



COUNTY OF BRUCE

AUDIT FINAL REPORT TO THE MEMBERS OF THE CORPORATE SERVICES COMMITTEE

May 2, 2019

TABLE OF CONTENTS

Summary	2
Audit findings	4
Internal control matters	6
Appendix A: Financial report	
Appendix B: Independence update	
Appendix C: Representation letter	
Appendix D: BDO resources	

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.



Approval of Financial Statements

The consolidated financial statements were approved by the Director of Corporate Services as a delegate of Those Charged with Governance on April 24, 2019.

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 December 6, 2018.



Materiality

As communicated to you in our Planning Report to the Members of the Corporate Services Committee, preliminary materiality was \$1,780,000. 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. The significant risks of material misstatement identified during our planning included the following items:

- ▶ Control Environment
- ▶ Payroll
- ▶ Revenue Recognition
- ▶ Government Transfers
- ▶ Commitments and Contingencies
- ▶ Post-employment Benefits
- ▶ Holdbacks Payable

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 Page 4.



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. During the course of our audit we did not become aware of any significant weaknesses in the design or implementation of internal controls.



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. The letter is included in Appendix B.



Adjusted and 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.



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 C.



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, 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

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 key discussion points are as follows:

Significant Financial Statement Disclosures	Audit Findings
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 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 11.
Commitments	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
<p>Post-Employment Benefits</p>	<p>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.</p>
<p>WSIB future benefit and commitment</p>	<p>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.</p>
<p>Taxation revenue estimate</p>	<p>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.</p>
<p>Liability for Contaminated Sites</p>	<p>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.</p>
<p>Government Transfers</p>	<p>We reviewed agreements and discussed with management. We confirmed cash received and prepared a reconciliation of cash flows and eligible expenditures. There were no issues noted that, in our opinion, are of significant importance to discuss with those charged with governance.</p>

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.

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 consolidated 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.

During the course of our audit we did not become aware of any significant weaknesses in the design or implementation of internal controls.

APPENDICES

Appendix A: Financial Report

Appendix B: Independence update

Appendix C: Representation letter

Appendix D: BDO resources

APPENDIX A: FINANCIAL REPORT

**The Corporation of the
County of Bruce
Financial Information
For the year ended December 31, 2018**

**The Corporation of the County of Bruce
Financial Information
For the year ended December 31, 2018**

Contents

The Corporation of the County of Bruce

The County of Bruce Library Board

**The Corporation of the
County of Bruce
Consolidated Financial Statements
For the year ended December 31, 2018**

**The Corporation of the County of Bruce
Consolidated Financial Statements
For the year ended December 31, 2018**

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 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, 2018, 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, 2018, 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
April 24, 2019

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

December 31	2018	2017
Financial assets		
Cash and investments (Note 2)	\$ 25,123,148	\$ 30,236,611
Accounts receivable	3,248,549	2,129,530
Inventory held for resale	26,596	26,488
	<u>28,398,293</u>	<u>32,392,629</u>
Liabilities		
Accounts payable and accrued liabilities	12,379,773	10,703,778
WSIB future benefits (Note 3)	2,646,078	2,492,749
Post-employment benefits (Note 5)	1,179,760	1,187,839
Deferred revenue (Note 4)	82,896	561,555
Long-term liabilities (Note 6)	18,912,843	21,608,046
	<u>35,201,350</u>	<u>36,553,967</u>
Net debt	<u>(6,803,057)</u>	<u>(4,161,338)</u>
Non-financial assets		
Tangible capital assets (Note 7)	173,912,941	166,269,066
Other	1,131,387	940,944
	<u>175,044,328</u>	<u>167,210,010</u>
Accumulated surplus (Note 8)	<u>\$ 168,241,271</u>	<u>\$ 163,048,672</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	2018 Budget (Note 11)	2018 Actual	2017 Actual
Revenue			
Taxation	\$ 45,841,139	\$45,861,045	\$ 44,271,124
Fees and user charges	10,491,825	10,685,762	10,646,027
Government transfers (Note 10)	38,960,928	37,665,206	35,729,125
Investment income	261,500	239,647	319,126
Gain (loss) on disposal of tangible capital assets	50,028	(1,328,007)	(410,984)
Donations and fundraising	284,966	402,405	223,979
Other income	248,350	391,838	301,580
	96,138,736	93,917,896	91,079,977
Expenses			
General government	8,194,664	7,709,473	6,732,571
Protection services	54,017	48,362	84,805
Transportation services	7,188,442	12,671,255	11,947,123
Environmental services	261,228	433,795	329,370
Land ambulance	10,181,463	10,577,240	10,566,494
Health Unit	1,392,222	1,317,372	1,424,673
Social and family services	43,645,645	44,207,502	43,049,079
Recreation and cultural services	5,602,163	6,443,667	6,123,038
Planning and development	4,219,039	4,207,177	4,068,808
Interest on long-term debt	1,109,527	1,109,454	1,247,979
	81,848,410	88,725,297	85,573,940
Annual surplus (Note 11)	14,290,326	5,192,599	5,506,037
Accumulated surplus, beginning of the year	163,048,672	163,048,672	157,542,635
Accumulated surplus, end of the year	\$177,338,998	\$ 168,241,271	\$163,048,672

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	2018 Budget (Note 11)	2018 Actual	2017 Actual
Annual surplus (Page 5)	\$ 14,290,326	\$ 5,192,599	\$ 5,506,037
Acquisition of tangible capital assets	(27,579,484)	(19,681,835)	(14,108,915)
Amortization of tangible capital assets	-	10,378,631	10,174,579
Loss on disposal of tangible capital assets	-	1,328,007	410,984
Proceeds on disposal of capital assets	50,028	331,322	36,769
	(27,529,456)	(7,643,875)	(3,486,583)
Change in other assets	-	(190,443)	(52,874)
(Increase) decrease in net debt	(13,239,130)	(2,641,719)	1,966,580
Net debt, beginning of the year	(4,161,338)	(4,161,338)	(6,127,918)
Net debt, end of the year	\$(17,400,468)	\$(6,803,057)	\$ (4,161,338)

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	2018	2017
Cash provided by (used in)		
Operating activities		
Annual surplus (Page 5)	\$ 5,192,599	\$ 5,506,037
Items not involving cash		
WSIB future benefits	153,329	451,693
Post-employment benefits	(8,079)	63,178
Amortization	10,378,631	10,174,579
Donation of capital assets	(53,530)	-
Loss on disposal of capital assets	1,328,007	410,984
	<u>16,990,957</u>	<u>16,606,471</u>
Changes in non-cash working capital balances		
Accounts receivable	(1,119,019)	272,454
Inventory held for resale	(108)	(3,151)
Accounts payable and accrued liabilities	1,675,995	335,822
Deferred revenue	(478,659)	442,460
Other non-financial assets	(190,443)	(52,874)
	<u>(112,234)</u>	<u>994,711</u>
	<u>16,878,723</u>	<u>17,601,182</u>
Capital transactions		
Cash used to acquire capital assets	(19,628,305)	(14,108,915)
Proceeds on disposal of capital assets	331,322	36,769
	<u>(19,296,983)</u>	<u>(14,072,146)</u>
Financing activities		
Repayment of long-term liabilities	(2,695,203)	(2,636,173)
Net change in cash and cash equivalents	(5,113,463)	892,863
Cash and cash equivalents, beginning of the year	30,236,611	29,343,748
Cash and cash equivalents, end of the year	\$25,123,148	\$ 30,236,611

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, 2018

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

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2018

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.

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.

The Corporation of the County of Bruce Notes to Financial Statements

December 31, 2018

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.

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.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2018

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, 2018

2. Cash and Investments

	<u>2018</u>	<u>2017</u>
Unrestricted	\$25,123,148	\$ 30,236,611

A cash balance of \$4,544,634 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 (2017 - \$18,119) denominated in U.S. dollars.

Temporary investments included in the balance above consists of:

	<u>2018</u>	<u>2017</u>
Bond fund	\$ 3,047,762	\$ 3,012,966

Temporary investments consist of investments in Canadian short-term bond funds.

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

	<u>2018</u>	<u>2017</u>
Principal protected notes	\$18,000,000	\$ -

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, 2018, the County of Bruce had undrawn credit capacity of \$3,000,000. Interest is calculated at bank prime rate minus 0.5%.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2018

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.

	2018	2017
WSIB future benefit	\$ 2,646,078	\$ 2,492,749

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% (2017 - 3.75%), average lost time injury payment rate of 85% (2017 - 85%), a WSIB administrative rate of 36% (2017 - 36%) and an average lost time injury count of 12 (2017 - 12).

	2018	2017
Current period benefit cost	\$ 352,040	\$ 365,163
Actuarial loss	-	271,002
Interest costs	94,580	88,860
Total expense for the year	\$ 446,620	\$ 725,025

At December 31, 2018 the County provided \$1,663,051 (2017 -\$1,616,878) 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, 2017 this liability was estimated at \$143,401. An estimate as of December 31, 2018 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

	2018	2017
Gas tax funding	\$ -	\$ 331,361
Museum	44,244	175,177
Other	38,652	55,017
	\$ 82,896	\$ 561,555

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2018

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.

	2018	2017
Retirement benefits	\$ 1,195,125	\$ 1,199,252
Unamortized actuarial loss	(15,365)	(11,413)
	\$ 1,179,760	\$ 1,187,839

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 prior 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% (2017 - 4%). For extended health care costs, a 6.08% (2017 - 6.42%) annual rate of increase was assumed for 2014, decreasing to an ultimate rate of 3.75% (2017 - 3.75%) per year until 2026 (2017 - 2026). For dental costs, a 3.75% (2017 - 3.75%) annual rate of increase was assumed.

	2018	2017
Current period benefit cost	\$ 52,925	\$ 49,892
Amortization of actuarial gain	(3,952)	(3,952)
Plan amendment	-	69,657
	48,973	115,597
Retirement benefit expense	48,973	115,597
Interest costs	46,949	47,079
	\$ 95,922	\$ 162,676

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2018

6. Long-Term Liabilities

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

	<u>2018</u>	<u>2017</u>
Bruce County Housing Corporation		
Mortgage payable, Canada Mortgage & Housing Company, 4.37%, repayable in blended monthly instalments of \$2,631, matured February 2018	\$ -	\$ 5,235
Mortgage payable, Canada Mortgage & Housing Company, 3.65%, repayable in blended monthly instalments of \$3,448, matured May 2018	-	17,086
Mortgage payable, Canada Mortgage & Housing Company, 3.54%, repayable in blended monthly instalments of \$7,958, matured July 2018	-	55,058
Mortgage payable, Canada Mortgage & Housing Company, 1.39%, repayable in blended monthly instalments of \$6,566, due February 2020	91,141	168,092
Mortgage payable, Canada Mortgage & Housing Company, 1.01%, repayable in blended monthly instalments of \$10,113, due February 2021	1,335,199	1,442,508
Mortgage payable, Scotia Bank, 3.938%, repayable in blended monthly instalments of \$5,014, due June 2021	247,913	297,341
Mortgage payable, TD Canada Trust, 6.117%, repayable in blended monthly instalments of \$7,406, due April 2024	567,285	620,148
Mortgage payable, People's Trust, 2.66%, repayable in blended monthly instalments of \$6,133, due September 2024	540,056	598,531
Mortgage payable, People's Trust, 1.79%, repayable in blended monthly instalments of \$6,734, due May 2020	<u>660,044</u>	<u>728,428</u>
Carried forward	\$ 3,441,638	\$ 3,932,427

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2018

6. Long-Term Liabilities - (continued)

	2018	2017
Bruce County Housing Corporation - brought forward	\$ 3,441,638	\$ 3,932,427
Mortgage payable, Canada Mortgage & Housing Company, 2.61%, repayable in blended monthly instalments of 14,442, due December 2023	1,524,891	1,656,745
Total Bruce County Housing Corporation	4,966,529	5,589,172
County of Bruce		
Debenture payable, 6.73%, repayable in blended quarterly instalments of \$597,315, due July 2022	7,915,827	9,696,813
Loan payable, OSIFA, 5.32%, repayable in blended semi-annual payments of \$311,399, due October 2032	6,030,487	6,322,061
Total County of Bruce	13,946,314	16,018,874
	\$18,912,843	\$ 21,608,046

All mortgages are secured by real property.

The gross interest paid relating to the above long-term debt was \$1,102,399 (2017 - \$1,248,814).

The gross interest expensed during the year was \$1,109,454 (2017 - \$1,247,979).

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

2019	\$	2,335,179
2020		2,831,608
2021		2,987,618
2022		3,167,714
2023		878,945
Thereafter		6,711,779
		\$ 18,912,843

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2018

7. Tangible Capital Assets

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	<u>10,267,574</u>	<u>99,141,636</u>	<u>5,773,567</u>	<u>4,565,152</u>	<u>9,192,401</u>	<u>860,207</u>	<u>164,720,172</u>	<u>7,550,545</u>	<u>302,071,254</u>
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	-	<u>42,389,770</u>	<u>3,058,157</u>	<u>2,416,739</u>	<u>6,348,324</u>	<u>699,193</u>	<u>73,246,130</u>	-	<u>128,158,313</u>
Net carrying amount, end of the year	<u>\$ 10,267,574</u>	<u>\$ 56,751,866</u>	<u>\$ 2,715,410</u>	<u>\$ 2,148,413</u>	<u>\$ 2,844,077</u>	<u>\$ 161,014</u>	<u>\$ 91,474,042</u>	<u>\$ 7,550,545</u>	<u>\$ 173,912,941</u>

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2018

7. Tangible Capital Assets - (continued)

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, 2018

7. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$7,550,545 (2017 - \$6,153,552).

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.

8. Accumulated Surplus

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

	2018	2017
Invested in tangible capital assets		
Tangible capital assets purchased	\$ 173,912,941	\$166,269,066
Unfinanced capital assets	(6,885,442)	(3,846,490)
Capital assets financed by long-term liabilities and to be funded in future years	(18,912,843)	(21,608,046)
Total invested in capital assets	148,114,656	140,814,530
Unfunded post-employment benefits	(1,179,760)	(1,187,839)
Unfunded WSIB future benefits	(2,646,078)	(2,492,749)
	144,288,818	137,133,942
Reserves (Note 9)	23,952,453	25,914,730
Accumulated surplus	\$ 168,241,271	\$163,048,672

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2018

9. Reserves Set Aside for Specific Purpose by Council

	2018	2017
Reserves		
Working funds	\$ 395,431	\$ 407,262
Tax stabilization - general	1,385,915	1,668,019
WSIB	1,663,051	1,616,878
Current purposes	250,000	250,000
Capital purposes	20,258,056	21,972,571
Reserves set aside for specific purpose by Council	\$23,952,453	\$ 25,914,730

10. Government Transfers

	2018 Budget	2018 Actual	2017 Actual
Operating			
Province of Ontario	\$ 33,839,501	\$32,955,924	\$ 31,246,941
Government of Canada	1,651,448	1,219,616	1,380,102
Other Municipalities	565,325	541,507	507,424
Total operating transfers	36,056,274	34,717,047	33,134,467
Capital			
Province of Ontario	469,287	509,491	723,648
Government of Canada	2,435,367	2,438,668	1,864,698
Other Municipalities	-	-	6,312
Total capital transfers	2,904,654	2,948,159	2,594,658
Total government transfers	\$ 38,960,928	\$37,665,206	\$ 35,729,125

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2018

11. 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 2018 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.

	<u>2018</u>	<u>2018</u>	<u>2017</u>
	Budget	Actual	Actual
Annual surplus (Page 5)	\$ 14,290,326	\$ 5,192,599	\$ 5,506,037
Transfers to reserves	(5,524,986)	(9,189,950)	(7,657,648)
Transfers from reserves	17,825,551	11,928,647	7,102,242
	<u>12,300,565</u>	<u>2,738,697</u>	<u>(555,406)</u>
Capital acquisitions, disposals and write-down	(27,579,484)	(18,022,506)	(13,661,162)
Amortization	-	10,378,631	10,174,579
Unfunded capital projects	3,845,182	3,038,952	1,614,765
	<u>(23,734,302)</u>	<u>(4,604,923)</u>	<u>(1,871,818)</u>
Debt principal repayments	<u>(2,856,589)</u>	<u>(2,695,203)</u>	<u>(2,636,173)</u>
Change in unfunded liabilities	<u>-</u>	<u>145,250</u>	<u>514,871</u>
Change in general surplus in the year	<u>-</u>	<u>776,420</u>	<u>957,511</u>
Transfer of current year surplus to reserves	<u>-</u>	<u>(776,420)</u>	<u>(957,511)</u>
General surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Corporation of the County of Bruce Notes to Financial Statements

December 31, 2018

12. Pension Agreements

The County makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 564 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 2018 was \$3,044,184 (2017 - \$2,949,366). The contribution rate for 2018 was 9.0% or 15.8% depending on income level (2017 - 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, 2018. The plan reported a \$4.2 billion actuarial deficit (2017 - \$5.4 billion deficit) at that time, based on actuarial liabilities of \$99.1 billion (2017 - \$93.6 billion) and actuarial assets of \$94.9 billion (2017 - \$88.2 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.

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.
-

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2018

14. Trust Funds

The trust funds administered by the County amounting to \$67,513 (2017 - \$68,393) 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.

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, 2018 indicates the following:

Principal payments on debentures during the year	\$ 342,445
Interest payments on debentures during the year	<u>109,528</u>
Total	<u>\$ 451,973</u>
Debentures outstanding at year-end	<u>\$ 1,445,243</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, 2018, the County has committed to complete multiple capital projects at an approximate cost of \$7,066,000. The County has paid costs totaling approximately \$5,547,000 relating to these commitments.
-

The Corporation of the County of Bruce Notes to Financial Statements

December 31, 2018

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, 2018

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, 2018

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
Revenue									
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
	11,612,408	366,626	14,690,815	372,898	11,931,585	44,833,527	5,911,617	4,198,420	93,917,896
Expenses									
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
	8,818,927	48,362	12,671,255	433,795	11,894,612	44,207,502	6,443,667	4,207,177	88,725,297
Annual surplus (deficit)	\$2,793,481	\$ 318,264	\$ 2,019,560	\$ (60,897)	\$ 36,973	\$ 626,025	\$ (532,050)	\$ (8,757)	\$ 5,192,599

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

December 31, 2018

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 County of Bruce
Library Board
Financial Statements
For the year ended December 31, 2018**

The County of Bruce Library Board
Financial Statements
For the year ended December 31, 2018

Contents

The Bruce County Library

Independent Auditor's Report	2 - 3
Statement of Financial Position	4
Statement of Operations and Accumulated Surplus	5
Statement of Changes in Net Financial Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 11



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 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, 2018, 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, 2018 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
April 24, 2019

The County of Bruce Library Board
Statement of Financial Position

December 31	2018	2017
Financial assets		
Cash held by the County of Bruce (Note 2)	\$ 387,052	\$ 384,091
Due from County of Bruce	128,992	121,108
Due from Canada	822	4
Due from Province of Ontario	2,200	6,827
Due from other municipalities	117	-
Accounts receivable	4,843	6,072
	524,026	518,102
Liabilities		
Accounts payable and accrued liabilities	149,848	139,698
Net financial assets	374,178	378,404
Non-financial assets		
Tangible capital assets (Note 3)	1,357,100	1,434,426
Prepaid expenses	11,919	4,737
	1,369,019	1,439,163
Accumulated surplus (Note 4)	\$ 1,743,197	\$ 1,817,567

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	2018 Budget (Note 5)	2018 Actual	2017 Actual
Revenue			
Government transfers:			
County of Bruce	\$ 3,364,223	\$ 3,295,730	\$ 3,111,774
Province of Ontario	188,487	207,609	234,461
Fines and sale of books	26,500	24,613	26,184
Interest income	-	6,802	4,755
Donations	5,000	11,598	28,002
Rental income and user fees	16,000	19,001	21,360
Loss on disposal of tangible capital assets	-	(38,263)	(2,740)
	<u>3,600,210</u>	<u>3,527,090</u>	<u>3,423,796</u>
Expenses			
Salaries and benefits	2,551,881	2,498,445	2,411,013
Contract services	50,700	40,332	44,743
Materials	353,267	352,065	341,231
External transfers	338,687	331,414	332,044
Amortization	-	379,204	390,140
	<u>3,294,535</u>	<u>3,601,460</u>	<u>3,519,171</u>
Annual surplus (deficit) (Note 5)	305,675	(74,370)	(95,375)
Accumulated surplus, beginning of the year	<u>1,817,567</u>	<u>1,817,567</u>	<u>1,912,942</u>
Accumulated surplus, end of the year	<u>\$ 2,123,242</u>	<u>\$ 1,743,197</u>	<u>\$ 1,817,567</u>

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

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

For the year ended December 31	2018	2018	2017
	Budget (Note 5)	Actual	Actual
Annual surplus (deficit) (Page 5)	\$ 305,675	\$ (74,370)	\$ (95,375)
Acquisition of tangible capital assets	(350,000)	(340,881)	(409,817)
Amortization of tangible capital assets	-	379,204	390,140
Loss on sale of tangible capital assets	-	38,263	2,740
Proceeds on disposal of tangible capital assets	-	740	-
	(350,000)	77,326	(16,937)
Change in prepaid expenses	-	(7,182)	(598)
Decrease in net financial assets	(44,325)	(4,226)	(112,910)
Net financial assets, beginning of the year	378,404	378,404	491,314
Net financial assets, end of the year	\$ 334,079	\$ 374,178	\$ 378,404

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

The County of Bruce Library Board
Consolidated Statement of Cash Flows

December 31, 2018	2018	2017
Cash provided by (used in)		
Operating activities		
Annual deficit (Page 5)	\$ (74,370)	\$ (95,375)
Items not involving cash		
Amortization	379,204	390,140
Gain on disposal of tangible capital assets	38,263	2,740
	<u>343,097</u>	<u>297,505</u>
Changes in non-cash working capital balances		
Accounts receivable	1,229	(2,567)
Accounts payable and accrued liabilities	10,150	4,077
Due from Canada	(818)	109
Due from Province of Ontario	4,627	(1,916)
Due from other municipalities	(117)	38
Due from County of Bruce	(7,884)	852
Prepaid expenses	(7,182)	(598)
	<u>5</u>	<u>(5)</u>
	343,102	297,500
Capital transaction		
Cash used to acquire tangible capital assets	(340,881)	(409,817)
Proceeds on disposal of tangible capital assets	740	-
	<u>(340,141)</u>	<u>(409,817)</u>
Net change in cash	2,961	(112,317)
Cash, beginning of the year	384,091	496,408
Cash, end of the year	\$ 387,052	\$ 384,091

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

The County of Bruce Library Board

Notes to Financial Statements

December 31, 2018

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.

The County of Bruce Library Board
Notes to Financial Statements

December 31, 2018

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, 2018

2. Cash Held by the County of Bruce

	2018	2017
Restricted	\$ 387,052	\$ 384,091

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

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Library collections	\$ 2,374,002	\$ 1,211,121	\$ 2,558,155	\$ 1,372,262
Technology and communication	179,145	125,262	298,677	214,811
Vehicle and machinery	68,404	43,323	68,404	29,642
Furniture and fixtures	399,870	284,615	397,920	272,015
	\$ 3,021,421	\$ 1,664,321	\$ 3,323,156	\$ 1,888,730
Net book value		\$ 1,357,100		\$ 1,434,426

The County of Bruce Library Board
Notes to Financial Statements

December 31, 2018

4. Accumulated Surplus

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

	2018	2017
Invested in capital assets	\$ 1,357,100	\$ 1,434,426
Reserves	386,097	383,141
Accumulated surplus	\$ 1,743,197	\$ 1,817,567

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 2018 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.

	2018	2018	2017
	Budget	Actual	Actual
Annual surplus (deficit) (Page 5)	\$ 305,675	\$ (74,370)	\$ (95,375)
Net transfers (to)/from reserves	44,325	(2,956)	112,312
Capital acquisitions and disposals	(350,000)	(301,878)	(407,077)
Amortization	-	379,204	390,140
	-	-	-
General surplus	\$ -	\$ -	\$ -

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 2, 2019

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

Dear Members of the Corporate Services Committee:

We have been engaged to audit the consolidated financial statements of County of Bruce (the "County") for the year ended December 31, 2018.

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.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute/order and applicable legislation, covering such matters as:

- Holding a financial interest, either directly or indirectly in a client;
- Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- Economic dependence on a client; and
- Provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since December 6, 2018, the date of our last letter.

We are aware of the following relationships between the County and our Firm that, in our professional judgment may reasonably be thought to bear on independence that have occurred from December 6, 2018 to May 2, 2019.

We provided assistance in the preparation of the financial statements. 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 County in accordance with Canadian Public Sector Accounting Standards.

We, therefore, required 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 Code of Professional Conduct of the Chartered Professional Accountants of Ontario as of May 2, 2019.

This letter is intended solely for the use of the members of the Corporate Services Committee, management and others within the County and should not be used for any other purposes.

Yours truly,

Traci Smith, CPA, CGA, LPA
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

APPENDIX C: REPRESENTATION LETTER

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

April 24, 2019

BDO Canada LLP
Chartered Professional Accountants
1717 2nd Avenue E, Third Floor
Owen Sound, Ontario
N4P 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, 2018, 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, 2018

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				-	-	-	-	

APPENDIX D: BDO RESOURCES

BDO is a leading provider of professional services to clients of all sizes in virtually all business sectors. Our team delivers a comprehensive range of assurance, accounting, tax, and advisory services, complemented by a deep industry knowledge gained from nearly 100 years of working within local communities. As part of the international BDO network, we're able to provide seamless and consistent cross-border services to clients with global needs. Commitment to knowledge and best practice sharing ensures that expertise is easily shared across our global network and common methodologies and information technology ensures efficient and effective service delivery to our clients.

PSAB 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 2018" which provides you with details on recent changes to PSAB Standards.

http://www.bdo.ca/BDO/media/FRS/ASNPO/PSAS_Update_24Sep18.pdf

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

<http://www.bdo.ca/en-ca/services/assurance-and-accounting/a-a-knowledge-centre/psas/>

Outlined below is a summary of certain BDO resources, which may be of interest to the Members of the Corporate Services Committee.

TAX BULLETINS, ALERTS AND NEWSLETTERS

BDO's national tax department issues a number of bulletins, alerts and newsletters relating to corporate federal, personal, commodity, transfer pricing and international tax matters.

For additional information on tax matters and links to archived tax publications, please refer to the following link: [Tax Library | BDO Canada](#)

NEW AUDITOR REPORTING

In April 2017, the Auditing and Assurance Standards Board (AASB) in Canada approved the new and revised auditor reporting standards as Canadian Auditing Standards (CASs). These new standards will be effective for audits of financial statements for periods ending on or after December 15, 2018 with early application permitted.

Highlights of the changes include:

- Re-ordering of the auditor's report, including moving the opinion paragraph to the first section;
- Expanded descriptions of each group's responsibilities;
- Disclosure of the name of the engagement partner for listed entities; and
- Optional description of key audit matters

For further information on this topic, please reach out to your dedicated BDO team.