

County of Bruce

Report to the Members of the
Corporate Services Committee

May 3, 2018



Tel: 519 376 6110
Fax: 519 376 4741
www.bdo.ca

BDO Canada LLP
1717 2nd Avenue E, Third Floor
PO Box 397
Owen Sound ON N4K 5P7 Canada

May 4, 2018

Members of the Corporate Services Committee
County of Bruce
30 Park Street
Walkerton, ON N0G 2V0

Dear Sir/Madam:

We are pleased to present the results of our audit of the consolidated financial statements of the County of Bruce for the year ended December 31, 2017. The purpose of our report is to summarize certain aspects of the audit that we believe to be of interest to Council and should be read in conjunction with the consolidated financial statements and our audit report which is included as Appendix A.

Our audit, and therefore this report, will not necessarily identify all matters that may be of interest to the Council in fulfilling its responsibilities.

This report has been prepared solely for the use of the Council and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We wish to express our appreciation for the co-operation we received during the audit from the County's management and staff who have assisted us in carrying out our work. We look forward to meeting with you to discuss the contents of this report and any other matters that you consider appropriate.

Yours truly,

Traci Smith, CPA, CGA
Partner
BDO & Company LLP*

*BDO & Company LLP provides accounting, assurance, tax and other professional advisory services to BDO Canada LLP, Chartered Professional Accountants, Licensed Public Accountants

TS:sb



TABLE OF CONTENTS

| | |
|------------------------------------|---|
| Executive Summary | 4 |
| Audit Findings | 5 |
| Internal Control Matters | 7 |
| Fraud Discussion | 7 |
| BDO Publications | 8 |
| Appendix A - Financial Report | |
| Appendix B - Independence | |
| Appendix C - Representation Letter | |



EXECUTIVE SUMMARY

Approval of the Financial Statements

Consolidated financial statements were approved by the Director of Corporate Services, as a delegate of Those Charged with Governance, on April 23, 2018.

Purpose of the Audit

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance as to whether the financial statements are free of material misstatement. The conclusion of our audit is set out in our auditor's report in Appendix A.

A detailed description of our audit results has been included on page 5.

Audit Risks

Our overall audit strategy, including risks identified relating to the County of Bruce and our planned procedures to address those risks, were outlined in our planning letter dated November 14, 2017. There were no changes to our planned audit procedures, and there were no additional procedures added to our audit plan.

Independence

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards require us to communicate to Council at least annually, all relationships between BDO Canada LLP and its related entities and the County and its related entities, that, in our professional judgment, may reasonably be thought to bear on our independence with respect to the audit of the County.

Our annual letter confirming our independence is provided in Appendix B. We know of no circumstances that would cause us to amend our previous communication to you in our planning letter.

Materiality

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

For the audit of the County of Bruce for the year ended December 31, 2017, final materiality was \$1,750,000, based on 2% of average total revenues.



AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the County's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. A summary of the key discussion points are as follows:

Significant financial statement disclosures

Significant financial statement disclosures include:

Accumulated Surplus

A breakdown of the County's accumulated surplus is included in Note 6. This includes the amount invested in capital assets, unfunded liabilities, reserves and reserve funds and also the general surplus (deficit) which is required to be carried forward to the next year's budget.

Contingencies/Litigation Proceedings

We have discussed with the County's management and they have indicated that there are claims outstanding against the County. We have also communicated with the County's legal counsel and insurance company. These claims are disclosed in Note 11.

Commitments

Significant commitments relating to debentures used to finance public housing projects are disclosed in Note 15. In addition, the County's commitment to complete multiple capital projects are disclosed in Note 15.

Significant accounting policies, estimates and judgments

Management is responsible for determining the County of Bruce's significant accounting policies. **Significant accounting policies have been disclosed in the financial statements.** The choice between accounting policy alternatives can have a significant effect on the financial position and results of the County. The application of those policies often involves significant estimates and judgments by management. Based on the audit work that we have performed, it is our opinion that the estimates are in accordance with the requirements of Canadian public sector accounting policies and have been consistently applied.

Significant accounting estimates include:

Post-employment benefits

The County provides post-employment health, dental, life insurance benefits and other benefits to eligible retired employees. The benefits earned by employees are determined using management's best estimate of expected benefit costs and are expensed as services are rendered. In order to help estimate the liability for post-employment benefits, the County engaged the services of an actuary.



WSIB future benefit and commitment

As the County is an employer included under Schedule 2 of the Workplace Safety and Insurance Act, it self-ensures the entire risk of its own WSIB claims and it's individually liable for reimbursing the WSIB for all costs relating to its workers WSIB claims. In order to help estimate the liability for WSIB future benefits, the County engaged the services of an actuary.

Taxation revenue estimate

In accordance with PS 3510, amounts have been estimated for taxable events that have occurred but have not yet been assessed. The estimate was based on trend analysis by year for supplemental taxation billings and write-offs for the last 3 years; examination of building permits issued in the last two years; and knowledge of potential reassessments.

Liability for Contaminated Sites

Management compiled a list of all properties owned by the County or where the County has accepted responsibility for the property and assessed whether each property was contaminated. Management is not aware of any contaminated sites therefore no liability is accrued.

ADJUSTED AND UNADJUSTED DIFFERENCES

We have disclosed all significant adjusted and unadjusted differences identified through the course of our audit engagement. Each of these items has been discussed with Management.

At the end of the year there were no unadjusted differences to the consolidated financial statements.

MANAGEMENT REPRESENTATIONS

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the consolidated financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

A copy of the management representation letter which summarizes the representations we have requested from management has been presented in Appendix C.



INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the County's internal control environment:

- Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- Discussed and considered potential audit risks with management.
- Test the operating effectiveness of controls in the payroll, purchases, amortization and social services transaction streams.

The results of these procedures were considered in determining the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

During the course of our audit, we did not become aware of any significant weaknesses in the design or implementation of internal controls. Since an audit is not designed to detect all weaknesses in internal controls, there may be weaknesses which our procedures did not detect.

FRAUD DISCUSSION

Canadian generally accepted auditing standards require us to discuss fraud risk with the Members of Council on an annual basis. As an update to the letter sent to the Members of Council during the planning of our audit, we have prepared the following comments:

| Required Discussion | BDO Response | Council Response |
|--|--|---|
| Knowledge of actual, suspected or alleged fraud. | Currently, we are not aware of any actual, suspected or alleged fraud. | If you aware of any instances of actual, suspected or alleged fraud affecting the County, please contact us directly. |

AUDITORS' RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

The scope of the work performed was substantially the same as that described in our Planning Letter to Council dated November 14, 2017.



BDO PUBLICATIONS

The County applies Canadian Public Sector Accounting Standards (PSAB). If the County would like additional information about the accounting standards or about upcoming changes please see the website below and review the BDO publications available to our clients. Publications relevant for the County would include the following:

- “Public Sector Accounting Standards Update 2017” which provides you with details on recent changes to PSAB Standards.

[This link provides access to a publication on updates to PSAB standards.](#)

- “Public Sector at a Glance” which provides you with details on PSAB Standards.

[This link provides access to a publication on PSAB standards.](#)

- “Is Your Non-Profit Fraud-Proof?” which provides you with simple ways to reduce your risk.

[This link provides access to a publication on is your non profit fraud proof.](#)



APPENDIX A

Financial Report

**The Corporation of the
County of Bruce
Consolidated Financial Statements
For the year ended December 31, 2017**

**The Corporation of the County of Bruce
Consolidated Financial Statements
For the year ended December 31, 2017**

Contents

The Corporation of the County of Bruce

| | |
|--|--------|
| Independent Auditor's Report | 2 - 3 |
| Consolidated Statement of Financial Position | 4 |
| Consolidated Statement of Operations and Accumulated Surplus | 5 |
| Consolidated Statement of Changes in Net Debt | 6 |
| Consolidated Statement of Cash Flows | 7 |
| Notes to Financial Statements | 8 - 27 |



Tel: 519 376 6110
Fax: 519 376 4741
www.bdo.ca

BDO Canada LLP
1717 2nd Avenue E, Third Floor
PO Box 397
Owen Sound ON N4K 5P7 Canada

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the County of Bruce

We have audited the accompanying consolidated financial statements of the Corporation of the County of Bruce, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, changes 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 Consolidated 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.

Auditor's 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 the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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



Opinion

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

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
April 23, 2018

The Corporation of the County of Bruce
Consolidated Statement of Financial Position

| December 31 | 2017 | 2016 |
|--|-----------------------|-----------------------|
| Financial assets | | |
| Cash and temporary investments (Note 2) | \$ 30,236,611 | \$ 29,343,748 |
| Accounts receivable | 2,129,530 | 2,401,984 |
| Inventory held for resale | 26,488 | 23,337 |
| | <u>32,392,629</u> | <u>31,769,069</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 10,703,778 | 10,367,956 |
| WSIB future benefits (Note 13) | 2,492,749 | 2,041,056 |
| Post-employment benefits (Note 12) | 1,187,839 | 1,124,661 |
| Deferred revenue (Note 3) | 561,555 | 119,095 |
| Long-term liabilities (Note 4) | 21,608,046 | 24,244,219 |
| | <u>36,553,967</u> | <u>37,896,987</u> |
| Net debt | <u>(4,161,338)</u> | <u>(6,127,918)</u> |
| Non-financial assets | | |
| Tangible capital assets (Note 5) | 166,269,066 | 162,782,483 |
| Other | 940,944 | 888,070 |
| | <u>167,210,010</u> | <u>163,670,553</u> |
| Accumulated surplus (Note 6) | <u>\$ 163,048,672</u> | <u>\$ 157,542,635</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**The Corporation of the County of Bruce
Consolidated Statement of Operations and Accumulated Surplus**

| For the year ended December 31 | 2017 Budget (Note 9) | 2017 Actual | 2016 Actual |
|--|----------------------------|-----------------------|----------------------|
| Revenue | | | |
| Taxation | \$ 44,350,831 | \$44,271,124 | \$ 42,960,771 |
| Fees and user charges | 10,529,664 | 10,646,027 | 10,468,334 |
| Government transfers (Note 8) | 37,370,119 | 35,729,125 | 33,392,286 |
| Investment income | 221,500 | 319,126 | 287,274 |
| Gain (loss) on disposal of tangible capital assets | 16,000 | (410,984) | (2,149,560) |
| Donations and fundraising | 108,850 | 223,979 | 231,189 |
| Other income | 238,300 | 301,580 | 317,088 |
| | <u>92,835,264</u> | <u>91,079,977</u> | <u>85,507,382</u> |
| Expenses | | | |
| General government | 6,895,092 | 6,732,571 | 6,120,932 |
| Protection services | 83,807 | 84,805 | 82,575 |
| Transportation services | 6,581,915 | 11,947,123 | 11,653,364 |
| Environmental services | 210,480 | 329,370 | 341,093 |
| Land ambulance | 9,939,978 | 10,566,494 | 10,052,828 |
| Health Unit | 1,442,222 | 1,424,673 | 1,387,055 |
| Social and family services | 42,474,226 | 43,049,079 | 41,048,420 |
| Recreation and cultural services | 5,237,571 | 6,123,038 | 5,910,178 |
| Planning and development | 4,209,293 | 4,068,808 | 3,183,064 |
| Interest on long-term debt | 1,242,794 | 1,247,979 | 1,387,982 |
| | <u>78,317,378</u> | <u>85,573,940</u> | <u>81,167,491</u> |
| Annual surplus (Note 9) | 14,517,886 | 5,506,037 | 4,339,891 |
| Accumulated surplus, beginning of the year | 157,542,635 | 157,542,635 | 153,202,744 |
| Accumulated surplus, end of the year | <u>\$172,060,521</u> | <u>\$ 163,048,672</u> | <u>\$157,542,635</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**The Corporation of the County of Bruce
Consolidated Statement of Changes in Net Debt**

| For the year ended December 31 | 2017 Budget (Note 9) | 2017 Actual | 2016 Actual |
|--|----------------------------|----------------------|-----------------------|
| Annual surplus (Page 5) | \$ 14,517,886 | \$ 5,506,037 | \$ 4,339,891 |
| Acquisition of tangible capital assets | (21,505,023) | (14,108,915) | (14,069,001) |
| Amortization of tangible capital assets | - | 10,174,579 | 9,864,146 |
| (Gain) loss on disposal of tangible capital assets | (16,000) | 410,984 | 2,149,560 |
| Proceeds on disposal of capital assets | - | 36,769 | 1,252,076 |
| | (21,521,023) | (3,486,583) | (803,219) |
| Change in other assets | - | (52,874) | 164,032 |
| (Increase) decrease in net debt | (7,003,137) | 1,966,580 | 3,700,704 |
| Net debt, beginning of the year | (6,127,918) | (6,127,918) | (9,828,622) |
| Net debt, end of the year | \$(13,131,055) | \$(4,161,338) | \$ (6,127,918) |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the County of Bruce
Consolidated Statement of Cash Flows

| For the year ended December 31 | 2017 | 2016 |
|---|-----------------------------|-----------------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Annual surplus (Page 5) | \$ 5,506,037 | \$ 4,339,891 |
| Items not involving cash | | |
| WSIB future benefits | 451,693 | 104,109 |
| Post-employment benefits | 63,178 | 3,669 |
| Amortization | 10,174,579 | 9,864,146 |
| Donation of capital assets | - | - |
| Loss on disposal of capital assets | 410,984 | 2,149,560 |
| | <u>16,606,471</u> | <u>16,461,375</u> |
| Changes in non-cash working capital balances | | |
| Accounts receivable | 272,454 | (221,822) |
| Inventory held for resale | (3,151) | (1,596) |
| Accounts payable and accrued liabilities | 335,822 | 2,284,467 |
| Deferred revenue | 442,460 | 31,568 |
| Other non-financial assets | (52,874) | 164,032 |
| | <u>994,711</u> | <u>2,256,649</u> |
| | <u>17,601,182</u> | <u>18,718,024</u> |
| Capital transactions | | |
| Cash used to acquire capital assets | (14,108,915) | (14,069,001) |
| Proceeds on disposal of capital assets | 36,769 | 1,252,076 |
| | <u>(14,072,146)</u> | <u>(12,816,925)</u> |
| Financing activities | | |
| Repayment of long-term liabilities | (2,636,173) | (2,490,802) |
| Net change in cash and cash equivalents | 892,863 | 3,410,297 |
| Cash and cash equivalents, beginning of the year | <u>29,343,748</u> | <u>25,933,451</u> |
| Cash and cash equivalents, end of the year | <u>\$ 30,236,611</u> | <u>\$ 29,343,748</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the County of Bruce

Notes to Financial Statements

December 31, 2017

1. Summary of Significant Accounting Policies

Management Responsibility The management of the Corporation of the County of Bruce has prepared and is responsible for the integrity, objectivity and accuracy of the financial information presented in these consolidated financial statements. Management reviews and approves the consolidated financial statements before they are submitted to Council.

Basis of Accounting The consolidated financial statements of the Corporation of the County of Bruce have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing.

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.

Use of Estimates The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future. Estimates are used when accounting for items such as accrued liabilities, useful lives of capital assets, post-employment and WSIB future benefit liabilities and taxation revenue.

Basis of Consolidation The consolidated statements reflect the assets, liabilities, revenues and expenses of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenses have been eliminated on consolidation.

The following boards and municipal enterprises owned or controlled by Council have been consolidated:

Bruce County Library Board
Bruce County Housing Corporation

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2017

1. Summary of Significant Accounting Policies - (continued)

Cash and Cash Equivalents Cash and cash equivalents include all cash balances and short-term highly liquid investments that are readily convertible into cash.

Temporary Investments Temporary investments are recorded at the lower of cost and market value.

Inventory Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.

Inventory of supplies is recorded at the lower of cost and replacement cost.

Non-Financial Assets Tangible capital and other non-financial assets are accounted for as assets by the organization because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the organization unless they are sold.

Tangible Capital Assets Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by management. The following rates are used:

| | |
|------------------------|----------------|
| Buildings | 10 to 50 years |
| Equipment | 5 to 10 years |
| Technology | 4 to 5 years |
| Vehicles and machinery | 5 to 10 years |
| Furniture and fixtures | 5 years |
| Roads | 8 to 75 years |
| Bridges | 25 to 75 years |
| Other infrastructure | 10 to 50 years |

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as donation revenue.

Trust Funds Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of receipts and disbursements and statement of financial position.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2017

1. Summary of Significant Accounting Policies - (continued)

Revenue Recognition

Revenues are reported on the accrual basis of accounting. Revenues are recognized as follows:

- a) Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.
- b) Fines and donations are recognized when collected.
- c) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- d) Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations and accumulated surplus in the year in which it is used for the specified purpose.
- e) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.
- f) Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on obligatory funds such as gas tax funding is added to the associated funds and forms part of the respective deferred revenue balances.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2017

1. Summary of Significant Accounting Policies - (continued)

Post-Employment Benefits The County provides post-employment health, dental, life insurance and other benefits to eligible retired employees. The benefits earned by employees are determined using management's best estimate of expected benefit costs and are expensed as services are rendered.

The County is an employer included under Schedule 2 of the Workplace Safety and Insurance Act. It self-insures the entire risk of its own WSIB claims and is individually liable for reimbursing the WSIB for all costs relating to its workers' WSIB claims. The cost of the claims are determined using management's best estimate and are expensed as incidents occur.

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit plan are expensed when contributions are due.

Provincial Subsidies

Subsidies from the Province of Ontario are subject to review of year-end settlement forms and adjustments by the Province. Adjustments to funding, if any, are recorded in the year in which they occur.

Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries. Management has not identified any contaminated sites for which a liability needs to be recognized.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2017

2. Cash and Temporary Investments

| | 2017 | 2016 |
|--------------|----------------------|---------------|
| Unrestricted | \$ 30,236,611 | \$ 29,343,748 |

A cash balance of \$27,916,078 is being held in bank accounts at one Canadian chartered bank as part of a centralized cash control service. The Canadian Deposit Insurance Corporation insures deposits up to a maximum of \$100,000 per depositor.

Temporary investments with a market value of \$3,012,966 (2016 - \$4,098,842) and cost value of \$3,111,178 (2016 - \$4,047,231) consist of investments in Canadian short-term bond funds. The non-redeemable guaranteed investment certificate with interest at 2.05% was cashed in June 2017.

The cash balance includes \$18,119 (2016 - \$143) denominated in U.S. dollars.

The County of Bruce has a demand operating facility agreement with a financial institution. At December 31, 2017, the County of Bruce had undrawn credit capacity of \$3,000,000. Interest is calculated at bank prime rate minus 0.5%.

3. Deferred revenue

| | 2017 | 2016 |
|-----------------|-------------------|-------------------|
| Gas tax funding | \$ 331,361 | \$ - |
| Museum | 175,177 | 58,393 |
| Other | 55,017 | 60,702 |
| | \$ 561,555 | \$ 119,095 |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2017

4. Long-Term Liabilities

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

| | 2017 | 2016 |
|---|--------------|--------------|
| Bruce County Housing Corporation | | |
| Mortgage payable, Canada Mortgage & Housing Company, 4.37%, repayable in blended monthly instalments of \$2,631, due February 2018 | \$ 5,235 | \$ 35,860 |
| Mortgage payable, Canada Mortgage & Housing Company, 3.65%, repayable in blended monthly instalments of \$3,448, due May 2018 | 17,086 | 57,057 |
| Mortgage payable, Canada Mortgage & Housing Company, 3.54%, repayable in blended monthly instalments of \$7,958, due July 2018 | 55,058 | 146,860 |
| Mortgage payable, Canada Mortgage & Housing Company, 1.39%, repayable in blended monthly instalments of \$6,566, due February 2020 | 168,092 | 243,985 |
| Mortgage payable, Canada Mortgage & Housing Company, 1.01%, repayable in blended monthly instalments of \$10,113, due February 2021 | 1,442,508 | 1,548,743 |
| Mortgage payable, Scotia Bank, 3.938%, repayable in blended monthly instalments of \$5,014, due June 2021 | 297,341 | 344,880 |
| Mortgage payable, TD Canada Trust, 6.117%, repayable in blended monthly instalments of \$7,406, due April 2024 | 620,148 | 669,919 |
| Mortgage payable, People's Trust, 2.66%, repayable in blended monthly instalments of \$6,133, due September 2024 | 598,531 | 655,480 |
| Mortgage payable, People's Trust, 1.79%, repayable in blended monthly instalments of \$6,734, due May 2020 | 728,428 | 795,604 |
| Carried forward | \$ 3,932,427 | \$ 4,498,388 |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2017

4. Long-Term Liabilities - (continued)

| | 2017 | 2016 |
|---|---------------------|---------------|
| Bruce County Housing Corporation - brought forward | \$ 3,932,427 | \$ 4,498,388 |
| Mortgage payable, Canada Mortgage & Housing Company, 2.61%, repayable in blended monthly instalments of 14,442, due December 2023 | 1,656,745 | 1,785,223 |
| Total Bruce County Housing Corporation | 5,589,172 | 6,283,611 |
| County of Bruce | | |
| Debenture payable, 6.73%, repayable in blended quarterly instalments of \$597,315, due July 2022 | 9,696,813 | 11,362,814 |
| Loan payable, OSIFA, 5.32%, repayable in blended semi-annual payments of \$311,399, due October 2032 | 6,322,061 | 6,597,794 |
| Total County of Bruce | 16,018,874 | 17,960,608 |
| | \$21,608,046 | \$ 24,244,219 |

All mortgages are secured by real property.

The gross interest paid relating to the above long-term debt was \$1,248,814 (2016 - \$1,396,605).

The gross interest expensed during the year was \$1,247,979 (2016 - \$1,387,982).

Principal payments for the next five fiscal years and thereafter are as follows:

| | | |
|------------|----|----------------------|
| 2018 | \$ | 2,229,954 |
| 2019 | | 2,737,674 |
| 2020 | | 2,831,608 |
| 2021 | | 2,987,618 |
| 2022 | | 3,167,714 |
| Thereafter | | 7,653,478 |
| | | \$ 21,608,046 |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2017

5. Tangible Capital Assets

2017

| | Land | Buildings | Equipment | Technology | Vehicles and Machinery | Furniture and Fixtures | Roads, Bridges and Other Infrastructure | Work in Progress | Total |
|---|--------------|---------------|--------------|--------------|------------------------|------------------------|---|------------------|----------------|
| Cost, beginning of the year | \$ 9,551,625 | \$ 92,073,709 | \$ 5,552,772 | \$ 3,421,858 | \$ 8,223,576 | \$ 720,941 | \$ 156,363,709 | \$ 3,528,032 | \$ 279,436,222 |
| Additions | 141,422 | 3,976,863 | 739,108 | 626,790 | 971,394 | 98,710 | 3,149,269 | 4,405,359 | 14,108,915 |
| Disposals | - | (803,432) | (554,220) | (101,811) | (595,440) | (1,758) | (1,284,973) | - | (3,341,634) |
| Reallocation of completed work | 1,221 | 1,073,011 | - | 186,783 | 388,985 | - | 129,839 | (1,779,839) | - |
| Cost, end of the year | 9,694,268 | 96,320,151 | 5,737,660 | 4,133,620 | 8,988,515 | 817,893 | 158,357,844 | 6,153,552 | 290,203,503 |
| Accumulated amortization, beginning of the year | - | 38,481,185 | 3,126,733 | 2,345,141 | 6,222,622 | 635,233 | 65,842,825 | - | 116,653,739 |
| Amortization | - | 3,085,597 | 640,571 | 512,138 | 783,693 | 32,755 | 5,119,825 | - | 10,174,579 |
| Disposals | - | (551,885) | (540,525) | (95,559) | (595,440) | (1,758) | (1,108,714) | - | (2,893,881) |
| Accumulated amortization, end of the year | - | 41,014,897 | 3,226,779 | 2,761,720 | 6,410,875 | 666,230 | 69,853,936 | - | 123,934,437 |
| Net carrying amount, end of the year | \$ 9,694,268 | \$ 55,305,254 | \$ 2,510,881 | \$ 1,371,900 | \$ 2,577,640 | \$ 151,663 | \$ 88,503,908 | \$ 6,153,552 | \$ 166,269,066 |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2017

5. Tangible Capital Assets - (continued)

2016

| | Land | Buildings | Equipment | Technology | Vehicles and Machinery | Furniture and Fixtures | Roads, Bridges and Other Infrastructure | Work in Progress | Total |
|---|---------------------|----------------------|---------------------|---------------------|---------------------------|---------------------------|---|---------------------|-----------------------|
| Cost, beginning of the year | \$ 9,182,999 | \$ 88,370,981 | \$ 5,514,114 | \$ 3,599,764 | \$ 8,518,197 | \$ 1,050,685 | \$ 151,368,388 | \$ 5,974,096 | \$ 273,579,224 |
| Additions | 368,626 | 3,925,590 | 742,586 | 502,125 | 817,710 | 41,443 | 5,279,646 | 2,391,275 | 14,069,001 |
| Reclassification of assets | - | 331,602 | (34,522) | 25,789 | - | (322,869) | - | - | - |
| Disposals | - | (698,221) | (669,406) | (705,820) | (1,112,331) | (48,318) | (4,977,907) | - | (8,212,003) |
| Reallocation of completed work | - | 143,757 | - | - | - | - | 4,693,582 | (4,837,339) | - |
| Cost, end of the year | <u>9,551,625</u> | <u>92,073,709</u> | <u>5,552,772</u> | <u>3,421,858</u> | <u>8,223,576</u> | <u>720,941</u> | <u>156,363,709</u> | <u>3,528,032</u> | <u>279,436,222</u> |
| Accumulated amortization, beginning of the year | - | 35,629,533 | 3,080,558 | 2,538,537 | 6,593,542 | 981,351 | 62,776,439 | - | 111,599,960 |
| Reclassification of accumulated amortization | - | 341,151 | (34,522) | 19,080 | - | (325,709) | - | - | - |
| Amortization | - | 2,975,324 | 636,566 | 488,919 | 698,565 | 27,882 | 5,036,890 | - | 9,864,146 |
| Disposals | - | (464,823) | (555,869) | (701,395) | (1,069,485) | (48,291) | (1,970,504) | - | (4,810,367) |
| Accumulated amortization, end of the year | - | <u>38,481,185</u> | <u>3,126,733</u> | <u>2,345,141</u> | <u>6,222,622</u> | <u>635,233</u> | <u>65,842,825</u> | - | <u>116,653,739</u> |
| Net carrying amount, end of the year | <u>\$ 9,551,625</u> | <u>\$ 53,592,524</u> | <u>\$ 2,426,039</u> | <u>\$ 1,076,717</u> | <u>\$ 2,000,954</u> | <u>\$ 85,708</u> | <u>\$ 90,520,884</u> | <u>\$ 3,528,032</u> | <u>\$ 162,782,483</u> |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2017

5. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$6,153,552 (2016 - \$3,528,032).

The County reviewed its tangible capital asset policy and new classifications were added which resulted in reclassification of assets and related accumulated amortization. Any changes to useful lives was adjusted on a prospective basis.

The municipality holds various works of art and historical treasures pertaining to the County of Bruce Museum. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

6. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserves as follows:

| | 2017 | 2016 |
|--|----------------|----------------|
| Invested in tangible capital assets | | |
| Tangible capital assets purchased | \$ 166,269,066 | \$ 162,782,483 |
| Unfinanced capital assets | (3,846,490) | (2,231,725) |
| Capital assets financed by long-term liabilities and to be funded in future years | (21,608,046) | (24,244,219) |
| Total invested in capital assets | 140,814,530 | 136,306,539 |
| Unfunded post-employment benefits | (1,187,839) | (1,124,661) |
| Unfunded WSIB future benefits | (2,492,749) | (2,041,056) |
| | 137,133,942 | 133,140,822 |
| Reserves (Note 7) | 25,914,730 | 24,401,813 |
| Accumulated surplus | \$ 163,048,672 | \$ 157,542,635 |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2017

7. Reserves Set Aside for Specific Purpose by Council

| | 2017 | 2016 |
|---|---------------------|----------------------|
| Reserves | | |
| Working funds | \$ 407,262 | \$ 1,233,892 |
| Tax stabilization - general | 1,668,019 | 2,062,093 |
| WSIB | 1,616,878 | 1,516,103 |
| Current purposes | 250,000 | 250,000 |
| Capital purposes | 21,972,571 | 19,339,725 |
| Reserves set aside for specific purpose by Council | \$25,914,730 | \$ 24,401,813 |

8. Government Transfers

| | 2017 Budget | 2017 Actual | 2016 Actual |
|----------------------------|----------------|----------------|----------------|
| Operating | | | |
| Province of Ontario | \$ 32,075,645 | \$31,246,941 | \$ 29,221,182 |
| Government of Canada | 1,709,573 | 1,380,102 | 848,003 |
| Other municipalities | 664,606 | 507,424 | 565,779 |
| Total operating transfers | 34,449,824 | 33,134,467 | 30,634,964 |
| Capital | | | |
| Province of Ontario | 704,216 | 723,648 | 669,076 |
| Government of Canada | 2,206,079 | 1,864,698 | 2,088,246 |
| Other Municipalities | 10,000 | 6,312 | - |
| Total capital transfers | 2,920,295 | 2,594,658 | 2,757,322 |
| Total government transfers | \$ 37,370,119 | \$35,729,125 | \$ 33,392,286 |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2017

9. Budgets

Under Canadian public sector accounting principles, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net debt for comparative purposes. The 2017 budget amounts for the Corporation of the County of Bruce approved by Council have been reclassified to conform to the presentation of the consolidated statements of operations and accumulated surplus and changes in net debt. The following is a reconciliation of the budget approved by Council.

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|----------------|----------------|----------------|
| Annual surplus (Page 5) | \$ 14,517,886 | \$ 5,506,037 | \$ 4,339,891 |
| Transfers to reserves | (4,915,732) | (7,657,648) | (7,281,790) |
| Transfers from reserves | 11,886,170 | 7,102,242 | 7,840,840 |
| | 6,970,438 | (555,406) | 559,050 |
| Capital acquisitions, disposals and write-down | (21,505,023) | (13,661,162) | (10,667,365) |
| Amortization | - | 10,174,579 | 9,864,146 |
| Prior year capital projects funded | - | - | (134,169) |
| Unfunded capital projects | 2,830,029 | 1,614,765 | - |
| | (18,674,994) | (1,871,818) | (937,388) |
| Debt principal repayments | (2,813,330) | (2,636,173) | (2,490,802) |
| Change in unfunded liabilities | - | 514,871 | 107,778 |
| Change in general surplus in the year | - | 957,511 | 1,578,529 |
| Prior year general surplus | - | - | 862,482 |
| Transfer of prior year surplus to reserves | - | - | (862,482) |
| Transfer of current year surplus to reserves | - | (957,511) | (1,578,529) |
| General surplus (Note 6) | \$ - | \$ - | \$ - |

The Corporation of the County of Bruce Notes to Financial Statements

December 31, 2017

10. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 570 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. The amount contributed to COMERS by the municipality for 2017 was \$2,949,366 (2016 - \$2,904,095). The contribution rate for 2017 was 9.0% or 15.8% depending on income level (2016 - 9.0% or 15.8%).

COMERS is a multi-employer plan, therefore, any pension plan surpluses or deficits are a 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 last available report for the OMERS plan was December 31, 2017. The plan reported a \$5.4 billion actuarial deficit (2016 - \$5.7 billion deficit) at that time, based on actuarial liabilities of \$93.6 billion (2016 - \$87.0 billion) and actuarial assets of \$88.2 billion (2016 - \$81.2 billion). Ongoing adequacy of the current contribution rates will need to be monitored as fluctuations in the financial markets may lead to increased future funding requirements.

11. Contingencies

- (a) The County has been served with statements of claims as a result of motor vehicle accidents and other claims. The likelihood of the success of these actions is undeterminable at this time. The County is not aware of any possible settlements in excess of its liability insurance coverage.
 - (b) The Counties of Bruce and Grey, the Province of Ontario and the Dominion of Canada as well as several lower tier municipalities in the Bruce Peninsula have been named as defendants in a land claim action filed by the Chippewas of Nawash and Saugeen, for damages alleged to total \$92,000,000,000. No breakdown as to each municipality's relative share of the damages has been provided. The likelihood of the success of this action is undeterminable at this time.
-

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2017

12. Post-Employment Benefits

The County pays certain life insurance, health and dental benefits on behalf of its retired employees. The County also participates in a retirement gift program, based on years of service. The County recognizes these post-retirement costs in the period in which the employees render the services.

| | 2017 | 2016 |
|-----------------------------------|---------------------|--------------|
| Retirement benefits | \$ 1,199,252 | \$ 1,001,945 |
| Unamortized actuarial gain (loss) | (11,413) | 122,716 |
| | \$ 1,187,839 | \$ 1,124,661 |

Actuarial valuations for accounting purposes are performed using the projected benefit method. The most recent actuarial report was prepared for the year ended December 31, 2016 as of February 27, 2018.

As at January 1, 2017 the benefit plan was amended in regards to changes in the cost-sharing provision for retiree travel and other benefits. The cost of the plan amendments incurred during the year is \$69,657.

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 remaining service life. The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 4% (2016 - 4.75%). For extended health care costs, a 6.42% (2016 - 5.67%) annual rate of increase was assumed for 2014, decreasing to an ultimate rate of 3.75% (2016 - 4%) per year until 2026 (2016 - 2020). For dental costs, a 3.75% (2016 - 4%) annual rate of increase was assumed.

| | 2017 | 2016 |
|--------------------------------|-------------------|-------------|
| Current period benefit cost | \$ 49,892 | \$ 43,699 |
| Amortization of actuarial gain | (3,952) | (13,250) |
| Plan amendment | 69,657 | - |
| | 115,597 | 30,449 |
| Retirement benefit expense | 47,079 | 46,096 |
| Interest costs | 162,676 | 76,545 |
| Total expense for the year | \$ 162,676 | \$ 76,545 |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2017

13. WSIB Future Benefit and Commitment

As the County is an employer included under Schedule 2 of the Workplace Safety and Insurance Act, it self-ensures the entire risk of its own WSIB claims and is individually liable for reimbursing the WSIB for all costs relating to its workers' WSIB claims.

| | <u>2017</u> | <u>2016</u> |
|---------------------|---------------------|---------------------|
| WSIB future benefit | <u>\$ 2,492,749</u> | <u>\$ 2,041,056</u> |

Actuarial valuations for accounting purposes are performed using the projected benefit method. The most recent actuarial report was prepared for the year ended December 31, 2016 as of February 23, 2018.

The actuarial valuation was based on a number of assumptions such as, discount rates, wage increases, and WSIB payment rates. The assumptions used reflect management's best estimates. The WSIB benefit liability was determined using a discount rate of 3.75% (2016 - 4.25%), average lost time injury payment rate of 85% (2016 - 79%), a WSIB administrative rate of 36% (2016 - 36%) and a average lost time injury count of 12 (2016 - 14).

| | <u>2017</u> | <u>2016</u> |
|-----------------------------|-------------------|-------------------|
| Current period benefit cost | \$ 365,163 | \$ 335,207 |
| Actuarial loss | 271,002 | - |
| Interest costs | <u>88,860</u> | <u>82,774</u> |
| Total expense for the year | <u>\$ 725,025</u> | <u>\$ 417,981</u> |

At December 31, 2017 the County provided \$1,616,878 (2016 -\$1,516,103) in a reserve to offset this liability.

In addition to the amounts recorded in the financial statements, the County has a commitment for future benefit costs for injured workers which occurred in the past. As of December 31, 2016 this liability was estimated at \$176,490. An estimate as of December 31, 2017 has not yet been received. Management believes this liability will be fully funded for by a private insurer and, accordingly, is not recorded in these financial statements.

14. Trust Funds

The trust funds administered by the County amounting to \$68,393 (2016 - \$75,849) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations and accumulated surplus.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2017

15. Contractual Commitments

- (a) As part of the Provincial Local Services Realignment Program, the Ontario Housing Corporation (OHC) remains responsible for the servicing of the debentures used to finance the public housing projects transferred to the Bruce County Housing Corporation under authority of the Social Housing Reform Act, 2000.

Information received from OHC as at December 31, 2017 indicates the following:

| | |
|--|---------------------|
| Principal payments on debentures during the year | \$ 321,132 |
| Interest payments on debentures during the year | <u>130,840</u> |
| Total | <u>\$ 451,972</u> |
| Debentures outstanding at year-end | <u>\$ 1,787,687</u> |

The principal and interest repayments are recovered by the Province from Federal Social Housing Funding provided to the Province and the balance is recovered from the Consolidated Municipal Service Manager (Bruce County).

- (b) As at December 31, 2017, the County has entered into a contract with Ecosystem to complete the Integrated Energy Performance Project outlined in the Feasibility Study dated May 10, 2016 at an approximate cost of \$3,400,000. The County has paid costs totalling approximately \$2,398,000 relating to these commitments.
- (c) As at December 31, 2017, the County has committed to complete multiple capital projects at an approximate cost of \$7,758,000. The County has paid costs totaling approximately \$1,310,000 relating to these commitments.
-

The Corporation of the County of Bruce Notes to Financial Statements

December 31, 2017

16. Segmented Information

The County of Bruce is a diversified municipal government institution that provides a wide range of services to its citizens such as social services, health, 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:

General Government

General Government consists of the revenues and expenses that relate to the governance and operations of the County itself and cannot be directly attributed to a specific segment.

Protection Services

Protection Services is comprised of emergency measures programs and services and provincial offenses act revenues.

Transportation Services

Transportation Services is responsible for construction and maintenance of the County's roadways and bridges.

Environmental Services

Environmental Services consists of providing household hazardous waste programs.

Health Services

Health Services includes contributions to support local health units and the operating costs for ambulance services.

Social and Family Services

Social and Family Services provides services that are meant to help the less fortunate in society and includes social assistance through the Ontario Works program and Child Care. Social Housing is provided to help shelter families and elderly in need. The County operates two long-term care facilities, Brucelea Haven and Gateway Haven.

Recreation and Cultural Services

Recreation and Cultural Services provides services to improve the health and development of the County's citizens. The County operates and maintains a museum and provides library services.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2017

16. Segmented Information - (continued)

Planning and Development

This department is responsible for planning and zoning including the official plan. This service area also includes tourist information and promotion, agricultural and reforestation services.

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, Payments-in-Lieu and Penalties and Interest

Allocated to those segments that are funded by these amounts based on budgeted amounts.

**The Corporation of the County of Bruce
Notes to Financial Statements**

December 31, 2017

| For the year ended December 31 | General Government | Protection Services | Transportation Services | Environmental Services | Health Services | Social and Family Services | Recreation and Cultural Services | Planning and Development | 2017 Total |
|---------------------------------------|-----------------------|------------------------|----------------------------|---------------------------|--------------------|-------------------------------|--|-----------------------------|-----------------------|
| Revenue | | | | | | | | | |
| Taxation | \$ 8,683,617 | \$ 87,273 | \$ 12,042,873 | \$ 245,945 | \$ 6,543,860 | \$ 8,511,042 | \$ 4,855,797 | \$ 3,300,717 | \$ 44,271,124 |
| Fees and user charges | 613,347 | - | 23,432 | - | 180 | 9,540,034 | 210,938 | 258,096 | 10,646,027 |
| Government transfers | 926,523 | 277,038 | 2,080,512 | 83,425 | 5,540,683 | 26,068,104 | 381,070 | 371,770 | 35,729,125 |
| Investment income | 325,544 | - | - | - | - | (6,418) | - | - | 319,126 |
| Other revenue | 21,368 | - | 92,488 | - | - | 9,222 | 46,478 | 132,024 | 301,580 |
| Donations | 5,350 | - | - | - | 5,000 | 61,423 | 143,706 | 8,500 | 223,979 |
| Gain or loss on disposal of assets | - | - | (196,546) | - | 5,594 | (215,498) | (3,350) | (1,184) | (410,984) |
| | 10,575,749 | 364,311 | 14,042,759 | 329,370 | 12,095,317 | 43,967,909 | 5,634,639 | 4,069,923 | 91,079,977 |
| Expenses | | | | | | | | | |
| Salaries and benefits | 3,519,067 | - | 3,175,751 | 86,918 | 10,360,296 | 21,887,574 | 3,862,619 | 2,515,146 | 45,407,371 |
| Interest on debt | 1,247,979 | - | - | - | - | - | - | - | 1,247,979 |
| Materials and supplies | 422,103 | 3,004 | 2,226,762 | 42,415 | 862,247 | 5,315,879 | 732,248 | 534,054 | 10,138,712 |
| Contracted services | 2,152,531 | 73,369 | 742,702 | 167,986 | 113,231 | 3,235,982 | 167,052 | 659,359 | 7,312,212 |
| Other transfers | 207,063 | - | - | - | 55,000 | 9,784,864 | 332,044 | 223,179 | 10,602,150 |
| Rents and financial expenses | 1,245 | - | 157,545 | 1,154 | 167,897 | 203,712 | 98,411 | 60,973 | 690,937 |
| Amortization | 430,562 | 8,432 | 5,644,363 | 30,897 | 432,496 | 2,621,068 | 930,664 | 76,097 | 10,174,579 |
| | 7,980,550 | 84,805 | 11,947,123 | 329,370 | 11,991,167 | 43,049,079 | 6,123,038 | 4,068,808 | 85,573,940 |
| Annual surplus (deficit) | \$2,595,199 | \$ 279,506 | \$ 2,095,636 | \$ - | \$ 104,150 | \$ 918,830 | \$ (488,399) | \$ 1,115 | \$ 5,506,037 |

**The Corporation of the County of Bruce
Notes to Financial Statements**

December 31, 2017

| For the year ended December 31 | General Government | Protection Services | Transportation Services | Environmental Services | Health Services | Social and Family Services | Recreation and Cultural Services | Planning and Development | 2016 Total |
|---------------------------------------|-----------------------|------------------------|----------------------------|---------------------------|--------------------|-------------------------------|--|-----------------------------|-----------------------|
| Revenue | | | | | | | | | |
| Taxation | \$ 8,571,788 | \$ 60,271 | \$ 12,018,045 | \$ 98,699 | \$ 6,195,112 | \$ 8,748,843 | \$ 4,680,237 | \$ 2,587,776 | \$ 42,960,771 |
| Fees and user charges | 529,293 | - | 21,687 | - | 1,775 | 9,456,197 | 192,894 | 266,488 | 10,468,334 |
| Government transfers | 924,431 | 315,676 | 2,343,385 | 78,120 | 5,303,810 | 23,958,088 | 342,823 | 125,953 | 33,392,286 |
| Investment income | 267,687 | - | - | - | - | 19,587 | - | - | 287,274 |
| Other revenue | 37,521 | - | 45,692 | - | 120 | 51,376 | 57,152 | 125,227 | 317,088 |
| Donations | 50 | - | - | - | 2,500 | 61,112 | 159,527 | 8,000 | 231,189 |
| Gain or loss on disposal of assets | (247) | - | (2,072,661) | - | 34,564 | (97,197) | (13,461) | (558) | (2,149,560) |
| | 10,330,523 | 375,947 | 12,356,148 | 176,819 | 11,537,881 | 42,198,006 | 5,419,172 | 3,112,886 | 85,507,382 |
| Expenses | | | | | | | | | |
| Salaries and benefits | 3,095,806 | - | 2,885,981 | 97,893 | 9,913,360 | 21,518,577 | 3,647,179 | 2,161,456 | 43,320,252 |
| Interest on debt | 1,387,982 | - | - | - | - | - | - | - | 1,387,982 |
| Materials and supplies | 185,582 | 2,702 | 2,206,515 | 45,159 | 827,489 | 5,506,294 | 718,604 | 421,279 | 9,913,624 |
| Contracted services | 2,086,229 | 70,740 | 901,604 | 159,754 | 94,873 | 3,068,803 | 137,123 | 315,332 | 6,834,458 |
| Other transfers | 357,281 | - | - | - | 55,000 | 8,219,097 | 339,913 | 148,086 | 9,119,377 |
| Rents and financial expenses | (1,560) | - | 157,584 | 7,390 | 167,548 | 196,143 | 117,649 | 82,898 | 727,652 |
| Amortization | 397,594 | 9,133 | 5,501,680 | 30,897 | 381,613 | 2,539,506 | 949,710 | 54,013 | 9,864,146 |
| | 7,508,914 | 82,575 | 11,653,364 | 341,093 | 11,439,883 | 41,048,420 | 5,910,178 | 3,183,064 | 81,167,491 |
| Annual surplus (deficit) | \$2,821,609 | \$ 293,372 | \$ 702,784 | \$ (164,274) | \$ 97,998 | \$ 1,149,586 | \$ (491,006) | \$ (70,178) | \$ 4,339,891 |



APPENDIX B
Independence Update



Tel: 519 376 6110
Fax: 519 376 4741
www.bdo.ca

BDO Canada LLP
1717 2nd Avenue E, Third Floor
PO Box 397
Owen Sound ON N4K 5P7 Canada

May 4, 2018

Members of the Corporate Services Committee
County of Bruce
30 Park Street
Walkerton, ON N0G 2V0

Dear Sir/Madam:

We have been engaged to audit the consolidated financial statements of the County of Bruce for the year ended December 31, 2017.

Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between the County and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

We are aware of the following relationships between the County and us that, in our professional judgment, may reasonably be thought to bear on our independence. The following relationships represent matters that have occurred from November 14, 2017 to April 23, 2018.

We provided assistance in the preparation of the financial statements, including adjusting journal entries. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows of the organization in accordance with Canadian Public Sector Accounting Standards.

We, therefore, required that the following safeguards be put in place related to the above:

- Management created the source data for all the accounting entries.
- Management reviewed advice and comments provided and undertook their own analysis considering the County's circumstances and generally accepted accounting principles.
- Management reviewed and approved all journal entries prepared by us, as well as changes to financial statement presentation and disclosure.
- Someone other than the preparer reviewed the proposed journal entries and financial statements.

We hereby confirm that we are independent with respect to the County within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario as of April 23, 2018.



This letter is intended solely for the use of the Council, Management and others within the County, and should not be used for any other purposes.

Yours truly,

Traci Smith, CPA, CGA
Partner
BDO & Company LLP*

*BDO & Company LLP provides accounting, assurance, tax and other professional advisory services to BDO Canada LLP, Chartered Professional Accountants, Licensed Public Accountants

TS:sb



APPENDIX C
Representation Letter

Corporation of the County of Bruce
30 Park Street
Walkerton ON N0G 2V0

April 23, 2018

BDO Canada LLP
Chartered Professional Accountants
1717 2nd Avenue E, Third Floor
Owen Sound ON N4K 5P7

This representation letter is provided in connection with your audit of the financial statements of Corporation of the County of Bruce for the year ended December 31, 2017, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated November 14, 2016, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
- All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.
- Existence, Completeness and Valuation of Specific Financial Statement Balances
- The inventories as set out in the financial statements represent all of the inventories to which the entity held title as at the balance sheet date. Inventories do not include any goods consigned to the entity, merchandise billed to customers or any items for which the liability has not been provided in the books.
- For contributed tangible capital assets, the nature and amount of contributed tangible capital assets received and recognized have been disclosed.
- Where the fair value of contributed tangible capital assets was not determinable, information about contributed tangible capital assets recognized at a nominal value has been disclosed.
- Tangible capital assets has been appropriately recognized and measured in accordance with Canadian public sector accounting standards.
- The employee future benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with Canadian public sector accounting standards. The source data and plan provisions provided are complete and accurate. The plans included in the valuation are complete. The determination of the discount rate and the use of specific actuarial assumptions are our best estimate assumptions. We feel that the extrapolations are accurate and have properly reflected the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.
- There are no pledges or assignments of assets as security for liabilities except as disclosed in the financial statements.

General Representations

- The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the entity, except as disclosed in the financial statements.
- No significant matters, other than those disclosed in the financial statements, have arisen that would require a restatement of the comparative financial statements.
- We confirm that operating segments are appropriately identified and disclosed in accordance with Canadian public sector accounting standards.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. When applicable, these litigation and claims have been accounted for and disclosed in the financial statements.

Yours truly,

Signature

Position

County of Bruce
Summary of Unadjusted Misstatements
 December 31, 2017

| Description of the Misstatement | Identified Misstatement | Projected Misstatement | Estimates | Pre-Tax Proposed Adjustments | | | | Details of why no adjustment has been made to financial statements |
|--|-------------------------|------------------------|-----------|------------------------------|--------------------|--------------------|---------------|--|
| | | | | Assets Dr(Cr) | Liabilities Dr(Cr) | Opening R/E Dr(Cr) | Income Dr(Cr) | |
| Likely Aggregate Misstatements Before Effect of Previous Year's Errors and Estimates | - | - | - | - | - | - | - | |
| Effect of Previous Year's Errors, Net of Tax Effects | | | | - | - | - | - | |
| Tax Effect | | | | - | - | - | - | |
| Likely Aggregate Misstatements | | | | - | - | - | - | |