



COUNTY OF BRUCE

Audit final communication to the Members of County Council
for the year ended December 31, 2023



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

BDO Canada LLP
1717 2nd Avenue E, 3rd Floor
PO Box 397
Owen Sound ON N4K 5P7 Canada

To the Members of County Council

We are pleased to provide you with the results of our audit of County of Bruce (the "County") financial statements for the year ended December 31, 2023.

The enclosed final communication includes our approach to your audit, including: significant risks identified and the nature, extent, and results of our audit work. We also report any significant internal control deficiencies (if any) identified during our audit and reconfirm our independence.

During the course of our audit, management made certain representations to us, in discussions and in writing. We documented these representations in the audit working papers.

We look forward to discussing our audit conclusions with you. In the meantime, please feel free to contact us if you have any questions or concerns.

Yours truly,

Chartered Professional Accountants, Licensed Public Accountants
May 2, 2024

TABLE OF CONTENTS

| | |
|--|---|
| AUDIT AT A GLANCE..... | 3 |
| AUDIT FINDINGS..... | 4 |
| INTERNAL CONTROLS MATTERS | 8 |
| ADJUSTED AND UNADJUSTED DIFFERENCES..... | 9 |
| APPENDIX A: INDEPENDENT AUDITOR’S REPORT | |
| APPENDIX B: INDEPENDENCE UPDATE | |
| APPENDIX C: REPRESENTATION LETTER | |
| APPENDIX D: OUR AUDIT PROCESS | |
| APPENDIX E: RESOURCES | |

AUDIT AT A GLANCE

Status of the Audit

We have substantially completed our audit of the year ended December 31, 2023 financial statements pending the completion of the following items:

- ▶ Approval of financial statements by the Council
- ▶ Receipt of signed management representation letter dated as of the final report date
- ▶ Receipt of outstanding legal confirmations
- ▶ 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 financial statements are free from material misstatement. See Appendix A for our draft independent auditor's report.

The scope of the work performed was substantially the same as that described in our Planning Communication to the Members of County Council dated January 31, 2024.

Independence

We have identified relationships between County of Bruce and our Firm that may reasonably be thought to have influenced our independence. These are further discussed in [Appendix B](#).

Materiality

Preliminary materiality was \$3,000,000. Final materiality remained unchanged from our preliminary assessment.

Fraud Discussion

We are not aware of any fraud affecting the County. If you have become aware of changes to processes or are aware of any instances of actual, suspected or alleged fraud since our discussions held at planning, please let us know.

AUDIT FINDINGS

Our audit strategy and procedures focused on the risks specific to your County and key accounts as outlined in our planning communication to the Members of County Council. There were no changes to our planning procedures. No additional risks were identified during the audit.

| Significant Risks of Material Misstatement | Audit Findings |
|--|--|
| Management Override of Control | 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. No management override of controls noted in the current period. |
| Revenue Recognition of Grant Revenue | 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 regard to grant revenue during our testing. |
| Non-Routine Transactions | To address this risk, we reviewed the minutes for material transactions not in the ordinary course of business and had discussions with management. No material transactions not in the ordinary course of business were noted in the current period. |

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

| Significant Financial Statement Disclosures | Audit Findings |
|---|---|
| Accumulated Surplus | A breakdown of the County’s accumulated surplus is included in Note 13. This includes the amount invested in capital assets, unfunded liabilities, reserves and reserve funds. The general surplus for 2023 of \$2,719,130 was transferred to reserve as per resolution. |
| 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 19. |
| Commitments | Significant capital commitments are disclosed in Note 21. |
| Financial Instruments | We have discussed with management to ensure all financial instruments were identified and reviewed management’s accounting policy to ensure they are appropriately recorded at amortized cost or fair market value, where applicable. See the Significant Accounting Policy for Financial Instruments and further disclosures in Note 17. |

Management is responsible for determining the 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 standards and have been consistently applied.

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

| Significant Estimates and Judgements | Audit Findings |
|--------------------------------------|--|
| WSIB Future Benefit and Commitment | <p>Previously the County was an employer included under Schedule 2 of the Workplace Safety and Insurance Act, it self-ensured 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. The cost of the claims are determined using management's best estimate and the services of an actuary.</p> |
| Asset Retirement Obligations | <p>Management reviewed all capital assets owned by the County or where the County has a responsibility for an asset to determine if there is a legal obligation associated with the retirement of any of the capital assets.</p> <p>Management identified an asset retirement obligation. In order to help identify and estimate the liability, the County engaged the services of consultants to perform an assessment of designated substances, review of applicable legislation and the services of engineers and other professionals to estimate the abatement, removal and remediation costs.</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.
- ▶ We considered the results of these procedures 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 (if any). 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.

The audit expresses an opinion on the County's financial statements. As a result, it does not cover every aspect of internal control - only those relevant to preparing the financial statements and designing appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

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

ADJUSTED AND UNADJUSTED DIFFERENCES

We are required to disclose, in writing, all significant adjusted and unadjusted differences and disclosure omissions identified through the course of our audit engagement. Each of these items, (if any), are discussed with management and we encourage management to correct any misstatements identified throughout the audit process. Adjusted differences, if any, are included in the representation letter in Appendix C that will be approved by management.

We did not identify any adjusted or unadjusted differences or disclosure omissions over the course of the audit.

APPENDIX A: INDEPENDENT AUDITOR'S REPORT

The Corporation of the
County of Bruce
Consolidated Financial Statements
For the year ended December 31, 2023

DRAFT

The Corporation of the County of Bruce
Consolidated Financial Statements
For the year ended December 31, 2023

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 Remeasurement Gains | 7 |
| Consolidated Statement of Cash Flows | 8 |
| Notes to Financial Statements | 9 - 35 |

DRAFT



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, 2023, and the consolidated statements of operations and accumulated surplus, changes in net debt, remeasurement gains and 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, 2023, and its consolidated results of operations, remeasurement gains, changes in net 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
TBD, 2024

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

| December 31 | 2023 | 2022 (Restated) (Note 2) |
|---|-----------------------|--------------------------------|
| Financial assets | | |
| Cash and investments (Note 3) | \$ 53,927,124 | \$ 49,607,271 |
| Accounts receivable (Note 4) | 12,549,795 | 5,147,571 |
| Inventory held for resale | 41,460 | 36,461 |
| Sustainability long-term receivables | 155,908 | 240,242 |
| | <u>66,674,287</u> | <u>55,031,545</u> |
| Liabilities | | |
| Advances on debt (Note 5) | 5,293,535 | 804,404 |
| Accounts payable and accrued liabilities (Note 6) | 24,787,233 | 15,146,517 |
| WSIB future benefits (Note 7) | 4,181,979 | 2,696,556 |
| Post-employment benefits (Note 8) | 1,187,488 | 1,159,128 |
| Asset retirement obligation (Note 9) | 9,332,596 | 8,910,250 |
| Deferred revenue (Note 10) | 1,881,720 | 4,279,729 |
| Long-term liabilities (Note 11) | 22,804,798 | 24,582,172 |
| | <u>69,469,349</u> | <u>57,578,756</u> |
| Net debt | <u>(2,795,062)</u> | <u>(2,547,211)</u> |
| Non-financial assets | | |
| Tangible capital assets (Note 12) | 208,926,624 | 195,033,001 |
| Other | 1,882,386 | 1,731,287 |
| | <u>210,809,010</u> | <u>196,764,288</u> |
| Accumulated surplus (Note 13) | <u>\$ 208,013,948</u> | <u>\$ 194,217,077</u> |
| Accumulated surplus is comprised of: | | |
| Accumulated operating surplus (Page 5) | \$ 206,507,637 | \$ 194,217,077 |
| Accumulated rereasurement gains (Page 7) | 1,506,311 | - |
| | <u>\$ 208,013,948</u> | <u>\$ 194,217,077</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 | 2023 Budget | 2023 Actual | 2022 Actual (Restated) (Note 2) |
|---|----------------------|----------------------|--|
| Revenue | | | |
| Taxation | \$ 63,382,567 | \$63,990,171 | \$ 58,039,039 |
| Fees and user charges | 12,072,169 | 11,954,835 | 10,971,756 |
| Government transfers (Note 15) | 73,092,062 | 70,161,691 | 58,115,377 |
| Investment income | 200,000 | 1,529,381 | 569,854 |
| Gain (loss) on disposal of tangible capital assets | 20,000 | (981,834) | (3,398) |
| Donations and fundraising | 178,571 | 217,893 | 304,219 |
| Other income | 305,742 | 1,228,168 | 1,066,627 |
| | <u>149,251,111</u> | <u>148,100,305</u> | <u>129,063,474</u> |
| Expenses | | | |
| General government | 14,118,680 | 14,256,481 | 12,059,668 |
| Protection services | 64,500 | 61,122 | 56,942 |
| Transportation services | 10,001,973 | 15,973,382 | 15,387,300 |
| Environmental services | 567,227 | 488,262 | 452,563 |
| Land ambulance | 13,634,455 | 14,131,729 | 13,924,566 |
| Health Unit | 1,212,780 | 1,249,299 | 1,204,547 |
| Social and family services | 75,696,690 | 76,344,162 | 67,257,484 |
| Recreation and cultural services | 7,141,315 | 8,061,222 | 7,143,544 |
| Planning and development | 4,973,497 | 4,564,149 | 4,042,122 |
| Interest on long-term debt | 659,474 | 679,937 | 766,354 |
| | <u>128,070,591</u> | <u>135,809,745</u> | <u>122,295,090</u> |
| Annual surplus (Note 16) | 21,180,520 | 12,290,560 | 6,768,384 |
| Accumulated surplus, beginning of the year, as previously stated | 194,217,077 | 194,217,077 | 195,690,679 |
| Change in accounting policy (Note 2) | - | - | (8,241,986) |
| Accumulated surplus, beginning of the year, restated | <u>194,217,077</u> | <u>194,217,077</u> | <u>187,448,693</u> |
| Accumulated surplus, end of the year | \$215,397,597 | \$206,507,637 | \$194,217,077 |

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 | 2023 Budget | 2023 Actual | 2022 Actual (Restated) (Note 2) |
|--|------------------------|-----------------------|--|
| Annual surplus (Page 5) | \$ 21,180,520 | \$12,290,560 | \$ 6,768,384 |
| Acquisition of tangible capital assets | (42,495,213) | (27,639,992) | (14,338,263) |
| Amortization of tangible capital assets | - | 12,684,074 | 12,152,072 |
| Loss on disposal of tangible capital assets | - | 981,834 | 3,398 |
| Proceeds on disposal of capital assets | 20,000 | 80,461 | 80,266 |
| | <u>(42,475,213)</u> | <u>(13,893,623)</u> | <u>(2,102,527)</u> |
| Change in other assets | - | (151,099) | (246,639) |
| (Increase) decrease in net debt excluding net remeasurement gains | (21,294,693) | (1,754,162) | 4,419,218 |
| Net remeasurement gains Portfolio investments (Page 7) | - | 1,506,311 | - |
| (Increase) decrease in net debt | - | (247,851) | 4,419,218 |
| Net debt, beginning of the year, as previously stated | (2,547,211) | (2,547,211) | 1,540,589 |
| Change in accounting policy (Note 2) | - | - | (8,507,018) |
| Net debt, beginning of the year, restated | <u>(2,547,211)</u> | <u>(2,547,211)</u> | <u>(6,966,429)</u> |
| Net debt, end of the year | <u>\$ (23,841,904)</u> | <u>\$ (2,795,062)</u> | <u>\$ (2,547,211)</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 Remeasurement Gains

| For the year ended December 31 | 2023 Budget | 2023 Actual | 2022 Actual |
|---|----------------|----------------|----------------|
| Accumulated remeasurement gains, beginning of the year | \$ - | \$ - | - |
| Adjustment to beginning accumulated remeasurement gains (Note 2) | - | 1,539,050 | - |
| Unrealized gains (losses) attributable to: Portfolio investments | - | (32,739) | - |
| Accumulated remeasurement gains, end of the year | \$ - | \$ 1,506,311 | \$ - |

DRAFT

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

| For the year ended December 31 | 2023 | 2022 (Restated) (Note 2) |
|--|---------------------|--------------------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Annual surplus (Page 5) | \$12,290,560 | \$ 6,768,384 |
| Items not involving cash | | |
| Asset retirement obligation accretion | 422,346 | 403,233 |
| WSIB future benefits | 1,485,423 | 123,275 |
| Post-employment benefits | 28,360 | 253 |
| Amortization | 12,684,074 | 12,152,072 |
| Loss on disposal of capital assets | 981,834 | 3,398 |
| | <u>27,892,597</u> | <u>19,450,615</u> |
| Changes in non-cash working capital balances | | |
| Accounts receivable | (7,402,224) | 679,894 |
| Inventory held for resale | (4,999) | (5,206) |
| Accounts payable and accrued liabilities | 9,640,716 | 2,839,390 |
| Deferred revenue | (2,398,009) | 636,502 |
| Other non-financial assets | (151,099) | (246,639) |
| | <u>27,576,982</u> | <u>23,354,556</u> |
| Capital transactions | | |
| Cash used to acquire capital assets | (27,639,992) | (14,338,263) |
| Proceeds on disposal of capital assets | 80,461 | 80,266 |
| | <u>(27,559,531)</u> | <u>(14,257,997)</u> |
| Investing activities | | |
| Decrease in sustainability long-term receivables | 84,334 | 126,768 |
| Increase in investments | (76,887) | 163,465 |
| | <u>7,447</u> | <u>290,233</u> |
| Financing and investing activities | | |
| Advance of debt | 4,489,131 | 804,404 |
| Repayment of advance on debt | - | (7,936,601) |
| Proceeds of long-term liabilities | - | 11,919,622 |
| Repayment of long-term liabilities | (1,777,374) | (3,405,730) |
| | <u>2,711,757</u> | <u>1,381,695</u> |
| Net change in cash and cash equivalents | 2,736,655 | 10,768,487 |
| Cash, beginning of the year (Note 3) | <u>28,532,779</u> | <u>17,764,292</u> |
| Cash, end of the year (Note 3) | <u>\$31,269,434</u> | <u>\$ 28,532,779</u> |

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

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

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 for approval.

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 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, asset retirement obligations, 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, 2023

1. Summary of Significant Accounting Policies - (continued)

Cash and Investments Cash and investments include all cash on hand, deposits with banks and other highly liquid investments recorded at fair market value.

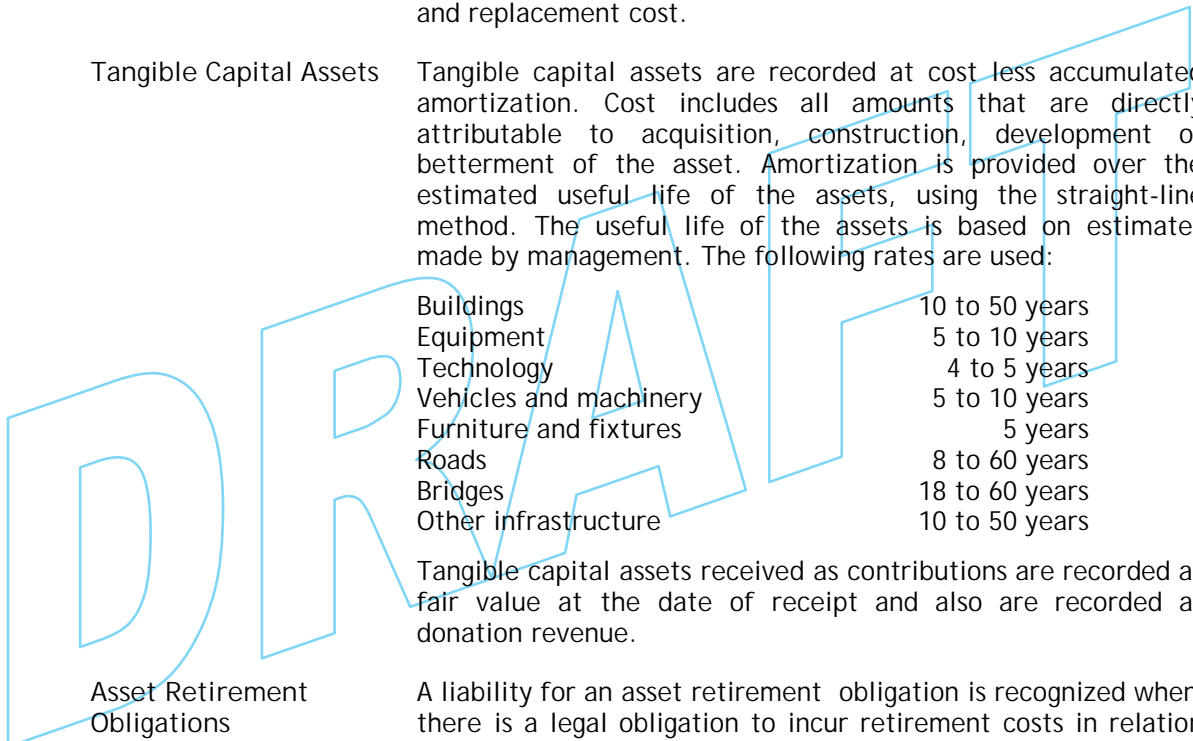
Inventory Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis. Inventory of supplies is recorded at the lower of cost and replacement cost.

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 60 years |
| Bridges | 18 to 60 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.

Asset Retirement Obligations A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.



The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

1. Summary of Significant Accounting Policies

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.

Homes for the Aged
Trust Funds

Long-Term Care Resident's funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of receipts and disbursements and statement of financial position.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

1. Summary of Significant Accounting Policies

Financial Instruments

The County has elected to measure Encasa Canadian short-term bond fund investments and principal protected notes at fair value. Cash is also measured at fair value. All other financial assets; accounts receivable, and sustainability long-term receivable, and financial liabilities; advances on debt, accounts payable and accrued liabilities and long-term liabilities are measured at amortized cost.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets except derivatives are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

D

DRAFT

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

1. Summary of Significant Accounting Policies

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 the Canada Community Building Fund (CCBF) 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, 2023

2. Change in Accounting Policy

Effective January 1, 2023, the county adopted new Public Sector Accounting Handbook Standard 3280: Asset Retirement Obligations. The standard requires that the County evaluate their assets for any potential asset retirement obligations. This change in accounting policy has been made in accordance with the modified retrospective approach of the standard. Under this method, the asset retirement obligation liability, adjusted for accumulated accretion to date, was measured as of January 1, 2022 with a corresponding adjustment to capital assets, accumulated amortization and net assets. The impact of adoption of this standard at January 1, 2022 was as follows:

| | |
|---|--------------|
| Increase in capital assets | \$ 265,032 |
| Increase in asset retirement obligation | \$ 8,507,018 |
| Decrease in accumulated surplus | \$ 8,241,986 |

The impact of adoption of this standard at December 31, 2022 was as follows:

| | |
|---|--------------|
| Increase in amortization | \$ 13,096 |
| Increase in accretion expense | \$ 403,232 |
| Decrease in annual surplus | \$ 416,329 |
| Decrease in accumulated surplus | \$ 8,658,315 |
| Increase in asset retirement obligation | \$ 8,910,250 |
| Decrease in capital assets | \$ 251,936 |

On January 1, 2023 the County adopted PS 3450 Financial Instruments which establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. This standard is required to be adopted prospectively, therefore comparative figures have not been restated. Unrealized gains and losses on portfolio investments are shown on a new statement, the statement of rereasurement gains and losses. There is a transitional adjustment for the adoption of this new standard in the amount of \$1,539,050 which represents the unrealized gain on the portfolio investments as at January 1, 2023.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

3. Cash and Investments

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------|---------------------|----------------------|
| Cash | \$31,269,434 | \$ 28,532,779 |
| Encasa Canadian short-term bond fund | 3,214,030 | 3,074,492 |
| Principal protected notes | <u>19,443,660</u> | <u>18,000,000</u> |
| | <u>\$53,927,124</u> | <u>\$ 49,607,271</u> |

A cash balance of \$31,353,899 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.

Encasa short-term bond fund invests primarily in debt obligations issued or guaranteed by the Government of Canada, provincial or territorial governments or their agencies, Canadian chartered banks, Canadian loan or trust companies and Canadian corporations with a rating not lower than BBB by an approved credit rating agency.

The principal protected notes are a diversified mix of annual interest paying notes 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. These notes have full principal protection at maturity. The maturity dates for the notes range from 2024 to 2030. The principal protected notes were previously held at book value and as result of the PS 3450 Financial instruments they are now held at fair value.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

4. Accounts Receivable

| | 2023 | 2022 |
|--------------------------------|--------------|--------------|
| Accounts receivable | \$ 1,223,272 | \$ 1,283,494 |
| Provincial receivable | 3,611,713 | 979,329 |
| Federal receivable | 5,533,212 | 1,979,479 |
| Municipal receivables | 1,255,054 | 243,848 |
| Municipal tax levy receivables | 926,544 | 661,421 |
| | \$12,549,795 | \$ 5,147,571 |

5. Advances on Debt

The County of Bruce has a demand operating facility agreement with a financial institution. At December 31, 2023, the County of Bruce had undrawn credit capacity of \$7,500,000. Interest is calculated at bank prime rate minus 0.75%.

In 2022, the County obtained a temporary loan to provide financing for the new Port Elgin paramedic station. The interim loan has a maximum term of five years, maximum draws of \$10,000,000 authorized and interest accrues based on a variable interest rate. At December 31, 2023, the County of Bruce had drawn \$5,293,535. Subsequent to yearend there was an additional draw of \$2,087,237. Once the project is substantially complete the interim loan will be transitioned to long term debt with a 30 year term, fixed interest rate, and a defined annual repayment schedule.

6. Accounts Payable

| | 2023 | 2022 |
|------------------------|--------------|---------------|
| Trade accounts payable | \$15,290,401 | \$ 9,430,685 |
| Payroll payables | 4,463,205 | 4,566,368 |
| Federal payables | 13,051 | 7,699 |
| Provincial payables | 5,020,576 | 1,141,765 |
| | \$24,787,233 | \$ 15,146,517 |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

7. 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.

| | 2023 | 2022 |
|---------------------|--------------|--------------|
| WSIB future benefit | \$ 4,181,979 | \$ 2,696,556 |

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, 2022 as of May 3, 2023.

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 5% (2022 - 3.5%), average lost time injury payment rate of 112% (2022 - 75%), a WSIB administrative rate of 23% (2022 - 28%) and an average lost time injury count of 21 (2022 - 11).

| | 2023 | 2022 |
|-----------------------------|------------|------------|
| Current period benefit cost | \$ 641,009 | \$ 315,715 |
| Interest costs | 198,534 | 90,636 |
| Total expense for the year | \$ 839,543 | \$ 406,351 |

At December 31, 2023 the County provided \$3,025,594 (2022 - \$2,618,673) in a reserve to offset this liability.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

8. 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.

| | 2023 | 2022 |
|----------------------------|--------------|--------------|
| Retirement benefits | \$ 1,647,295 | \$ 1,650,402 |
| Unamortized actuarial loss | (459,807) | (491,274) |
| Post-employment benefits | \$ 1,187,488 | \$ 1,159,128 |

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, 2022 as of January 5, 2023.

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 5% (2022 - 3.75%). For extended health care costs, a 6% (2022 - 3.75%) annual rate of increase is assumed for 2023, decreasing to an ultimate rate of 4% (2022 - 3.75%) by 2029. For dental costs, a 4% (2022 - 3.75%) annual rate of increase was assumed.

| | 2023 | 2022 |
|--------------------------------|------------|------------|
| Current period benefit cost | \$ 62,908 | \$ 65,742 |
| Amortization of actuarial gain | 31,467 | 7,970 |
| Retirement benefit expense | 94,375 | 73,712 |
| Interest costs | 80,432 | 48,784 |
| Total expense for the year | \$ 174,807 | \$ 122,496 |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

9. Asset Retirement Obligation

The County's financial statements include an asset retirement obligation for asbestos, lead paint and PCB's in the County's social housing and other facilities. The County has also included an asset retirement obligation for the removal of the Arran Township Shed Bridge in Invermay. The related asset retirement costs are being amortized on a straight line basis. The liability has been estimated using a net present value technique with a discount rate of 4.74% (2022 - 4.74%).

The estimated total undiscounted future expenditures of 42 social housing facilities are \$20,720,835. The expenditures are expected to be incurred and liability settled as follows:

- \$2,390,246 incurred over the next 10 years and settled 2024 to 2033;
- \$5,424,078 incurred over the next 20 years and settled 2034 to 2043;
- \$3,285,633 incurred over the next 30 years and settled 2044 to 2053; and
- \$9,620,878 incurred over the next 40 years and settled 2054 to 2062.

The estimated total undiscounted future expenditures of the County's other facilities are \$2,419,433, of which \$1,777,113 is expected to be incurred over 12 to 18 years and settled in 2035 to 2041, \$433,664 over 42 years and settled in 2065 and \$208,655 over 56 years and settled in 2079.

The estimated total undiscounted future expenditures of the Arran Township Shed Bridge is \$577,728, which is expected to be incurred over the next 3 years and settled in 2026.

The carrying amount of the liability is as follows:

| | |
|---|--------------|
| Asset Retirement Obligation as at December 31, 2022 | \$ 8,910,250 |
| Increase due to accretion expense | 422,346 |
| | \$ 9,332,596 |

10. Deferred revenue

| | 2023 | 2022 |
|--|--------------|--------------|
| Canada Community Building Fund (Gas tax funding) | \$ 154,727 | \$ 1,054,471 |
| Museum | 40,343 | 63,176 |
| Library | 8,528 | 2,317 |
| Medication Safety Technology | - | 81,587 |
| Planning | 126,559 | 203,105 |
| Childcare Program | 387,062 | 1,683,279 |
| Ontario Community Infrastructure Fund (OCIF) | 537,497 | 320,992 |
| Other | 627,004 | 870,802 |
| | \$ 1,881,720 | 4,279,729 |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

11. Long-Term Liabilities

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

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|----------------------|
| Mortgage payable, People's Trust, 2.42%, repayable in blended monthly instalments of \$6,890, due May 2025 | \$ 302,461 | \$ 376,883 |
| Mortgage payable, Canada Mortgage & Housing Company, 0.74%, repayable in blended monthly instalments of \$9,985, due February 2026 | 779,212 | 892,819 |
| Mortgage payable, TD Canada Trust, 6.117%, repayable in blended monthly instalments of \$7,406, due April 2024 | 249,452 | 320,900 |
| Mortgage payable, People's Trust, 2.66%, repayable in blended monthly instalments of \$6,133, due September 2024 | 223,342 | 290,076 |
| Mortgage payable, Canada Mortgage & Housing Company, 4.18%, repayable in blended monthly instalments of \$15,003, due December 2028 | 811,786 | 961,908 |
| Mortgage payable, Canada Mortgage & Housing Company, 1.67%, repayable in blended monthly instalments of \$23,421, due July 2031, includes \$661,839 forgivable loan (see (i) below) | <u>10,032,407</u> | <u>10,191,230</u> |
| Total Bruce County Housing Corporation | <u>\$12,398,660</u> | <u>\$ 13,033,816</u> |
| County of Bruce | | |
| Debenture payable, OILC, 2.33%, repayable in declining blended semi-annual instalments of \$137,331, due October 2029 | 1,289,029 | 1,511,416 |
| Loan payable, OSIFA, 5.32%, repayable in blended semi-annual payments of \$311,399, due October 2032 | <u>4,326,890</u> | <u>4,703,944</u> |
| (carried forward) | <u>\$ 7,170,386</u> | <u>\$ 8,096,038</u> |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

11. Long-Term Liabilities - (continued)

| | 2023 | 2022 |
|--|--------------|---------------|
| (brought forward) | \$ 7,170,386 | \$ 8,096,038 |
| Debenture payable, OILC, 2.45%, repayable in declining blended semi-annual instalments of \$97,416 due February 2040 | 2,583,459 | 2,712,618 |
| Debenture payable, OILC, 3.32%, repayable in declining blended semi-annual instalments of \$58,075 due March 2042 (see (ii) below) | 1,577,414 | 1,639,541 |
| Demand installment loan, CIBC, 1.808%, repayable in declining blended quarterly payments of \$91,718, due October 2025 if demand is not made | 629,346 | 980,837 |
| Total County of Bruce | 10,406,138 | 11,548,356 |
| | \$22,804,798 | \$ 24,582,172 |

(i) In 2022, the County received \$696,673 from the Canada Mortgage & Housing Company as a forgivable loan. The forgivable loan is interest free for so long as the conditions specified in the Agreement are met and the forgivable loan is not in default. If in default the forgivable loan will bear interest at 5% per annum. An equal portion of the principal amount of the forgivable loan will be forgiven annually on the anniversary of the final advance over a 20 year term.

(ii) The debenture agreement requires the County to maintain a replacement reserve fund for the property at 529 Gary Street and contribute a minimum of 4% of revenues to the reserve fund on an annual basis. During 2023, the County contributed \$26,381 to the replacement reserve fund and the balance at December 31, 2023 was \$52,430.

All mortgages are secured by real property.

The gross interest paid relating to the above long-term debt was \$641,655 (2022 - \$735,655). The gross interest expensed during the year was \$679,937 (2022 - \$766,354).

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

| | Principal | Forgivable | Total |
|------------|---------------|------------|---------------|
| 2024 | 1,751,344 | 34,834 | 1,786,178 |
| 2025 | 1,708,710 | 34,834 | 1,743,544 |
| 2026 | 1,483,756 | 34,834 | 1,518,590 |
| 2027 | 1,372,170 | 34,834 | 1,407,004 |
| 2028 | 1,327,452 | 34,834 | 1,362,286 |
| Thereafter | 14,464,693 | 522,503 | 14,987,196 |
| | \$ 20,624,369 | \$ 661,839 | \$ 22,804,798 |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

12. Tangible Capital Assets

2023

| | Land | Buildings | Equipment | Technology | Vehicles and Machinery | Furniture and Fixtures | Roads, Bridges and Other Infrastructure | Work in Progress | Total |
|---|---------------|----------------|--------------|--------------|------------------------|------------------------|---|------------------|----------------|
| Cost, beginning of the year | \$ 10,171,452 | \$ 122,103,468 | \$ 7,485,878 | \$ 5,905,846 | \$ 10,438,477 | \$ 1,154,558 | \$ 194,151,189 | \$ 9,840,130 | \$ 361,250,998 |
| Additions | | 2,572,873 | 881,052 | 241,823 | 1,321,584 | 46,984 | 7,018,538 | 15,557,138 | 27,639,992 |
| Disposals | (562,520) | (181,637) | (251,776) | (104,513) | (273,649) | (4,436) | (1,094,146) | - | (2,472,677) |
| Reallocation of completed work | - | 1,350,305 | - | - | 182,227 | - | 4,395,331 | (5,927,863) | - |
| Cost, end of the year | 9,608,932 | 125,845,009 | 8,115,154 | 6,043,156 | 11,668,639 | 1,197,106 | 204,470,912 | 19,469,405 | 386,418,313 |
| Accumulated amortization, beginning of the year | - | 55,822,359 | 4,536,446 | 4,533,176 | 7,882,967 | 943,407 | 92,499,642 | - | 166,217,997 |
| Amortization | - | 3,912,402 | 827,788 | 535,802 | 685,959 | 68,653 | 6,653,470 | - | 12,684,074 |
| Disposals | - | (152,843) | (236,168) | (101,790) | (273,649) | (4,436) | (641,496) | - | (1,410,382) |
| Accumulated amortization, end of the year | - | 59,581,918 | 5,128,066 | 4,967,188 | 8,295,277 | 1,007,624 | 98,511,616 | - | 177,491,689 |
| Net carrying amount, end of the year | \$ 9,608,932 | \$ 66,263,091 | \$ 2,987,088 | \$ 1,075,968 | \$ 3,373,362 | \$ 189,482 | \$ 105,959,296 | \$ 19,469,405 | \$ 208,926,624 |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

12. Tangible Capital Assets - (continued)

2022

| | Land | Buildings | Equipment | Technology | Vehicles and Machinery | Furniture and Fixtures | Roads, Bridges and Other Infrastructure | Work in Progress | Total |
|---|---------------|----------------|--------------|--------------|------------------------|------------------------|---|------------------|----------------|
| Cost, beginning of the year | \$ 10,171,452 | \$ 119,821,288 | \$ 7,008,244 | \$ 5,277,816 | \$ 9,976,671 | \$ 1,056,692 | \$ 191,819,702 | \$ 3,194,372 | \$ 348,326,237 |
| Additions | | 2,461,880 | 740,236 | 675,733 | 694,856 | 99,101 | 2,378,533 | 7,287,924 | 14,338,263 |
| Disposals | - | (372,927) | (262,602) | (262,804) | (233,050) | (1,235) | (280,884) | - | (1,413,502) |
| Reallocation of completed work | - | 193,227 | - | 215,101 | - | - | 233,838 | (642,166) | - |
| Cost, end of the year | 10,171,452 | 122,103,468 | 7,485,878 | 5,905,846 | 10,438,477 | 1,154,558 | 194,151,189 | 9,840,130 | 361,250,998 |
| Accumulated amortization, beginning of the year | - | 52,126,986 | 4,090,441 | 4,173,011 | 7,188,058 | 874,503 | 86,942,764 | - | 155,395,763 |
| Amortization | - | 3,997,738 | 696,997 | 621,477 | 927,959 | 70,139 | 5,837,762 | - | 12,152,072 |
| Disposals | - | (302,365) | (250,992) | (261,312) | (233,050) | (1,235) | (280,884) | - | (1,329,838) |
| Accumulated amortization, end of the year | - | 55,822,359 | 4,536,446 | 4,533,176 | 7,882,967 | 943,407 | 92,499,642 | - | 166,217,997 |
| Net carrying amount, end of the year | \$ 10,171,452 | \$ 66,281,109 | \$ 2,949,432 | \$ 1,372,670 | \$ 2,555,510 | \$ 211,151 | \$ 101,651,547 | \$ 9,840,130 | \$ 195,033,001 |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

12. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$19,469,405 (2022 - \$9,840,130).

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.

13. Accumulated Surplus

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

| | 2023 | 2022 |
|--|-----------------------|-----------------------|
| Invested in tangible capital assets | | |
| Tangible capital assets purchased | \$ 208,926,624 | \$ 195,033,001 |
| Unfinanced capital assets | (2,444,014) | (847,837) |
| Advances on debt | (5,293,535) | (804,404) |
| Capital assets financed by long-term liabilities and to be funded in future years | (22,175,452) | (23,601,335) |
| Total invested in capital assets | 179,013,623 | 169,779,425 |
| Unfunded post-employment benefits | (1,187,488) | (1,159,128) |
| Unfunded WSIB future benefits | (4,181,979) | (2,696,556) |
| Unfinanced economic recovery program | (274,629) | (487,428) |
| Unfinanced asset retirement obligation | (9,332,596) | (8,910,250) |
| | 164,036,931 | 156,526,063 |
| Reserves (Note 14) | 42,470,706 | 37,691,014 |
| | 206,507,637 | 194,217,077 |
| Remeasurement gains | 1,506,311 | - |
| Accumulated surplus | \$ 208,013,948 | \$ 194,217,077 |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

14. Reserves Set Aside for Specific Purpose by Council

| | 2023 | 2022 |
|--|--------------|---------------|
| Reserves | | |
| Working funds | \$ 2,051,716 | \$ 1,497,286 |
| Tax stabilization - general | 3,236,018 | 2,079,998 |
| WSIB | 3,025,594 | 2,618,673 |
| Current purposes | 250,000 | 250,000 |
| Capital purposes | 33,907,378 | 31,245,057 |
| Reserves set aside for specific purpose by Council | \$42,470,706 | \$ 37,691,014 |

15. Government Transfers

| | 2023 Budget | 2023 Actual | 2022 Actual |
|----------------------------|----------------|----------------|----------------|
| Operating | | | |
| Province of Ontario | \$ 61,801,290 | \$59,744,653 | \$ 51,055,440 |
| Government of Canada | 1,046,395 | 1,008,853 | 1,096,757 |
| Other Municipalities | 582,845 | 504,168 | 522,371 |
| Total operating transfers | 63,430,530 | 61,257,674 | 52,674,568 |
| Capital | | | |
| Province of Ontario | 3,397,334 | 3,153,464 | 1,780,669 |
| Government of Canada | 6,124,838 | 5,750,553 | 3,660,140 |
| Other Municipalities | 139,360 | - | - |
| Total capital transfers | 9,661,532 | 8,904,017 | 5,440,809 |
| Total government transfers | \$ 73,092,062 | \$70,161,691 | \$ 58,115,377 |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

16. 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 2023 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.

| | 2023 Budget | 2023 Actual | 2022 Actual |
|---|---------------------|---------------------|---------------------|
| Annual surplus (Page 5) | \$ 21,180,520 | \$12,290,560 | \$ 6,768,384 |
| Amortization | - | 12,684,074 | 12,152,072 |
| | <u>21,180,520</u> | <u>24,974,634</u> | <u>18,920,456</u> |
| Transfers to reserves | (5,495,091) | (12,795,895) | (10,652,536) |
| Transfers from reserves | 19,991,639 | 10,735,333 | 7,805,733 |
| | <u>14,496,548</u> | <u>(2,060,562)</u> | <u>(2,846,803)</u> |
| Capital acquisitions, disposals and write-down | (42,495,213) | (26,577,697) | (14,254,599) |
| Change in unfunded capital projects | 294,834 | 1,596,177 | (3,578,391) |
| Proceeds of long-term liabilities | 8,428,840 | - | 12,489,943 |
| Advances on debt | - | 4,489,131 | (7,132,197) |
| Debt principal repayments | (1,905,529) | (1,425,883) | (3,630,856) |
| | <u>(35,677,068)</u> | <u>(21,918,272)</u> | <u>(16,106,100)</u> |
| Change in unfunded liabilities | - | 1,936,129 | 526,761 |
| Unfunded economic recovery program | - | (212,799) | (213,431) |
| | <u>-</u> | <u>1,723,330</u> | <u>313,330</u> |
| Change in general surplus in the year | - | 2,719,130 | 280,883 |
| Transfer of current year surplus to reserves | - | (2,719,130) | (280,883) |
| General surplus | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

17. Financial Instruments

Financial Instrument Fair Value Measurement

The following table provides an analysis of financial instruments that are measured at fair value, using a fair value hierarchy of levels 1, 2 and 3. The levels reflect the significance of the inputs used in making the fair value measurements, as described below:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

| | 2023 | | | |
|-----------------------------|---------------------|---------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash | \$31,269,434 | \$ - | \$ - | \$31,269,434 |
| Encasa short-term bond fund | - | 3,214,030 | - | 3,214,030 |
| Principal protected notes | - | 19,443,660 | - | 19,443,660 |
| | <u>\$31,269,434</u> | <u>\$22,657,690</u> | <u>\$ -</u> | <u>\$53,927,124</u> |

Financial Instrument Risk Management

The County is exposed to credit risk, liquidity risk, interest rate risk and other price risk from its financial instruments. This note describes the County's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Credit Risk

The County is exposed to credit risk through its cash, investments, accounts receivable, and sustainability long-term receivables. There is the possibility of non-collection of trade and other receivables. The majority of the County's receivables are from ratepayers and government entities. For receivables, the County measures impairment of each receivable type based on how long the amounts have been outstanding, noting that some government ministries can take multiple years to complete funding reconciliations. The amounts outstanding at year end, which is the County's maximum exposure to credit risk related to receivables, were as follows:

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

17. Financial Instruments (continued)

| | 0 - 30 days | 31 - 90 days | 91 - 365 days | 1 to 2 years | 3 to 10 years |
|--------------------------------------|----------------------|---------------------|----------------------|---------------------|----------------------|
| Cash | \$ 31,269,434 | \$ - | \$ - | \$ - | - |
| Investments | - | - | 8,599,950 | 2,959,590 | 11,098,150 |
| Accounts receivables | 8,217,727 | 1,319,288 | 2,038,254 | 791,701 | 182,825 |
| Sustainability Long-term receivables | - | - | - | - | 155,908 |
| Total | \$ 39,487,161 | \$ 1,319,288 | \$ 10,638,204 | \$ 3,751,291 | \$ 11,436,883 |

Liquidity Risk

Liquidity risk is the risk that the County encounters difficulty in meeting its obligations as they fall due. The County has a planning and budgeting process in place to help determine the funds required to support the County's normal operating requirements on an ongoing basis. The County is exposed to liquidity risk through its advances on debt, accounts payable and accrued liabilities, and long-term liabilities. The County ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. Further, the County seeks to maintain an available line of credit balance as approved by the appropriate borrowing by-law to meet, at a minimum, expected requirements for a period of at least 90 days. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

| | Within 6 months | 6 months to 1 year | 1 - 5 years | Over 5 years |
|--|----------------------|----------------------|---------------------|----------------------|
| Accounts payable and accrued liabilities | \$ 19,919,563 | \$ 3,924,554 | \$ 943,116 | \$ - |
| Advances on debt | - | 5,293,535 | - | - |
| Long-term debt | 249,452 | 1,536,726 | 6,031,424 | 14,987,193 |
| Total financial liabilities | \$ 20,169,015 | \$ 10,754,815 | \$ 6,974,540 | \$ 14,987,193 |

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates. The County is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings. At December 31, 2023, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of the debt advance of \$52,935.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

17. Financial Instruments (continued)

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The County is exposed to other price risk through its investments in principal protected notes and pooled investments that are indexed to equity instruments, which causes fluctuation in the reported fair value of the County's investments from one period to the next.

The County manages its other price risk by diversifying its portfolio holdings to a variety of indices and primarily invests in assets that offer a principal protection guarantee in order to reduce the potential for financial losses. The County measures its exposure to other price risk based on investments valued less than the guaranteed amount. The County monitors the market values regularly to ensure that notes with a value below the principal are not cashed out before maturity.

A 1% increase or decrease in the market value of equities would increase or decrease the County's remeasurement gains by \$222,000. This sensitivity analysis was prepared on the basis that the principal amount of the investments has not changed compared to prior year.

There have not been any changes from the prior year in the County's exposure to other price risk or the policies, procedures and methods it uses to manage and measure the risk.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

18. Pension Agreements

The County makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 692 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 2023 was \$3,841,288 (2022 - \$3,361,119). The contribution rate for 2023 was 9.0% or 15.8% depending on income level (2022 - 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, 2023. The plan reported a \$4.2 billion actuarial deficit (2022 - \$6.7 billion deficit) at that time, based on actuarial liabilities of \$134.57 billion (2022 - \$128.8 billion) and actuarial assets of \$130.37 billion (2022 - \$122.1 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.

19. 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 the other actions is undeterminable at this time. The County is not aware of any possible settlements in excess of its liability insurance coverage.

20. Change in Accounting Estimate

During the year, the Corporation of the County of Bruce reviewed the estimated useful lives of its asset inventory and compared to current asset service lives. As a result, the County of Bruce has decreased the remaining useful life of unamortized rural road bases and bridge footings from 75 years to 60 years, and bridge decks from 25 years to 18 years. Other asset categories were also updated with less significant changes to estimated useful lives.

This change in policy has been applied prospectively as a change in accounting estimate and has resulted in an increase in amortization in the current year of approximately \$1,300,000.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

21. 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, 2023 indicates the following:

| | |
|--|-------------------|
| Principal payments on debentures during the year | \$ 152,490 |
| Interest payments on debentures during the year | <u>15,363</u> |
| Total | <u>\$ 167,853</u> |
| Debentures outstanding at year-end | <u>\$ 94,952</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) On April 7, 2022, the County approved borrowing up to \$10,000,000 to build a new Paramedic Station in Port Elgin. The total approved construction amount is \$8,230,000 plus HST. As at December 31, 2023, the project is estimated to be 89% complete and the remaining commitment as at December 31, 2023 is \$911,185.

22. Trust Funds

The long-term care trust funds administered by the County amounting to \$82,255 (2022 - \$83,336) 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.

23. Comparative Amounts

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

24. 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 and environmental sustainability 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, Child Care and employment services. 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.

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

24. 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.

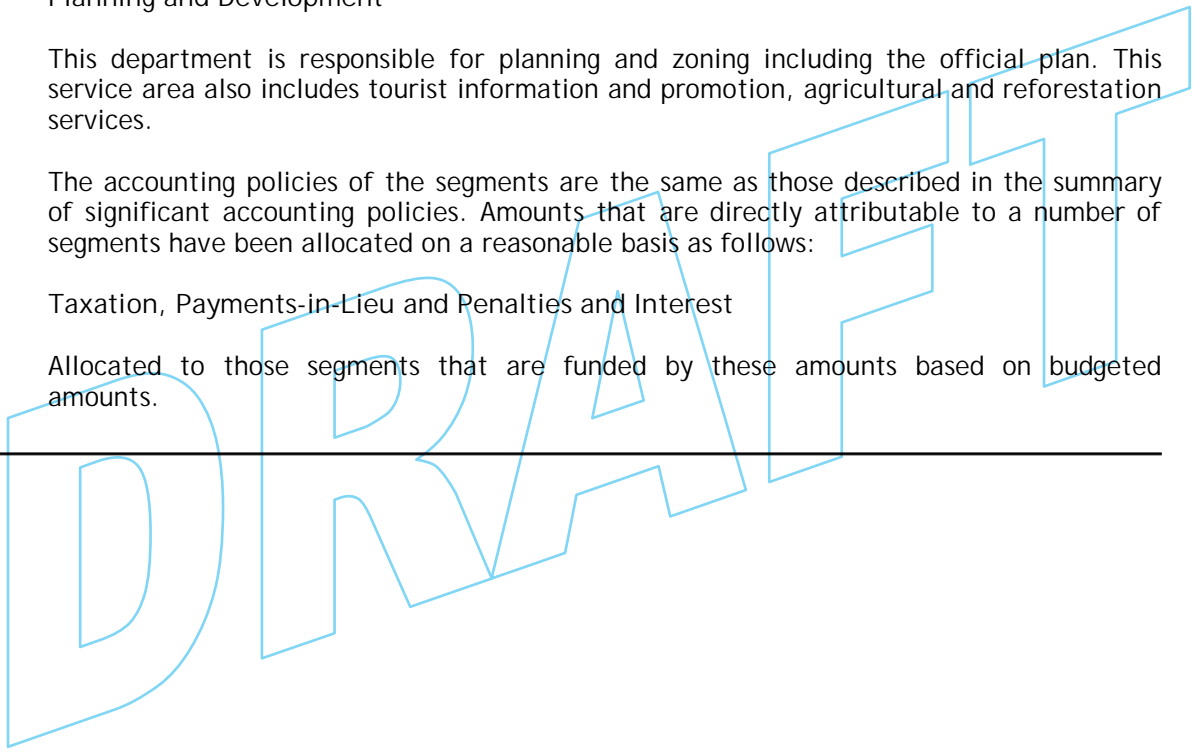
Planning and Development

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.



The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

| 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 | 2023 Total |
|------------------------------------|-----------------------------|--------------------------|----------------------------|--------------------------|----------------------------|----------------------------|----------------------------------|--------------------------|-----------------------------|
| Revenue | | | | | | | | | |
| Taxation | \$ 6,421,201 | \$ (23,878) | \$ 15,492,073 | \$ 384,547 | \$ 9,771,024 | \$ 20,119,903 | \$ 7,564,324 | \$ 4,260,977 | \$ 63,990,171 |
| Fees and user charges | 1,003,591 | - | 33,390 | - | 375 | 9,870,008 | 197,464 | 850,007 | 11,954,835 |
| Government transfers | 323,406 | - | 8,156,114 | - | 8,234,073 | 52,884,647 | 315,387 | 248,064 | 70,161,691 |
| Investment income | 1,457,441 | - | - | - | - | 69,088 | - | 2,852 | 1,529,381 |
| Other revenue | 22,045 | - | 83,518 | 74,507 | 773 | 981,543 | 64,643 | 1,139 | 1,228,168 |
| Donations | 20,000 | - | - | - | 1,900 | 63,207 | 122,286 | 10,500 | 217,893 |
| Gain or loss on disposal of assets | (2,659) | - | (412,070) | - | - | (7,860) | (559,245) | - | (981,834) |
| | <u>9,245,025</u> | <u>(23,878)</u> | <u>23,353,025</u> | <u>459,054</u> | <u>18,008,145</u> | <u>83,980,536</u> | <u>7,704,859</u> | <u>5,373,539</u> | <u>148,100,305</u> |
| Expenses | | | | | | | | | |
| Salaries and benefits | 7,265,069 | - | 4,492,411 | 83,511 | 11,809,141 | 29,641,947 | 4,962,287 | 3,035,442 | 61,289,808 |
| Interest on debt | 679,937 | - | - | - | - | - | - | - | 679,937 |
| Materials and supplies | 1,714,376 | - | 2,923,955 | 54,249 | 1,189,423 | 8,680,475 | 910,271 | 466,609 | 15,939,358 |
| Contracted services | 4,455,751 | 61,122 | 1,345,206 | 343,888 | 199,185 | 7,681,411 | 351,649 | 732,739 | 15,170,951 |
| Other transfers | 91,996 | - | 31,831 | - | 1,304,299 | 26,606,661 | 849,202 | 316,967 | 29,200,956 |
| Rents and financial expenses | (14,738) | - | 112,871 | 6,614 | 214,021 | 66,714 | 30,261 | 6,572 | 422,315 |
| Amortization | 721,728 | - | 7,023,512 | - | 664,959 | 3,311,209 | 956,846 | 5,820 | 12,684,074 |
| Accretion | 22,299 | - | 43,596 | - | - | 355,745 | 706 | - | 422,346 |
| | <u>14,936,418</u> | <u>61,122</u> | <u>15,973,382</u> | <u>488,262</u> | <u>15,381,028</u> | <u>76,344,162</u> | <u>8,061,222</u> | <u>4,564,149</u> | <u>135,809,745</u> |
| <i>Annual surplus (deficit)</i> | <u><i>\$(5,691,393)</i></u> | <u><i>\$(85,000)</i></u> | <u><i>\$ 7,379,643</i></u> | <u><i>\$(29,208)</i></u> | <u><i>\$ 2,627,117</i></u> | <u><i>\$ 7,636,374</i></u> | <u><i>\$(356,363)</i></u> | <u><i>\$ 809,390</i></u> | <u><i>\$ 12,290,560</i></u> |

The Corporation of the County of Bruce
Notes to Financial Statements

December 31, 2023

| 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 | 2022 Total |
|------------------------------------|-----------------------|---------------------|-------------------------|------------------------|---------------------|----------------------------|----------------------------------|--------------------------|---------------------|
| Revenue | | | | | | | | | |
| Taxation | \$ 5,054,845 | \$ (8,058) | \$ 14,176,201 | \$ 371,855 | \$ 8,671,130 | \$ 18,363,277 | \$ 7,765,287 | \$ 3,644,503 | \$ 58,039,039 |
| Fees and user charges | 852,871 | - | 36,905 | - | 300 | 9,000,199 | 164,889 | 916,592 | 10,971,756 |
| Government transfers | 1,483,169 | - | 4,770,523 | 66,735 | 7,992,231 | 43,019,783 | 558,915 | 224,021 | 58,115,377 |
| Investment income | 712,819 | - | - | - | - | (147,390) | - | 4,425 | 569,854 |
| Other revenue | 73,605 | - | 92,341 | - | - | 791,822 | 54,494 | 54,365 | 1,066,627 |
| Donations | 20,000 | - | - | 3,851 | 1,010 | 81,274 | 188,084 | 10,000 | 304,219 |
| Gain or loss on disposal of assets | (690) | - | 8,267 | - | 30,626 | (41,478) | (73) | (50) | (3,398) |
| | 8,196,619 | (8,058) | 19,084,237 | 442,441 | 16,695,297 | 71,067,487 | 8,731,596 | 4,853,856 | 129,063,474 |
| Expenses | | | | | | | | | |
| Salaries and benefits | 5,299,338 | - | 4,362,435 | 75,465 | 11,799,062 | 28,371,254 | 4,586,108 | 2,705,464 | 57,199,126 |
| Interest on debt | 766,354 | - | - | - | - | - | - | - | 766,354 |
| Materials and supplies | 1,182,017 | - | 3,130,813 | 42,121 | 1,228,564 | 8,723,412 | 787,346 | 608,640 | 15,702,913 |
| Contracted services | 4,719,667 | 56,942 | 1,177,328 | 324,381 | 135,878 | 8,674,909 | 464,579 | 505,660 | 16,059,344 |
| Other transfers | 88,374 | - | 63,037 | - | 1,259,547 | 17,656,869 | 358,921 | 193,006 | 19,619,754 |
| Rents and financial expenses | 5,787 | - | 77,013 | 7,454 | 182,357 | 51,308 | 52,041 | 16,334 | 392,294 |
| Amortization | 743,193 | - | 6,535,052 | 3,142 | 523,706 | 3,440,086 | 893,875 | 13,018 | 12,152,072 |
| Accretion | 21,291 | - | 41,622 | - | - | 339,646 | 674 | - | 403,233 |
| | 12,826,021 | 56,942 | 15,387,300 | 452,563 | 15,129,114 | 67,257,484 | 7,143,544 | 4,042,122 | 122,295,090 |
| Annual surplus (deficit) | \$ (4,629,402) | \$ (65,000) | \$ 3,696,937 | \$ (10,122) | \$ 1,566,183 | \$ 3,810,003 | \$ 1,588,052 | \$ 811,734 | \$ 6,768,384 |

APPENDIX B: INDEPENDENCE UPDATE



Tel: (519) 376-6110
Fax: 519-376-4741

BDO Canada LLP
1717 2nd Avenue East
Suite 300, P.O. Box 397
Owen Sound, Ontario
N4K 5P7

May 2, 2024

Members of the County Council
County of Bruce

Dear Members of the County Council:

We have been engaged to audit the consolidated financial statements of County of Bruce (the "County") for the year ended December 31, 2023.

Canadian generally accepted auditing standards 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, the standards require us to consider independence rules and interpretations of the CPA profession and relevant legislation.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since January 31, 2024, the date of our last letter.

We are aware of the following relationships between the County and us that, in our professional judgment, may reasonably be thought to have influenced our independence. The following relationships represent matters that have occurred from January 31, 2024 to May 2, 2024.

- We have provided advice and comments to management regarding several financial statement measurement, presentation and disclosure matters.
- We have provided assistance in the preparation of the consolidated financial statements, including adjusting journal entries and/or bookkeeping services. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the consolidated financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows in accordance with Canadian Public Sector Accounting Standards.
- We, therefore, required that the following safeguards be put in place related to the above:
 - Management provided us with a trial balance and draft consolidated financial statements, including notes, prior to completion of our audit.
 - Management created the source data for all the accounting entries.
 - Management developed any underlying assumptions required with respect to the accounting treatment and measurement of the 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 consolidated financial statements.

This letter is intended solely for the use of the County Council, management and those charged with governance of the County and should not be used for any other purpose.

Yours truly,

Chartered Professional Accountants, Licensed Public Accountants

APPENDIX C: REPRESENTATION LETTER

Corporation of the County of Bruce
The County of Bruce Library Board
Brucelea Haven Gateway Haven Resident Trust Funds
30 Park Street
Walkerton ON N0G 2V0

May 2, 2024

BDO Canada LLP
Chartered Professional Accountants
1717 2nd Avenue East
Suite 300, P.O. Box 397
Owen Sound Ontario
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, 2023, 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 October 13, 2023, 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.

- The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and/or disclosure that are reasonable in accordance with Canadian Public Sector Accounting Standards.
- 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. No material unadjusted misstatements were identified.

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

- Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements or has otherwise been disclosed to you.
- We have provided you with significant assumptions that in our opinion are reasonable and appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity when relevant to the use of fair value measurements or disclosures in the financial statements.
- 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.
- Of the claims that are in proceedings through our insurance company, there are no claims or possible claims that would exceed or not be covered by insurance coverage currently carried by the municipality.
- Evaluated all land and assets owned by the municipality or where the municipality has accepted responsibility for the land and assets as to whether there are sites in the Scope of PS 3260 Liability for Contaminated Sites or assets in the scope of PS 3280 Asset Retirement Obligation.
- Made available to you all financial records and related data relevant to the assessment of the liability for contaminated sites and asset retirement obligation.
- There are no contaminated sites within the Scope of PS 3260.
- Financial instruments have been appropriately classified for presentation purposes within the Scope of PS 3450.

Yours truly,

Signature

Position

Signature

Position

APPENDIX D: OUR AUDIT PROCESS

How we audit financial statements - Our six step audit process

IDENTIFY AND ASSESS RISK

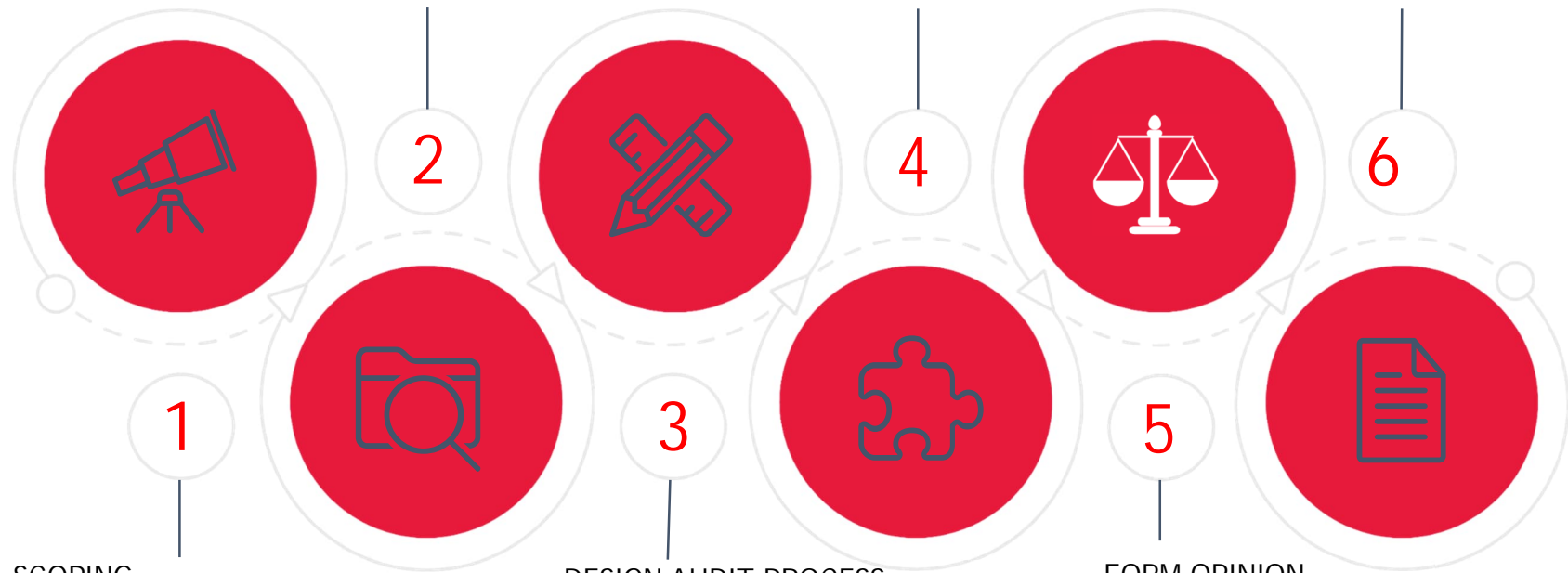
Focus on those areas of financial statements that contain potential material misstatements as a consequence of the risks you face

OBTAIN AUDIT EVIDENCE

Perform audit procedures while maintaining appropriate degree of professional skepticism, to conclude whether or not the financial statements are presented fairly

REPORT

Communicate our opinion and details of matters on which we are required to report



SCOPING

Complete a preliminary review to plan the audit, determine the materiality level, and define the audit scope

DESIGN AUDIT PROCESS

Design an appropriate audit strategy to obtain sufficient assurance and enable us to report on the financial statements

FORM OPINION

Evaluate whether we have enough evidence to conclude that the financial statements are free from material misstatement, and consider the effect of any potential misstatements found

Our System of Quality Management

The firm's system of quality management complies with the requirements set out in Canadian Standard on Quality Management 1 - Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (CSQM-1) as issued by the Auditing and Assurance Standards Board (AASB).

In addition to the requirements set out in CSQM 1, we have identified additional quality objectives and potential quality risks and have designed further policies and procedures to respond to these.

Taken together our system of quality management supports consistent performance of audit engagements by focusing on eight components that operate in an iterative and integrated manner. These include:



APPENDIX E: RESOURCES

Significant New Accounting Standards for 2023

Public Section Accounting Standards Update 2023

Important 2023 updates affecting year-ends now and future updates for 2024 and 2027 as well as Exposure Drafts in the discussion phase.

[Accounting standards update 2023 | BDO Canada](#)



New Section PS 3280, Asset Retirement Obligations

A practical guide for how to account for and report a liability for asset retirement obligations (ARO's).

[Asset Retirement Obligations \(ARO\): A Practical Approach to Section PS 3280 | BDO Canada](#)



New Section PS 3450, Financial Instruments

This standard establishes how to account for and report all types of financial instruments including financial assets, liabilities and equity instruments.

[A Guide to Accounting for Financial Instruments in the Public Sector | BDO Canada](#)



New Section PS 1201, Financial Statement Presentation

Guidance on the new structure and layout of financial statements prepared under PSAS including general reporting principles.

[Section PS 1201 - Financial Statement Presentation | BDO Canada](#)



BDO resources for public sector entities

Sector insights to shape your County:

At BDO, we help governments create efficient ways of working to achieve better outcomes for their citizens and public servants. From technology-based solutions to program development, advisory and audit, our team can guide you through critical strategic decisions to ensure you deliver on your vision, goals, and accountability expectations.

[Accounting & Advisory - Public Sector | BDO Canada](#)



Trending Topics

As a community of advisors with the best interests of our clients in mind, we keep our ear to the ground to bring insights and perspectives related to key business trends to you.

[Insight on current business issues and trends | BDO Canada](#)

