Notes to Financial Statements

Year ended December 31, 2021  
(Expressed in thousands of dollars)

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## 1. Reporting entity

Guelph Municipal Holdings Inc. (GMHI) is wholly-owned by the City of Guelph. GMHI was incorporated on August 16, 2011 under the laws of the Province of Ontario, Canada. The address of GMHI's registered office is 1 Carden Street, Guelph, Ontario.

GMHI owns 4.63% of the shares of Alectra Inc., a regulated electricity distribution company, and operates district energy assets providing services to two customers in the City of Guelph.

These financial statements are for GMHI as at and for the year-ended December 31, 2021 and reflect the following accounting policies:

## 2. Basis of presentation

(a) Statement of compliance:

GMHI's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Management has assessed that GMHI's investment in Alectra represents significant influence, and has therefore accounted for the investment in Alectra using the equity method.

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on May 4, 2022.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following:

- (i) Where held, financial instruments at fair value through profit or loss, including those held for trading, are measured at fair market value.
- (ii) Contributed assets are initially measured at fair market value.

# **GUELPH MUNICIPAL HOLDINGS INC.**

Notes to Financial Statements, continued

Year ended December 31, 2021  
(Expressed in thousands of dollars)

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## **2. Basis of presentation (continued)**

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is GMHI's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(e) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

## **3. Significant accounting policies**

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Financial instruments

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(c). GMHI does not enter into derivative instruments.

(b) Revenue recognition

Revenue earned from the provision of services is recognized as the service is rendered.

Interest income is recognized as it accrues in profit or loss, using the effective interest method. Interest income comprises interest earned on cash and cash equivalents.

# GUELPH MUNICIPAL HOLDINGS INC.

Notes to Financial Statements, continued

Year ended December 31, 2021  
(Expressed in thousands of dollars)

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## 3. Significant accounting policies (continued)

### (c) Impairment

#### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its current carrying amount (using prevailing interest rates), and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

#### (ii) Non-financial assets

The carrying amounts of GMHI's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

# GUELPH MUNICIPAL HOLDINGS INC.

Notes to Financial Statements, continued

Year ended December 31, 2021

(Expressed in thousands of dollars)

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## 3. Significant accounting policies (continued)

### (c) Impairment (continued)

#### (ii) Non-financial assets (continued)

Impairment recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### (d) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

GMHI is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act, 1998*, GMHI makes payments in lieu of corporate taxes (PILs) to the Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the *Income Tax Act (Canada)* and the *Corporations Tax Act (Ontario)* as modified by the *Electricity Act, 1998*, and related regulations. Payments in lieu of taxes are referred to as income taxes.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment

# GUELPH MUNICIPAL HOLDINGS INC.

Notes to Financial Statements, continued

Year ended December 31, 2021  
(Expressed in thousands of dollars)

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### 3. Significant accounting policies (continued)

(d) Income taxes (continued)

or substantive enactment. A valuation allowance is recorded against any deferred income tax asset if it more likely than not that the asset will not be realized.

### 4. Investment in Alectra Inc.

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	2021	2020
Opening investment, January 1	\$ 100,943	\$ 101,109
Equity share of earnings	5,186	3,473
Dividends received	(3,466)	(3,638)
Ending investment, December 31	\$ 102,663	\$ 100,943

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### 5. Share capital

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	2021	2020
Authorized:		
Unlimited number of common shares		
Issued:		
67,530 common shares	\$ 67,530	\$ 67,530

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### 6. Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time.

GMHI paid aggregate dividends in the year on common shares of \$48.87 per share (2020 \$44.94 per share), which amount to total dividends paid in the year of \$3,300 (2020 - \$3,035). Per share amounts are not expressed in thousands of dollars.

# GUELPH MUNICIPAL HOLDINGS INC.

Notes to Financial Statements, continued

Year ended December 31, 2021  
(Expressed in thousands of dollars)

## 7. Income taxes

The current tax expense for 2021 is \$- (2020 - \$-).

	2021	2020
Origination and reversal of temporary differences	\$ 166	\$ -
Reconciliation of effective tax rate:		
	2021	2020
Income before income taxes	\$ 4,972	\$ 3,005
Federal and Ontario statutory income tax rate	26.50%	26.50%
Provision for income taxes at statutory rate	\$ 1,318	\$ 796
Losses not benefited for accounting	56	318
Equity share of earnings in Alectra	(1,374)	(920)
Gain on disposal	-	(194)
Non-refundable portion of deferred tax on investment in Alectra	166	-
	\$ 166	\$ -

Significant components of GMHI's deferred tax balances are as follows:

	2021	2020
Deferred tax liabilities:		
Investment in Alectra	\$ (14,891)	\$ (\$14,464)

GMHI has non-capital tax losses that can be carried forward to reduce future taxes owing that have not been recognized as a deferred tax asset, as follows:

Year of Loss	Loss	Year of Expiry
2006 – 2010	\$ 1,564	2026 – 2030
2011 – 2015	\$ 8,150	2031 – 2035
2016 – 2020	\$4,676	2036 – 2040

## 8. Related party transactions

(a) Parent and ultimate controlling party

GMHI is wholly-owned by the City of Guelph. The City produces financial statements that are available for public use.

# GUELPH MUNICIPAL HOLDINGS INC.

Notes to Financial Statements, continued

Year ended December 31, 2021  
(Expressed in thousands of dollars)

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## 8. Related party transactions (continued)

(b) Transactions with ultimate parent (the City):

The following summarizes GMHI's related party transactions, recorded at the exchange amounts and balances with the City for the year ended December 31:

	2021	2020
Revenue:		
Energy sales (at commercial rates)	\$ 77	\$ 60
Expenses:		
Management fees	\$ 90	\$ 90
Water and electricity costs	\$ 82	\$ 173
Balances:		
Accounts receivable	\$ -	\$ -
Accounts payable and accrued liabilities	\$ -	\$ 152

(c) In 2019 GMHI loaned the City \$17,500 interest free. As of December 31, 2021, the City owed GMHI \$2,333 (2020 - \$1,777).

## 9. Financial instruments and risk management

The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate fair values because of the short maturity of these instruments.

GMHI's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

(a) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by GMHI, such as accounts receivable, expose it to credit risk. GMHI's accounts receivable mostly pertains to HST refunds receivable from Canada Revenue Agency.

# **GUELPH MUNICIPAL HOLDINGS INC.**

Notes to Financial Statements, continued

Year ended December 31, 2021  
(Expressed in thousands of dollars)

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## **9. Financial instruments and risk management (continued)**

### (a) Credit risk (continued)

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the income statement. Subsequent recoveries of receivables previously provisioned are credited to the income statement. The balance of the allowance for impairment at December 31, 2021 is \$- (2020 - \$-). No impairment loss was recognized during the year (2020 - \$-). GMHI's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2021, the balance in accounts receivable from customers is current.

### (b) Market risk

GMHI is exposed to market risk through its investment in Alectra as dividends paid by Alectra are impacted by Alectra's performance and profitability.

### (c) Liquidity risk

GMHI monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. GMHI's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure.

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

### (d) Capital disclosures

The main objectives of GMHI when managing capital are to ensure prudent management of its capital structure and to deliver the appropriate financial returns for its shareholder.

GMHI's definition of capital includes shareholder's equity. As at December 31, 2021, shareholder's equity amounts to \$90,626 (2020 - \$89,381).