



# COUNTY OF BRUCE

## AUDIT REPORT TO THE MEMBERS OF THE CORPORATE SERVICES COMMITTEE

June 4, 2020

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## SUMMARY

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Members of the Corporate Services Committee in fulfilling its responsibilities. This report has been prepared solely for the use of the Members of the Corporate Services Committee and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.



### Status of the Audit

As of the date of this report, we have substantially completed our audit of the 2019 consolidated financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our final audit report on the financial statements:

- ▶ Approval of financial statements by the Corporate Services Committee
- ▶ Receipt of signed management representation letter dated as of the final report date
- ▶ Subsequent events review through to financial statement approval date

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the consolidated financial statements are free from material misstatement. See Appendix A for our Independent Auditor's Report.

The scope of the work performed was substantially the same as that described in our Planning Report to the Members of the Corporate Services Committee dated November 29, 2019.



### Materiality

As communicated to you in our Planning Report to the Members of the Corporate Services Committee, preliminary materiality was \$1,900,000. Final materiality remained unchanged from our preliminary assessment.



### Audit Risks

Our audit strategy and procedures focused on the risks specific to your organization and key accounts as outlined in our Planning Report to the Members of the Corporate Services Committee. Significant risks of material misstatement identified during our planning included the following item:

- ▶ Management override of controls
- ▶ Revenue recognition of grant revenue

There were no changes to our planned procedures and no issues were identified in our testing performed. No additional risks were identified during the audit.

Audit findings are discussed in more detail on Pages 4 and 5.



### Internal Control Matters

We are required to report to you in writing, any significant deficiencies in internal control that we have identified. The specifics of this communication are included on Page 6.



### Independence

Our annual letter confirming our independence was previously provided to you in our planning correspondence. We know of no circumstances that would cause us to amend the previously provided letter.



### 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 summary of the representation we have requested from management is set out in the representation letter included in Appendix B.



### Unadjusted Differences

All significant adjusted and unadjusted differences and disclosure omissions identified through the course of our audit engagement are required to be disclosed and discussed with Management. We did not identify any unadjusted differences or disclosure omissions over the course of the audit.



### Fraud Discussion

Through our planning process, and current and prior years' audits, we have developed an understanding of your oversight processes. We are not currently aware of any fraud.

If you are aware of changes to process or are aware of any instances of actual, suspected or alleged fraud affecting the County since our discussions held at planning, we request that you provide us with this information.

Please refer to the Auditor's Responsibilities for Detecting Fraud in the Planning Report to the Members of the Corporate Services Committee.

## AUDIT FINDINGS

Our audit strategy and procedures focused on the risks specific to your County and key accounts as outlined in our Planning Report to the Members of the Corporate Services Committee. There were no changes to our planned procedures and no issues were identified in our testing performed. No additional risks were identified during the audit.

Significant risks of material misstatement	Audit Findings
<b>Management override of controls</b>	To address this risk we developed criteria for unusual journal entries, determined the population of unusual journal entries and obtained corroborating evidence of these journal entries from management as to why the journal entries were made. No inappropriate journal entries were noted.
<b>Revenue recognition of grant revenue</b>	To address this risk we reconciled significant government transfers to their various government funding agreements and letters, reviewed funding agreements for deferred grants and reviewed minutes to ensure grant revenue listed was complete. No issues were noted in regards to grant revenue during our testing.

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.

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.

A summary of the significant risks of material misstatement, significant financial statement disclosures policies and significant estimates and judgements are as follows:

Significant Financial Statement Disclosures	Audit Findings
<b>Accumulated Surplus</b>	A breakdown of the County’s accumulated surplus is included in Note 8. This includes the amount invested in capital assets, unfunded liabilities, reserves and reserve funds and also the general surplus which is required to be carried forward to the next year’s budget.
<b>Contingencies/Litigation Proceedings</b>	We have discussed with management and they have indicated there are outstanding claims against the County. We will also be communicating with the County’s legal counsel. These claims are disclosed in Note 13.
<b>Commitments</b>	Significant capital commitments for road and bridge construction as well as Ontario Housing Debentures are disclosed in Note 15.

Significant Estimates and Judgements	Audit Findings
<b>Post-Employment Benefits</b>	The County provides post-employment health and life insurance 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.
<b>WSIB future benefit and commitment</b>	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.
<b>Taxation revenue estimate</b>	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.
<b>Liability for Contaminated Sites</b>	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.

## 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.
- ▶ Tested the operating effectiveness of controls in the payroll, purchase and social services transaction stream.

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.

We did not find any deficiencies in the design and implementation of the internal controls that were tested during the audit.

As the purpose of the audit is for us to express an opinion on the County's consolidated financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

## **APPENDIX A: FINANCIAL REPORT**

The Corporation of the  
County of Bruce  
Consolidated Financial Statements  
For the year ended December 31, 2019

The Corporation of the County of Bruce  
Consolidated Financial Statements  
For the year ended December 31, 2019

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The Corporation of the County of Bruce

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## Independent Auditor's Report

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To the Members of Council  
of the Corporation of the County of Bruce

### Opinion

We have audited the consolidated financial statements of the Corporation of the County of Bruce (the County), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of operations and accumulated surplus, the consolidated statement of changes in net debt and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the County as at December 31, 2019, and its consolidated results of operations, changes in net financial debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the County in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the County'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 County or to cease operations, or has no realistic alternative but to do so.

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



### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 County'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 County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the County to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the County to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario  
June 4, 2020

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

December 31	2019	2018
<b>Financial assets</b>		
Cash and investments (Note 2)	\$ 29,421,225	\$ 25,123,148
Accounts receivable	3,097,820	3,248,549
Inventory held for resale	36,540	26,596
	<u>32,555,585</u>	<u>28,398,293</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	11,149,077	12,379,773
WSIB future benefits (Note 3)	2,802,067	2,646,078
Post-employment benefits (Note 5)	1,181,074	1,179,760
Deferred revenue (Note 4)	868,596	82,896
Long-term liabilities (Note 6)	18,323,364	18,912,843
	<u>34,324,178</u>	<u>35,201,350</u>
Net debt	<u>(1,768,593)</u>	<u>(6,803,057)</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 7)	177,263,530	173,912,941
Other	1,090,729	1,131,387
	<u>178,354,259</u>	<u>175,044,328</u>
<b>Accumulated surplus (Note 8)</b>	<u>\$176,585,666</u>	<u>\$168,241,271</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	2019 Budget (Note 11)	2019 Actual	2018 Actual
<b>Revenue</b>			
Taxation	\$ 47,923,617	\$47,941,159	\$ 45,861,045
Fees and user charges	10,788,474	10,766,799	10,685,762
Government transfers (Note 10)	42,758,766	39,293,598	37,665,206
Investment income	260,000	342,983	239,647
Gain (loss) on disposal of tangible capital assets	1,650,799	358,319	(1,328,007)
Donations and fundraising	154,084	259,925	402,405
Other income	301,425	578,193	391,838
	<u>103,837,165</u>	<u>99,540,976</u>	<u>93,917,896</u>
<b>Expenses</b>			
General government	9,882,326	9,173,315	7,709,473
Protection services	54,017	48,362	48,362
Transportation services	8,240,563	13,292,556	12,671,255
Environmental services	256,332	418,578	433,795
Land ambulance	10,379,962	10,682,871	10,577,240
Health Unit	1,192,222	1,090,271	1,317,372
Social and family services	43,438,046	45,084,636	44,207,502
Recreation and cultural services	5,686,989	6,428,043	6,443,667
Planning and development	4,435,673	4,008,095	4,207,177
Interest on long-term debt	942,248	969,854	1,109,454
	<u>84,508,378</u>	<u>91,196,581</u>	<u>88,725,297</u>
Annual surplus (Note 11)	19,328,787	8,344,395	5,192,599
Accumulated surplus, beginning of the year	<u>168,241,271</u>	<u>168,241,271</u>	<u>163,048,672</u>
<b>Accumulated surplus, end of the year</b>	<u>\$ 187,570,058</u>	<u>\$176,585,666</u>	<u>\$ 168,241,271</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	2019 Budget (Note 11)	2019 Actual	2018 Actual
Annual surplus (Page 5)	\$ 19,328,787	\$ 8,344,395	\$ 5,192,599
Acquisition of tangible capital assets	(32,928,289)	(14,608,506)	(19,681,835)
Amortization of tangible capital assets	-	10,954,610	10,378,631
(Gain) loss on disposal of tangible capital assets	-	(358,319)	1,328,007
Proceeds on disposal of capital assets	1,650,799	661,626	331,322
	<u>(31,277,490)</u>	<u>(3,350,589)</u>	<u>(7,643,875)</u>
Change in other assets	-	40,658	(190,443)
(Increase) decrease in net debt	(11,948,703)	5,034,464	(2,641,719)
Net debt, beginning of the year	<u>(6,803,057)</u>	<u>(6,803,057)</u>	<u>(4,161,338)</u>
Net debt, end of the year	<u>\$ (18,751,760)</u>	<u>\$ (1,768,593)</u>	<u>\$ (6,803,057)</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 Cash Flows

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating activities		
Annual surplus (Page 5)	\$ 8,344,395	\$ 5,192,599
Items not involving cash		
WSIB future benefits	155,989	153,329
Post-employment benefits	1,314	(8,079)
Amortization	10,954,610	10,378,631
Donation of capital assets	-	(53,530)
(Gain) loss on disposal of capital assets	(358,319)	1,328,007
	<u>19,097,989</u>	<u>16,990,957</u>
Changes in non-cash working capital balances		
Accounts receivable	150,729	(1,119,019)
Inventory held for resale	(9,944)	(108)
Accounts payable and accrued liabilities	(1,230,696)	1,675,995
Deferred revenue	785,700	(478,659)
Other non-financial assets	40,658	(190,443)
	<u>(263,553)</u>	<u>(112,234)</u>
	<u>18,834,436</u>	<u>16,878,723</u>
Capital transactions		
Cash used to acquire capital assets	(14,608,506)	(19,628,305)
Proceeds on disposal of capital assets	661,626	331,322
	<u>(13,946,880)</u>	<u>(19,296,983)</u>
Financing and investing activities		
Repayment of long-term liabilities	(2,815,928)	(2,695,203)
Proceeds of long-term liabilities	2,226,449	-
Purchase of investments	-	(18,000,000)
	<u>(589,479)</u>	<u>(20,695,203)</u>
Net change in cash and cash equivalents	4,298,077	(23,113,463)
Cash and cash equivalents, beginning of the year	<u>7,123,148</u>	<u>30,236,611</u>
Cash and cash equivalents, end of the year	<u>\$11,421,225</u>	<u>\$ 7,123,148</u>
Cash and investments (Note 2) include		
Cash	\$ 8,281,575	\$ 4,075,386
Temporary investments	3,139,650	3,047,762
Total cash and cash equivalents	<u>11,421,225</u>	<u>7,123,148</u>
Long-term investments	<u>18,000,000</u>	<u>18,000,000</u>
Total cash and investments	<u>\$29,421,225</u>	<u>\$ 25,123,148</u>

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

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# The Corporation of the County of Bruce

## Notes to Financial Statements

December 31, 2019

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### 1. Summary of Significant Accounting Policies

**Management Responsibility** 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

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The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

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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.

Long-Term Investments Long-term investments are recorded at cost unless there has been a decline in value which is other than temporary in nature in which case the investments are written down to fair 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.

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.

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The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

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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 County 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.

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The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

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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.

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The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

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2. Cash and Investments

	<u>2019</u>	<u>2018</u>
Unrestricted	<u>\$29,421,225</u>	<u>\$ 25,123,148</u>

A cash balance of \$8,587,364 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.

The cash balance includes \$1,198 (2018 - \$1,198) denominated in U.S. dollars.

Temporary investments included in the balance above consists of:

	<u>2019</u>	<u>2018</u>
Canadian short-term bond fund (market value)	<u>\$ 3,139,650</u>	<u>\$ 3,047,762</u>

Long-term investments included in the balance above consist of:

	<u>2019</u>	<u>2018</u>
Principal protected notes (cost)	<u>\$18,000,000</u>	<u>\$ 18,000,000</u>

The notes are a diversified mix of interest paying notes (both quarterly and annually) as well as growth focused notes. This ensures a mix of return exposures that helps manage risk levels. The notes are designed to replicate investing strategies from rolling short term t-bills, annual pay variable rate bonds and longer term equity market growth in both Canada and international developed economy markets. Therefore they are diversified in income type, frequency of the return distribution, as well as the different geographical markets in the developed world. There is no market value for these notes as there is no active secondary market where these notes are traded. These notes have full principal protection at maturity. The maturity dates for the notes range from 2023 to 2024.

The County of Bruce has a demand operating facility agreement with a financial institution. At December 31, 2019, the County of Bruce had undrawn credit capacity of \$5,000,000. Interest is calculated at bank prime rate minus 0.5%.

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The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

3. 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.

	2019	2018
WSIB future benefit	\$ 2,802,067	\$ 2,646,078

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% (2018 - 3.75%), average lost time injury payment rate of 85% (2018 - 85%), a WSIB administrative rate of 36% (2018 - 36%) and an average lost time injury count of 12 (2018 - 12).

	2019	2018
Current period benefit cost	\$ 362,475	\$ 352,040
Interest costs	100,273	94,580
Total expense for the year	\$ 462,748	\$ 446,620

At December 31, 2019 the County provided \$1,801,766 (2018 -\$1,663,051) 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, 2018 this liability was estimated at \$141,254. An estimate as of December 31, 2019 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.

4. Deferred revenue

	2019	2018
Gas tax funding	\$ 622,823	\$ -
Museum	47,929	44,244
Other	197,844	38,652
	\$ 868,596	\$ 82,896

The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

5. 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.

	2019	2018
Retirement benefits	\$ 1,200,391	\$ 1,195,125
Unamortized actuarial loss	(19,317)	(15,365)
	<b>\$ 1,181,074</b>	<b>\$ 1,179,760</b>

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 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% (2018 - 4%). For extended health care costs, a 4.33% (2018 - 4.67%) annual rate of increase was assumed for 2014, decreasing to an ultimate rate of 3.75% (2018 - 3.75%) per year until 2026 (2018 - 2026). For dental costs, a 3.75% (2018 - 3.75%) annual rate of increase was assumed.

	2019	2018
Current period benefit cost	\$ 56,143	\$ 52,925
Amortization of actuarial gain	(3,952)	(3,952)
	52,191	48,973
Retirement benefit expense	46,971	46,949
Interest costs	99,162	95,922
Total expense for the year	<b>\$ 99,162</b>	<b>\$ 95,922</b>

The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

6. Long-Term Liabilities

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

	2019	2018
Mortgage payable, Canada Mortgage & Housing Company, 1.39%, repayable in blended monthly instalments of \$6,566, due February 2020	\$ 13,117	\$ 91,141
Mortgage payable, People's Trust, 1.79%, repayable in blended monthly instalments of \$6,734, due May 2020	590,430	660,044
Mortgage payable, Canada Mortgage & Housing Company, 1.01%, repayable in blended monthly instalments of \$10,113, due February 2021	1,226,801	1,335,199
Mortgage payable, Scotia Bank, 3.938%, repayable in blended monthly instalments of \$5,014, due June 2021	196,518	247,913
Mortgage payable, TD Canada Trust, 6.117%, repayable in blended monthly instalments of \$7,406, due April 2024	511,138	567,285
Mortgage payable, People's Trust, 2.66%, repayable in blended monthly instalments of \$6,133, due September 2024	480,016	540,056
Mortgage payable, Canada Mortgage & Housing Company, 2.61%, repayable in blended monthly instalments of 14,442, due December 2023	1,389,575	1,524,891
Total Bruce County Housing Corporation (carried forward)	\$ 4,407,595	\$ 4,966,529

The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

6. Long-Term Liabilities - (continued)

	2019	2018
Total Bruce County Housing Corporation (brought forward)	\$ 4,407,595	\$ 4,966,529
County of Bruce		
Debenture payable, 6.73%, repayable in blended quarterly instalments of \$597,315, due July 2022	6,011,923	7,915,827
Debenture payable, OILC, 2.33%, repayable in declining blended semi-annual instalments of \$111,322, due October 2029	2,179,351	-
Loan payable, OSIFA, 5.32%, repayable in blended semi-annual payments of \$311,399, due October 2032	5,724,495	6,030,487
Total County of Bruce	13,915,769	13,946,314
	\$18,323,364	\$ 18,912,843

All mortgages are secured by real property.

The gross interest paid relating to the above long-term debt was \$951,300 (2018 - \$1,102,399).

The gross interest expensed during the year was \$969,854 (2018 - \$1,109,454).

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

2020	\$	2,510,751
2021		3,210,263
2022		3,390,359
2023		1,101,590
2024		1,104,625
Thereafter		7,005,776
		\$ 18,323,364

The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

7. Tangible Capital Assets

2019

	Land	Buildings	Equipment	Technology	Vehicles and Machinery	Furniture and Fixtures	Roads, Bridges and Other Infrastructure	Work in Progress	Total
Cost, beginning of the year	\$ 10,267,574	\$ 99,141,636	\$ 5,773,567	\$ 4,565,152	\$ 9,192,401	\$ 860,207	\$ 164,720,172	\$ 7,550,545	\$ 302,071,254
Additions	346,855	1,576,346	602,263	352,409	1,238,689	61,131	7,868,064	2,562,749	14,608,506
Disposals	(62,096)	(328,456)	(307,683)	(68,523)	(1,015,497)	-	(1,129,873)	(5,838)	(2,917,966)
Reallocation of completed work	-	504,038	-	7,225	-	-	6,049,534	(6,560,797)	-
Cost, end of the year	10,552,333	100,893,564	6,068,147	4,856,263	9,415,593	921,338	177,507,897	3,546,659	313,761,794
Accumulated amortization, beginning of the year	-	42,389,770	3,058,157	2,416,739	6,348,324	699,193	73,246,130	-	128,158,313
Amortization	-	3,287,233	615,130	693,881	938,844	54,942	5,364,580	-	10,954,610
Disposals	-	(254,187)	(268,137)	(64,899)	(1,004,927)	-	(1,022,509)	-	(2,614,659)
Accumulated amortization, end of the year	-	45,422,816	3,405,150	3,045,721	6,282,241	754,135	77,588,201	-	136,498,264
Net carrying amount, end of the year	\$ 10,552,333	\$ 55,470,748	\$ 2,662,997	\$ 1,810,542	\$ 3,133,352	\$ 167,203	\$ 99,919,696	\$ 3,546,659	\$ 177,263,530

The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

7. Tangible Capital Assets - (continued)

2018

	Land	Buildings	Equipment	Technology	Vehicles and Machinery	Furniture and Fixtures	Roads, Bridges and Other Infrastructure	Work in Progress	Total
Cost, beginning of the year	\$ 9,694,268	\$ 96,320,151	\$ 5,737,660	\$ 4,133,620	\$ 8,988,515	\$ 817,893	\$ 158,357,844	\$ 6,153,552	\$ 290,203,503
Additions	571,949	1,720,545	826,426	1,062,752	1,129,547	60,408	4,986,132	9,324,076	19,681,835
Reclassification of assets	-	39,837	-	(37,429)	-	(2,408)	-	-	-
Disposals	-	(2,488,388)	(849,032)	(966,906)	(925,661)	(15,686)	(2,553,114)	(15,297)	(7,814,084)
Reallocation of completed work	1,357	3,549,491	58,513	373,115	-	-	3,929,310	(7,911,786)	-
Cost, end of the year	10,267,574	99,141,636	5,773,567	4,565,152	9,192,401	860,207	164,720,172	7,550,545	302,071,254
Accumulated amortization, beginning of the year	-	41,014,897	3,226,779	2,761,720	6,410,875	666,230	69,853,936	-	123,934,437
Reclassification of accumulated amortization	-	38,867	(256)	(37,429)	-	(1,182)	-	-	-
Amortization	-	3,150,258	621,423	610,155	850,655	49,831	5,096,309	-	10,378,631
Disposals	-	(1,814,252)	(789,789)	(917,707)	(913,206)	(15,686)	(1,704,115)	-	(6,154,755)
Accumulated amortization, end of the year	-	42,389,770	3,058,157	2,416,739	6,348,324	699,193	73,246,130	-	128,158,313
Net carrying amount, end of the year	\$ 10,267,574	\$ 56,751,866	\$ 2,715,410	\$ 2,148,413	\$ 2,844,077	\$ 161,014	\$ 91,474,042	\$ 7,550,545	\$ 173,912,941

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The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

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7. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$3,546,659 (2018 - \$7,550,545).

The County 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.

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8. Accumulated Surplus

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

	2019	2018
Invested in tangible capital assets		
Tangible capital assets purchased	\$177,263,530	\$173,912,941
Unfinanced capital assets	(5,871,188)	(6,885,442)
Capital assets financed by long-term liabilities and to be funded in future years	(18,323,364)	(18,912,843)
Total invested in capital assets	153,068,978	148,114,656
Unfunded post-employment benefits	(1,181,074)	(1,179,760)
Unfunded WSIB future benefits	(2,802,067)	(2,646,078)
	149,085,837	144,288,818
Reserves (Note 9)	27,499,829	23,952,453
Accumulated surplus	\$176,585,666	\$168,241,271

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The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

9. Reserves Set Aside for Specific Purpose by Council

	2019	2018
Reserves		
Working funds	\$ 653,233	\$ 395,431
Tax stabilization - general	1,275,683	1,385,915
WSIB	1,801,766	1,663,051
Current purposes	250,000	250,000
Capital purposes	23,519,147	20,258,056
Reserves set aside for specific purpose by Council	\$27,499,829	\$ 23,952,453

10. Government Transfers

	2019 Budget	2019 Actual	2018 Actual
Operating			
Province of Ontario	\$ 34,208,225	\$33,516,684	\$ 32,955,924
Government of Canada	1,460,860	1,043,890	1,219,616
Other Municipalities	566,647	596,759	541,507
Total operating transfers	36,235,732	35,157,333	34,717,047
Capital			
Province of Ontario	1,953,695	688,831	509,491
Government of Canada	4,534,339	3,421,847	2,438,668
Other Municipalities	35,000	25,587	-
Total capital transfers	6,523,034	4,136,265	2,948,159
Total government transfers	\$ 42,758,766	\$39,293,598	\$ 37,665,206

The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

11. Budgets

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net debt for comparative purposes. The 2019 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.

	2019 Budget	2019 Actual	2018 Actual
Annual surplus (Page 5)	\$ 19,328,787	\$ 8,344,395	\$ 5,192,599
Amortization	-	10,954,610	10,378,631
	<u>19,328,787</u>	<u>19,299,005</u>	<u>15,571,230</u>
Transfers to reserves	(5,879,807)	(10,831,011)	(9,189,950)
Transfers from reserves	10,184,736	7,972,290	11,928,647
	<u>4,304,929</u>	<u>(2,858,721)</u>	<u>2,738,697</u>
Capital acquisitions, disposals and write-down	(32,928,289)	(14,305,199)	(18,022,506)
Unfunded capital projects	(293,693)	(1,014,254)	3,038,952
Proceeds of long-term liabilities	12,604,120	2,226,449	-
	<u>(20,617,862)</u>	<u>(13,093,004)</u>	<u>(14,983,554)</u>
Debt principal repayments	<u>(3,015,854)</u>	<u>(2,815,928)</u>	<u>(2,695,203)</u>
Change in unfunded liabilities	-	157,303	145,250
Change in general surplus in the year	-	688,655	776,420
Transfer of current year surplus to reserves	-	(688,655)	(776,420)
General surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

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12. Pension Agreements

The County makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 571 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 OMERS by the County for 2019 was \$3,157,033 (2018 - \$3,044,184). The contribution rate for 2019 was 9.0% or 15.8% depending on income level (2018 - 9.0% or 15.8%).

OMERS 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 County does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2019. The plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion deficit) at that time, based on actuarial liabilities of \$106.4 billion (2018 - \$99.1 billion) and actuarial assets of \$103.0 billion (2018 - \$94.9 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.

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13. 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.
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14. Trust Funds

The trust funds administered by the County amounting to \$58,230 (2018 - \$67,513) 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.

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The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

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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, 2019 indicates the following:

Principal payments on debentures during the year	\$ 365,190
Interest payments on debentures during the year	<u>86,782</u>
Total	<u>\$ 451,972</u>
Debentures outstanding at year-end	<u>\$ 1,080,053</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, 2019, the County has committed to capital projects at an approximate cost of \$14,285,000. The County has paid costs totaling approximately \$1,949,000 relating to these commitments. Subsequent to year end the County received approval to obtain financing up to the amount of \$11,650,000 to assist with financing a specific project included above.
- (c) Subsequent to year end the County obtained financing from the Ontario Infrastructure and Lands Corporation, committing to the amount of \$3,066,000 at 2.45% per annum to be paid semi-annually in blended installments of \$97,416.11, maturing on February 18, 2040.

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16. Subsequent Event

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the County, its citizens, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the County's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the County is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The County's ability to continue delivering non-essential services and employ related staff, will depend on the legislative mandates from the various levels of government. The County will continue to focus on collecting receivables, managing expenditures, and leveraging existing reserves and available credit facilities to ensure it is able to continue providing essential services to its citizens.

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The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

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17. 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.

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The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

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17. Segmented Information - (continued)

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.

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.

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The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

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	2019 Total
<b>Revenue</b>									
Taxation	\$ 4,851,230	\$ 48,362	\$ 12,953,564	\$ 301,471	\$ 7,175,457	\$ 13,099,469	\$ 6,062,170	\$ 3,449,436	\$ 47,941,159
Fees and user charges	749,371	-	31,087	-	60	9,469,818	203,218	313,245	10,766,799
Government transfers	1,728,746	335,016	4,322,988	86,210	5,695,974	26,468,373	304,027	352,264	39,293,598
Investment income	266,752	-	-	-	-	76,231	-	-	342,983
Other revenue	61,280	-	193,069	-	60	21,678	64,596	237,510	578,193
Donations	20,000	-	-	-	-	52,750	184,175	3,000	259,925
Gain or loss on disposal of assets	(12,288)	-	(15,716)	-	44,014	378,675	(36,308)	(58)	358,319
	<u>7,665,091</u>	<u>383,378</u>	<u>17,484,992</u>	<u>387,681</u>	<u>12,915,565</u>	<u>49,566,994</u>	<u>6,781,878</u>	<u>4,355,397</u>	<u>99,540,976</u>
<b>Expenses</b>									
Salaries and benefits	3,927,979	-	3,849,811	93,403	10,147,353	24,195,344	4,294,016	2,626,192	49,134,098
Interest on debt	969,854	-	-	-	-	-	-	-	969,854
Materials and supplies	963,375	-	2,364,036	43,443	848,418	5,332,700	732,815	601,540	10,886,327
Contracted services	3,409,735	48,362	912,953	250,817	94,521	3,105,480	148,333	535,682	8,505,883
Other transfers	197,957	-	-	-	55,000	9,532,716	338,042	208,314	10,332,029
Rents and financial expenses	1,080	-	70,357	18	169,118	132,049	32,658	8,500	413,780
Amortization	673,189	-	6,095,399	30,897	458,732	2,786,347	882,179	27,867	10,954,610
	<u>10,143,169</u>	<u>48,362</u>	<u>13,292,556</u>	<u>418,578</u>	<u>11,773,142</u>	<u>45,084,636</u>	<u>6,428,043</u>	<u>4,008,095</u>	<u>91,196,581</u>
<b>Annual surplus (deficit)</b>	<u>\$(2,478,078)</u>	<u>\$ 335,016</u>	<u>\$ 4,192,436</u>	<u>\$ (30,897)</u>	<u>\$ 1,142,423</u>	<u>\$ 4,482,358</u>	<u>\$ 353,835</u>	<u>\$ 347,302</u>	<u>\$ 8,344,395</u>

The Corporation of the County of Bruce  
Notes to Financial Statements

December 31, 2019

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	2018 Total
<b>Revenue</b>									
Taxation	\$ 9,731,995	\$ 48,362	\$ 12,364,163	\$ 283,883	\$ 6,259,366	\$ 8,881,050	\$ 5,072,004	\$ 3,220,222	\$ 45,861,045
Fees and user charges	719,310	-	21,624	-	60	9,426,048	220,488	298,232	10,685,762
Government transfers	948,626	318,264	2,964,069	89,015	5,668,814	26,777,631	368,667	530,120	37,665,206
Investment income	210,321	-	-	-	-	29,326	-	-	239,647
Other revenue	29,180	-	78,366	-	185	62,253	73,553	148,301	391,838
Donations	20,000	-	-	-	5,000	42,979	274,896	6,000	348,875
Gain or loss on disposal of assets	(47,024)	-	(790,937)	-	(1,840)	(385,760)	(97,991)	(4,455)	(1,328,007)
Donated capital asset	-	-	53,530	-	-	-	-	-	53,530
	<u>11,612,408</u>	<u>366,626</u>	<u>14,690,815</u>	<u>372,898</u>	<u>11,931,585</u>	<u>44,833,527</u>	<u>5,911,617</u>	<u>4,198,420</u>	<u>93,917,896</u>
<b>Expenses</b>									
Salaries and benefits	3,846,659	-	3,634,612	109,867	10,240,091	22,881,370	4,164,389	2,495,198	47,372,186
Interest on debt	1,109,454	-	-	-	-	-	-	-	1,109,454
Materials and supplies	209,098	-	2,401,498	49,787	854,287	5,501,379	800,291	447,415	10,263,755
Contracted services	2,908,710	48,362	780,209	235,887	124,217	2,799,010	132,916	819,503	7,848,814
Other transfers	190,009	-	-	-	55,000	10,144,676	344,312	296,000	11,029,997
Rents and financial expenses	4,176	-	107,110	7,357	169,753	222,249	96,765	115,050	722,460
Amortization	550,821	-	5,747,826	30,897	451,264	2,658,818	904,994	34,011	10,378,631
	<u>8,818,927</u>	<u>48,362</u>	<u>12,671,255</u>	<u>433,795</u>	<u>11,894,612</u>	<u>44,207,502</u>	<u>6,443,667</u>	<u>4,207,177</u>	<u>88,725,297</u>
<b>Annual surplus (deficit)</b>	<b>\$ 2,793,481</b>	<b>\$ 318,264</b>	<b>\$ 2,019,560</b>	<b>\$ (60,897)</b>	<b>\$ 36,973</b>	<b>\$ 626,025</b>	<b>\$ (532,050)</b>	<b>\$ (8,757)</b>	<b>\$ 5,192,599</b>

The County of Bruce  
Library Board  
Financial Statements  
For the year ended December 31, 2019

The County of Bruce Library Board  
Financial Statements  
For the year ended December 31, 2019

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## Independent Auditor's Report

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To the Board Members of the County of Bruce Library

### Opinion

We have audited the accompanying financial statements of the County of Bruce Library Board (the Library Board), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the County of Bruce Library Board as at December 31, 2019 and its results of operations, its change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Library Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Library Board'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 Library Board or to cease operations, or has no realistic alternative but to do so.

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



### Auditor's 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 auditor's 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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 Library Board'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 Library Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Library Board 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.

We 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.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario  
June 4, 2020

The County of Bruce Library Board  
Statement of Financial Position

December 31	2019	2018
<b>Financial assets</b>		
Cash held by the County of Bruce (Note 2)	\$ 437,308	\$ 387,052
Due from County of Bruce	120,242	128,992
Due from Canada	-	822
Due from Province of Ontario	2,303	2,200
Due from other municipalities	-	117
Accounts receivable	6,526	4,843
	<u>566,379</u>	<u>524,026</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	<u>174,903</u>	<u>149,848</u>
<b>Net financial assets</b>	<u>391,476</u>	<u>374,178</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 3)	1,333,436	1,357,100
Prepaid expenses	20,057	11,919
	<u>1,353,493</u>	<u>1,369,019</u>
<b>Accumulated surplus (Note 4)</b>	<u>\$ 1,744,969</u>	<u>\$ 1,743,197</u>

The accompanying notes are an integral part of these financial statements.

**The County of Bruce Library Board**  
Statement of Operations and Accumulated Surplus

For the year ended December 31	2019 Budget (Note 5)	2019 Actual	2018 Actual
<b>Revenue</b>			
Government transfers:			
County of Bruce	\$ 3,851,791	\$ 3,794,656	\$ 3,295,730
Province of Ontario	188,487	190,790	207,609
Fines and sale of books	22,600	29,404	24,613
Interest income	-	8,662	6,802
Donations	16,107	24,353	11,598
Rental income and user fees	15,768	16,078	19,001
Loss on disposal of tangible capital assets	-	(32,685)	(38,263)
	<u>4,094,753</u>	<u>4,031,258</u>	<u>3,527,090</u>
<b>Expenses</b>			
Salaries and benefits	2,613,206	2,587,096	2,498,445
Contract services	42,900	33,603	40,332
Materials	292,365	268,047	352,065
External transfers	338,042	338,042	331,414
Amortization	-	353,821	379,204
Interdepartmental allocation (Note 6)	448,877	448,877	-
	<u>3,735,390</u>	<u>4,029,486</u>	<u>3,601,460</u>
Annual surplus (deficit) (Note 5)	359,363	1,772	(74,370)
Accumulated surplus, beginning of the year	<u>1,743,197</u>	<u>1,743,197</u>	<u>1,817,567</u>
Accumulated surplus, end of the year	<u>\$ 2,102,560</u>	<u>\$ 1,744,969</u>	<u>\$ 1,743,197</u>

The County of Bruce Library Board  
Statement of Changes in Net Financial Assets

For the year ended December 31	2019 Budget (Note 5)	2019 Actual	2018 Actual
Annual surplus (deficit) (Page 5)	\$ 359,363	\$ 1,772	\$ (74,370)
Acquisition of tangible capital assets	(350,000)	(377,842)	(340,881)
Amortization of tangible capital assets	-	353,821	379,204
Loss on sale of tangible capital assets	-	32,685	38,263
Proceeds on disposal of tangible capital assets	-	15,000	740
	(350,000)	23,664	77,326
Change in prepaid expenses	-	(8,138)	(7,182)
Increase (decrease) in net financial assets	9,363	17,298	(4,226)
Net financial assets, beginning of the year	374,178	374,178	378,404
Net financial assets, end of the year	\$ 383,541	\$ 391,476	\$ 374,178

The accompanying notes are an integral part of these financial statements.

The County of Bruce Library Board  
Consolidated Statement of Cash Flows

December 31, 2019	2019	2018
Cash provided by (used in)		
Operating activities		
Annual surplus (deficit) (Page 5)	\$ 1,772	\$ (74,370)
Items not involving cash		
Amortization	353,821	379,204
Loss on disposal of tangible capital assets	32,685	38,263
	<u>388,278</u>	<u>343,097</u>
Changes in non-cash working capital balances		
Accounts receivable	(1,683)	1,229
Accounts payable and accrued liabilities	25,055	10,150
Due from Canada	822	(818)
Due from Province of Ontario	(103)	4,627
Due from other municipalities	117	(117)
Due from County of Bruce	8,750	(7,884)
Prepaid expenses	(8,138)	(7,182)
	<u>24,820</u>	<u>5</u>
	413,098	343,102
Capital transaction		
Cash used to acquire tangible capital assets	(377,842)	(340,881)
Proceeds on disposal of tangible capital assets	15,000	740
	<u>(362,842)</u>	<u>(340,141)</u>
Net change in cash	50,256	2,961
Cash, beginning of the year	<u>387,052</u>	<u>384,091</u>
Cash, end of the year	<u>\$ 437,308</u>	<u>\$ 387,052</u>

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The County of Bruce Library Board  
Notes to Financial Statements

December 31, 2019

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1. Summary of Significant Accounting Policies

**Management Responsibility** The management 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 financial statements before they are submitted to the Library Board.

**Basis of Accounting** The financial statements of the County of Bruce Library Board 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 Ontario 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.

**Basis of Consolidation** The Library Board has been consolidated within the financial statements of the Corporation of the County of Bruce.

**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 and useful life of tangible capital assets.

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The County of Bruce Library Board  
Notes to Financial Statements

December 31, 2019

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1. Summary of Significant Accounting Policies - (continued)

**Tangible Capital Assets**      Tangible capital assets are recorded at cost which 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:

Library collections	7 years
Technology and communication	4 to 5 years
Furniture and fixtures	5 years
Vehicle and machinery	5 to 10 years

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

**Revenue Recognition**

- a) Fines and donations are recognized when collected.
- b) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- c) Revenue restricted by legislation, regulation or agreement and not available for general County 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.
- d) 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.

The County of Bruce Library Board  
Notes to Financial Statements

December 31, 2019

2. Cash Held by the County of Bruce

	2019	2018
Restricted	\$ 437,308	\$ 387,052

The cash balance is being held in the Corporation of the County of Bruce bank accounts as part of a centralized cash control service. The Canadian Deposit Insurance Corporation insures deposits up to a maximum of \$100,000 per depositor.

3. Tangible Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Library collections	\$ 2,406,891	\$ 1,253,408	\$ 2,374,002	\$ 1,211,121
Technology and communication	163,324	130,640	179,145	125,262
Vehicle and machinery	68,576	31,611	68,404	43,323
Furniture and fixtures	412,710	302,406	399,870	284,615
	<b>\$ 3,051,501</b>	<b>\$ 1,718,065</b>	<b>\$ 3,021,421</b>	<b>\$ 1,664,321</b>
Net book value		<b>\$ 1,333,436</b>		<b>\$ 1,357,100</b>

4. Accumulated Surplus

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

	2019	2018
Invested in capital assets	\$ 1,333,436	\$ 1,357,100
Reserves	411,533	386,097
Accumulated surplus	<b>\$ 1,744,969</b>	<b>\$ 1,743,197</b>

The County of Bruce Library Board  
Notes to Financial Statements

December 31, 2019

5. Budgets

Under Canadian public sector accounting principles, budget amounts are to be reported on the statement of operations and accumulated surplus and changes in net financial assets for comparative purposes. The 2019 budget amounts for The County of Bruce Library Board approved by the Board have been reclassified to conform to the presentation of the statements of operations and accumulated surplus and changes in net financial assets. The following is a reconciliation of the budget approved by the Board.

	2019	2019	2018
	Budget	Actual	Actual
Annual surplus (deficit) (Page 5)	\$ 359,363	\$ 1,772	\$ (74,370)
Net transfers (to) from reserves	63,951	(25,436)	(2,956)
Capital acquisitions and disposals	(423,314)	(330,157)	(301,878)
Amortization	-	353,821	379,204
General surplus	\$ -	\$ -	\$ -

6. Related Party Transactions

The Library Board was established and is controlled by the County of Bruce. Effective with the 2019 fiscal year, Bruce County commenced the allocation of the organization's Program Support (Finance, Information Technology, Human Resources and Emergency Management) and Facilities costs to each of the service departments based on each departments' proportion of the organizations FTE and square footage usage respectively. This allocation is intended to increase awareness and transparency around the full cost of operating these businesses while making operational and strategic decisions throughout the year.

7. Subsequent Event

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the Library Board, its patrons, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the Library Board's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the Library Board is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The Library Board's ability to continue delivering its services and employ related staff, will depend on the legislative mandates from the various levels of government. The Library Board will continue to focus on managing expenditures and leveraging existing reserves and available credit facilities to ensure it is able to continue providing its services.

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

June 4, 2020

BDO Canada LLP  
Chartered Professional Accountants  
1717 2nd Ave. E., 3rd 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, 2019, 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 21, 2019, 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.
- We have reviewed and approved all journal entries recommended by the practitioners during the audit. A list of the journal entries 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.

## General Representations

- We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the financial statements.
- Except as disclosed in the financial statements, there have been no changes to title, control over assets, liens or assets pledged as security for liabilities or collateral.
- The entity has complied with all provisions in its agreements related to debt and there were no defaults in principal or interest, or in the covenants and conditions contained in such agreements.
- There have been no plans or intentions that may materially affect the recognition, measurement, presentation or disclosure of assets and liabilities (actual and contingent).
- 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.

## 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.

- The financial statements and any other information in the annual report provided to you prior to the date of this representation letter are consistent with one another, and there is no material misstatement of the other information. We have provided you with the final version of the document(s) comprising the annual report.
- (If some/all of the document(s) comprising the annual report will not be available until after the date of the auditor's report, include:) We will provide to you, when available and prior to issuance by the entity, the final version of the document(s) comprising the annual report.
- To the extent that our normal procedures and controls related to our financial statement close process at any of our locations were adversely impacted by the COVID-19 outbreak, we took appropriate actions and safeguards to reasonably ensure the fair presentation of the financial statements in accordance with Canadian public sector accounting standards.

Yours truly,

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Position

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Position

**County of Bruce**

Year End: December 31, 2019

**Journal Entries**

Date: 1999-01-12 To 2019-12-31

Number	Date	Type	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
1	2019-12-31	N	CHANGE IN GENERAL FUND	1-999		7,658,739.49			
1	2019-12-31	N	Surplus/Deficit Account	4-08-120-1110-X401			7,658,739.49		
To record change in accumulated surplus									
PBC#1	2019-12-31	R	CHANGE IN GENERAL FUND	1-999	FS.03	685,652.42			
PBC#1	2019-12-31	R	Bank -	4-01-120-1110-A011	FS.03		685,652.42		
PBC#1	2019-12-31	R	Reserve Bank Balance	4-01-120-1110-A013	FS.03	685,652.42			
PBC#1	2019-12-31	R	Deferred Revenue - General	4-05-120-1110-P901	FS.03	685,652.42			
PBC#1	2019-12-31	R	Reserve Equity Balance Operating	4-08-120-1110-X400	FS.03		685,652.42		
PBC#1	2019-12-31	R	Provincial Subsidy	4-11-155-0306-0321	FS.03		685,652.42		
PBC - moving deferred revenue to revenue for the year.									
						<b>9,715,696.75</b>	<b>9,715,696.75</b>		
<b>Net Income (Loss)</b>				<b>0.00</b>					

Prepared by SE 2020-04-22	Detail Rev	Gen Rev	Quality Rev
4th Level Rev	Tax Rev	IS Audit Rev	Other Rev
			0.10