




MUNICIPALITY OF ARRAN-ELDERSLIE

AUDIT FINAL REPORT TO THE MEMBERS OF COUNCIL

May 23, 2023



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To the Members of Council of the Municipality of Arran-Elderslie

We are pleased to provide you with the results of our audit of Municipality of Arran-Elderslie (the "Municipality") consolidated financial statements for the year ended December 31, 2021.

The enclosed final report 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

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EXECUTIVE SUMMARY

Status of the Audit

As of the date of this report, we have substantially completed our audit of the 2021 consolidated financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our final audit report on the consolidated financial statements:

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

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the consolidated financial statements are free from material misstatement.

The scope of the work performed was substantially the same as that described in our Planning Report to the Members of Council dated March 5, 2022.

Independence

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

Materiality

As communicated to you in our Planning Report to the Members of Council preliminary materiality was \$310,000. Final materiality was updated to \$360,000 to reflect 3% of total average revenue.

Fraud Discussion

We are not aware of any fraud affecting the Municipality. 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 Municipality and key accounts as outlined in our Planning report to the Members of Council. There were no changes to our planning procedures. No additional risks were identified during the audit.

| Significant Risks of Material Misstatement | Audit Findings |
|--|--|
| Control Environment | 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. |
| Government Transfers | To address this risk we reconciled significant government transfers to their various government funding agreements and letters, reviewed funding agreements for deferred grants and reviewed minutes to ensure grant revenue listed was complete. No issues were noted in regards to grant revenue during our testing. |
| Purchases | To address this risk we reviewed a sample of invoices for department head authorization and agreed to the purchasing policy to ensure authorization was appropriate. |

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Municipality's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

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 Municipality. 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.

A summary of the key discussion points are as follows:

| Significant Financial Statement Disclosures | Audit Findings |
|---|--|
| Accumulated Surplus | A breakdown of the Municipality's accumulated surplus is included in Note 7. This includes the amount invested in capital assets, unfunded liabilities, reserves and reserve funds and also the general surplus which is required to be carried forward to the next year's budget. |
| Contingencies/Litigation Proceedings | We have discussed with management and they have indicated there are outstanding claims against the Municipality. These claims are disclosed in Note 15. |
| Commitments | Significant capital asset commitments have been disclosed in Note 16. |

| Significant Estimates and Judgements | Audit Findings |
|--|--|
| Post-Employment Benefits | The Municipality 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 Municipality engaged the services of an actuary. |
| Taxation revenue estimate | In accordance with PS 3510, amounts have been estimated for taxable events that have occurred but have not yet been assessed. The estimate was based on trend analysis by year for supplemental taxation billings and write-offs for the last 3 years; and knowledge of potential reassessments. |
| Liability for Contaminated Sites | Management compiled a list of all properties owned by the Municipality or where the Municipality has accepted responsibility for the property and assessed whether each property was contaminated. |
| Solid Waste Landfill Closure and Post-closure Liabilities. | Amounts have been estimated for closure and post-closure costs. The estimates were calculated based on correspondence with engineers and used the same approach to value the landfill liability as in the prior year. |

INTERNAL CONTROL MATTERS

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

- ▶ Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- ▶ Discussed and considered potential audit risks with management.
- ▶ Tested the operating effectiveness of controls in the payroll and purchase transaction stream.

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

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

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

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

We have prepared a letter to management to highlight amounts in the accounting records and to suggest efficiencies in processes and preparation of audit working papers.

ADJUSTED AND UNADJUSTED DIFFERENCES

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

No unadjusted differences were identified during the audit.

APPENDIX A: INDEPENDENT AUDITOR'S REPORT

The Corporation of the
Municipality of Arran-Elderslie
Financial Information
December 31, 2021

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The Corporation of the Municipality of Arran-Elderslie
Financial Information
December 31, 2021

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Financial Statements
For the year ended December 31, 2021

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Arran-Elderslie

Qualified Opinion

We have audited the accompanying consolidated financial statements of the Corporation of the Municipality of Arran-Elderslie (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations and accumulated surplus, changes in net financial assets 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, except for the potential effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2021 and the consolidated results of its operations, consolidated changes in net financial assets and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The Municipality's summary of significant accounting policies describes the tangible capital asset policy with respect to its tangible assets. It has been determined that adjustments are required to water, sewer and road assets but the Municipality has not yet gathered the necessary information. In addition, the impact of the adjustment to the opening 2019 capital asset balances was not susceptible to satisfactory audit verification. As a result, we have been unable to determine whether further adjustments to the amounts recorded are necessary for the years ended December 31, 2021 and 2020.

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 Municipality 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 qualified opinion.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for



such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Municipality'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 Municipality'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 Municipality'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 Municipality 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 Municipality 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
May 23, 2023

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The Corporation of the Municipality of Arran-Elderslie

Consolidated Statement of Financial Position

| December 31 | 2021 | 2020 |
|---|---------------------|----------------------|
| Financial assets | | |
| Cash and investments (Note 1) | \$21,949,321 | \$ 20,524,772 |
| Taxes receivable | 989,186 | 1,312,314 |
| Trade and other receivables | 842,532 | 663,490 |
| Inventory held for resale | 5,229 | 3,286 |
| Long-term receivables (Note 2) | 340,863 | 412,702 |
| | <u>24,127,131</u> | <u>22,916,564</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 1,508,476 | 1,133,281 |
| Solid waste closure and post-closure liabilities (Note 4) | 161,935 | 180,677 |
| Post-employment benefits liabilities (Note 10) | 377,749 | 364,214 |
| Deferred revenue (Page 29) | 1,074,409 | 732,766 |
| Long-term liabilities (Note 5) | 328,821 | 387,581 |
| | <u>3,451,390</u> | <u>2,798,519</u> |
| Net financial assets | <u>20,675,741</u> | <u>20,118,045</u> |
| Non-financial assets | | |
| Inventory of supplies | 76,367 | 65,327 |
| Prepaid expenses | 80,425 | 20,222 |
| Tangible capital assets (Note 6) | 39,476,756 | 37,980,883 |
| | <u>39,633,548</u> | <u>38,066,432</u> |
| Accumulated surplus (Note 7) | <u>\$60,309,289</u> | <u>\$ 58,184,477</u> |

The Corporation of the Municipality of Arran-Elderslie
Consolidated Statement of Operations and Accumulated Surplus

| For the year ended December 31 | 2021 Budget (Note 9) | 2021 Actual | 2020 Actual |
|--|----------------------------|---------------------|----------------------|
| Revenue | | | |
| Taxation | \$ 5,598,307 | \$ 5,621,864 | \$ 5,398,462 |
| Fees and user charges | 3,954,986 | 4,044,375 | 3,722,720 |
| Government transfers (Note 11) | 3,963,514 | 2,655,164 | 2,747,728 |
| Other income (Note 12) | 803,328 | 847,952 | 922,586 |
| | <u>14,320,135</u> | <u>13,169,355</u> | <u>12,791,496</u> |
| Expenses | | | |
| General government | 1,193,704 | 1,324,304 | 1,236,152 |
| Protection services | 2,193,083 | 2,158,664 | 2,164,464 |
| Transportation services | 2,266,826 | 3,227,222 | 3,285,678 |
| Environmental services | 1,422,332 | 2,255,684 | 2,139,535 |
| Health services | 158,972 | 198,346 | 186,047 |
| Recreation and cultural services | 1,614,207 | 1,506,961 | 1,396,695 |
| Planning and development | 376,429 | 373,362 | 268,254 |
| | <u>9,225,553</u> | <u>11,044,543</u> | <u>10,676,825</u> |
| Annual surplus (Note 9) | 5,094,582 | 2,124,812 | 2,114,671 |
| Accumulated surplus, beginning of the year | <u>56,069,806</u> | <u>58,184,477</u> | <u>56,069,806</u> |
| Accumulated surplus, end of the year | <u>\$ 61,164,388</u> | <u>\$60,309,289</u> | <u>\$ 58,184,477</u> |

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

The Corporation of the Municipality of Arran-Elderslie
Consolidated Statement of Changes in Net Financial Assets

| For the year ended December 31 | 2021 Budget (Note 9) | 2021 Actual | 2020 Actual |
|---|----------------------------|----------------|----------------|
| Annual surplus (Page 6) | \$ 5,094,582 | \$ 2,124,812 | \$ 2,114,671 |
| Acquisition of tangible capital assets | (6,901,403) | (3,636,243) | (2,981,170) |
| Amortization of tangible capital assets | - | 2,054,018 | 2,074,502 |
| Loss on sale of tangible capital assets | - | 66,697 | 48 |
| Proceeds on disposal of capital assets | - | 19,655 | - |
| | (6,901,403) | (1,495,873) | (906,620) |
| Change in prepaid expenses | - | (60,203) | (1,696) |
| Change in inventories of supplies | - | (11,040) | (10,533) |
| | - | (71,243) | (12,229) |
| Increase in net financial assets | (1,806,821) | 557,696 | 1,195,822 |
| Net financial assets, beginning of the year | 20,118,045 | 20,118,045 | 18,922,223 |
| Net financial assets, end of the year | \$ 18,311,224 | \$ 20,675,741 | \$ 20,118,045 |

The Corporation of the Municipality of Arran-Elderslie

Consolidated Statement of Cash Flows

| For the year ended December 31 | 2021 | 2020 |
|---|---------------------|----------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Annual surplus (Page 6) | \$ 2,124,812 | \$ 2,114,671 |
| Items not involving cash | | |
| Solid waste closure and post-closure liabilities | (18,742) | (37,713) |
| Amortization | 2,054,018 | 2,074,502 |
| Post-employment benefits liabilities | 13,535 | 23,277 |
| Deferred revenue recognized | (468,993) | (709,700) |
| Change in prepaid expenses | (60,203) | (1,696) |
| Loss on sale of capital assets | 66,697 | 48 |
| | <u>3,711,124</u> | <u>3,463,389</u> |
| Changes in non-cash working capital balances | | |
| Taxes receivable | 323,128 | (132,209) |
| Trade and other receivables | (179,042) | 102,018 |
| Inventory held for resale | (1,943) | 11,721 |
| Inventory of supplies | (11,040) | (10,533) |
| Accounts payable and accrued liabilities | 375,195 | (242,474) |
| Deferred revenue received | 810,636 | 551,607 |
| | <u>5,028,058</u> | <u>3,743,519</u> |
| Capital transactions | | |
| Cash used to acquire capital assets | (3,636,243) | (2,981,170) |
| Proceeds on sale of capital assets | 19,655 | - |
| | <u>(3,616,588)</u> | <u>(2,981,170)</u> |
| Investing activities | | |
| Increase in long-term receivables | (41,500) | (93,100) |
| Repayment of long-term receivables | 113,339 | 44,437 |
| Change in investments | (1,412,627) | (417,050) |
| | <u>(1,340,788)</u> | <u>(465,713)</u> |
| Financing activities | | |
| Additions to long-term liabilities | 41,500 | 93,100 |
| Repayment of long-term liabilities | (100,260) | (44,697) |
| | <u>(58,760)</u> | <u>48,403</u> |
| Net change in cash and cash equivalents | 11,922 | 345,039 |
| Cash and cash equivalents, beginning of the year (Note 1) | <u>11,407,883</u> | <u>11,062,844</u> |
| Cash and cash equivalents, end of the year (Note 1) | <u>\$11,419,805</u> | <u>\$ 11,407,883</u> |

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

The Corporation of the Municipality of Arran-Elderslie

Summary of Significant Accounting Policies

December 31, 2021

Management Responsibility

Management of the Corporation of the Municipality of Arran-Elderslie has prepared and is responsible for the integrity, objectivity and accuracy of the financial information presented in these consolidated financial statements. Council reviews and approves the consolidated financial statements.

Basis of Accounting

The consolidated financial statements of the Corporation of the Municipality of Arran-Elderslie 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.

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.

A government partnership exists where the municipality has shared control over the board or entity. The municipality's pro-rata share of the assets, liabilities, revenues and expenses are reflected in the financial statements using the proportionate consolidation method. The municipality's proportionate interest of the following government partnerships are reflected in the consolidated financial statements:

| | |
|--|--------|
| Chesley and District Fire Board | 65.70% |
| Bruce Area Solid Waste Recycling Association | 8.73% |
| Saugeen Mobility and Regional Transit | 7.20% |

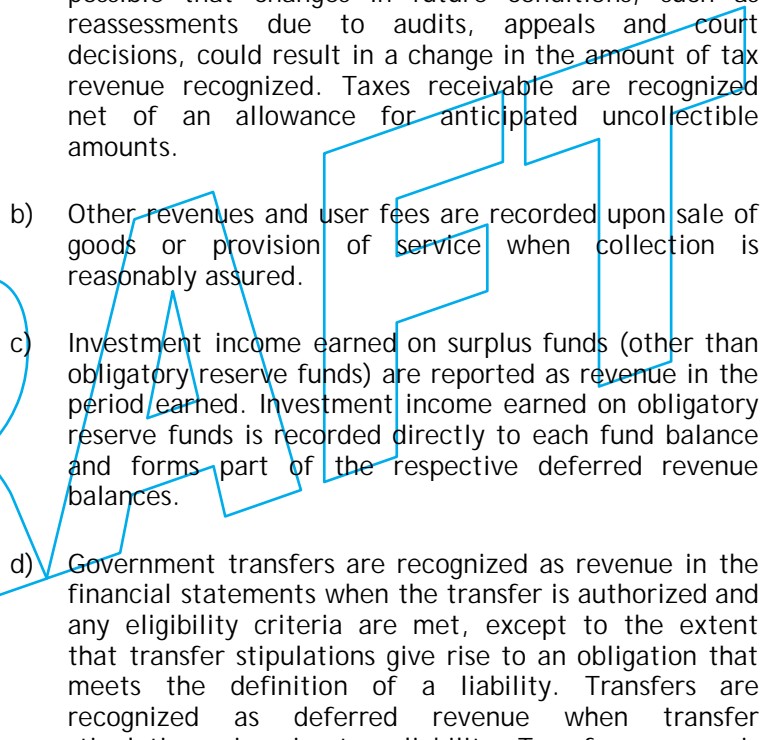
The Corporation of the Municipality of Arran-Elderslie

Summary of Significant Accounting Policies

December 31, 2021

Revenue Recognition

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 uncollectible amounts.
 - b) Other revenues and user fees are recorded upon sale of goods or provision of service when collection is reasonably assured.
 - c) Investment income earned on surplus funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is recorded directly to each fund balance and forms part of the respective deferred revenue balances.
 - d) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.
 - e) Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of financial activities in the year in which it is used for the specified purpose.

The Corporation of the Municipality of Arran-Elderslie

Summary of Significant Accounting Policies

December 31, 2021

| | |
|---|--|
| Cash and Cash Equivalents | Cash and cash equivalents include all cash balances and highly liquid investments that are readily converted into cash. |
| Investments | Investments are recorded at the cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value. |
| Inventory | <p>Inventory of goods held for resale is recorded at net realizable value.</p> <p>Inventory held for consumption is recorded at the lower of cost and replacement cost.</p> |
| Post-Employment Benefits | <p>The municipality provides post-employment health, dental, travel, 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.</p> <p>The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit plan, are expensed when contributions are due.</p> |
| Solid Waste Landfill Closure and Post-Closure Costs | Site closure and post-closure care costs are recognized over the operating life of the landfill based on capacity used. The liability is recorded at its discounted value, based on the average long-term borrowing rate of the municipality. |
| 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. A liability of \$30,000 has been accrued. |

The Corporation of the Municipality of Arran-Elderslie

Summary of Significant Accounting Policies

December 31, 2021

Tangible Capital Assets

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

| | |
|---------------------------------|---------------|
| Land improvements | 40 years |
| Buildings | 40 years |
| Equipment | 5 to 15 years |
| Roads - paved | 15 - 20 years |
| Roads - gravel | 10 years |
| Water and other utility systems | 30 - 80 years |
| Bridges and culverts | 20 - 50 years |
| Vehicles | 5 to 12 years |

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

County and School Board

The municipality collects taxation revenue on behalf of the school boards and the County of Bruce. The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Bruce are not reflected in these financial statements.

Trust Funds

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

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. Estimates are used when accounting for items such as accrued grant receivables, useful life of assets, accrued liabilities, post-employment benefits, solid waste landfill closure and post-closure costs, liabilities for contaminated sites and taxation revenue. 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.

The Corporation of the Municipality of Arran-Elderslie

Notes to Consolidated Financial Statements

December 31, 2021

1. Cash and Investments

| | 2021 | 2020 |
|----------------------------------|---------------------|----------------------|
| Cash | \$10,677,435 | \$ 10,670,314 |
| Cash - Restricted | 742,370 | 737,569 |
| | 11,419,805 | 11,407,883 |
| Principal protected notes (cost) | 10,500,000 | - |
| Investments - GIC's | - | 8,982,000 |
| Investments - Restricted GIC's | 29,516 | 49,388 |
| Accrued interest | - | 85,501 |
| | <u>\$21,949,321</u> | <u>\$ 20,524,772</u> |

On December 31, 2021, the Municipality had bank accounts of \$11,095,639, GIC's of \$49,388 and principal protected notes of \$10,500,000 in one chartered bank. The Canadian Deposit Insurance Corporation insures deposits to a maximum of \$100,000 per depositor.

The bank account earns interest at the average prime rate less 1.75%. The restricted investments are GIC's with interest rates between 0.35% and 2.4% and mature between October 2022 and January 2023.

The principal protected notes entitles the investor to repayment at maturity of the principal amount in addition to variable interest based on various percentages of performance of various Solactive Canada indexes. The variable interest has maximum payable percentages. The notes are designed to replicate investing strategies of lower risk long term capital gains. These notes have full principal protection at maturity. The maturity dates for the notes range from 2024 to 2028. Market value at Dec 31, 2021 was \$10,407,890.

2. Long-Term Receivables

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Tile drainage loans, 6%, due 2022 to 2031 | \$ 328,821 | \$ 387,581 |
| Kinette Club | 12,042 | 25,121 |
| | <u>\$ 340,863</u> | <u>\$ 412,702</u> |

3. Temporary Borrowings

The Municipality of Arran Elderslie has a demand operating facility with interest charged at prime minus 0.5% per annum. This facility is secured by a current borrowing by-law. At December 31, 2021, the municipality had a \$2,000,000 unused operating facility.

The Corporation of the Municipality of Arran-Elderslie

Notes to Consolidated Financial Statements

December 31, 2021

4. Solid Waste Closure and Post-Closure Liabilities

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance.

The liability for the Chesley Landfill site is recorded at \$145,213 and represents the present value of estimated post-closure costs using a discount rate of 3.74%. There is no remaining fill capacity available and the Chesley Landfill was closed to the public in 2012. Post-closure care is estimated to continue for a period of 16 years.

The Arran Landfill site was expanded and assumed landfilling operations for the entire Municipality on October 1, 2012. The useable area was divided into five phases, each requiring separate approval with Plans of Development for each phase. Currently, only Phases I and II have a Plan of Development and Operation (PDO). The liability for Phase I and II of the Arran Landfill site is recorded at \$16,722 and represents the present value of closure and post-closure costs for 29% of the current site's capacity, using the municipality's average long-term borrowing rate of 3.74%. The liability is recorded based on the capacity of the landfill used to date. The total estimated future expenditures for closure and post-closure care are \$896,456. The estimated remaining open capacity of Phases I and II is approximately 175,000 cubic meters, which will be filled in 55 years. Post-closure care is estimated to continue for a period of 20 years.

The liabilities have been partially funded through budget allocations.

5. Long-Term Liabilities

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

| | 2021 | 2020 |
|---|------------|------------|
| Tile drainage loans, 6%, due 2022 to 2031 | \$ 328,821 | \$ 387,581 |

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

| | |
|------------|-------------------|
| 2022 | 57,235 |
| 2023 | 60,669 |
| 2024 | 53,793 |
| 2025 | 36,640 |
| Thereafter | 48,967 |
| | <u>\$ 328,821</u> |

Interest paid during the year totalled \$23,111 (2020 - \$27,306).

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2021

6. Tangible Capital Assets

| | 2021 | | | | | | | | |
|---|--------------------------|--------------|--------------|---------------|---------------------------------------|----------------------------|--------------|---------------------|---------------|
| | Land and Improvements | Buildings | Equipment | Roads | Water and Other Utility Systems | Bridges and Culverts | Vehicles | Work in Progress | Total |
| Cost, beginning of the year | \$ 1,064,607 | \$ 7,273,703 | \$ 2,546,258 | \$ 46,328,263 | \$ 32,906,960 | \$ 9,133,241 | \$ 7,254,855 | \$ 284,850 | \$106,792,737 |
| Additions | 40,694 | 469,962 | 562,454 | 665,544 | 1,106,179 | 14,791 | 105,507 | 671,112 | 3,636,243 |
| Disposals | - | - | - | - | - | - | (545,185) | - | (545,185) |
| Transfers | (2,385) | 2,385 | - | - | 26,209 | - | (26,209) | - | - |
| Cost, end of the year | 1,102,916 | 7,746,050 | 3,108,712 | 46,993,807 | 34,039,348 | 9,148,032 | 6,788,968 | 955,962 | 109,883,795 |
| Accumulated amortization, beginning of the year | 149,749 | 4,494,447 | 1,601,871 | 38,903,372 | 13,864,559 | 4,861,396 | 4,936,460 | - | 68,811,854 |
| Amortization | 29,302 | 162,480 | 187,464 | 612,859 | 617,938 | 174,172 | 269,803 | - | 2,054,018 |
| Disposals | - | - | - | - | - | - | (458,833) | - | (458,833) |
| Transfers | (1,093) | 1,093 | - | - | 26,209 | - | (26,209) | - | - |
| Accumulated amortization, end of the year | 177,958 | 4,658,020 | 1,789,335 | 39,516,231 | 14,508,706 | 5,035,568 | 4,721,221 | - | 70,407,039 |
| Net carrying amount, end of the year | \$ 924,958 | \$ 3,088,030 | \$ 1,319,377 | \$ 7,477,576 | \$ 19,530,642 | \$ 4,112,464 | \$ 2,067,747 | \$ 955,962 | \$ 39,476,756 |

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2021

6. Tangible Capital Assets - (continued)

| | | | | | | | | | 2020 (restated) |
|--|--------------------------|--------------|--------------|---------------|---------------------------------------|----------------------------|--------------|---------------------|--------------------|
| | Land and Improvements | Buildings | Equipment | Roads | Water and Other Utility Systems | Bridges and Culverts | Vehicles | Work in Progress | Total |
| Cost, beginning of the year | \$ 867,469 | \$ 7,005,528 | \$ 2,278,494 | \$ 45,678,679 | \$ 32,068,862 | \$ 8,795,042 | \$ 6,437,726 | \$ 711,433 | \$103,843,233 |
| Additions | 162,858 | 93,219 | 155,541 | 649,584 | 682,613 | 338,199 | 553,977 | 345,179 | 2,981,170 |
| Disposals | - | - | - | - | - | - | (31,666) | - | (31,666) |
| Transfers | 34,280 | 174,956 | 112,223 | - | 155,485 | - | 294,818 | (771,762) | - |
| Cost, end of the year | 1,064,607 | 7,273,703 | 2,546,258 | 46,328,263 | 32,906,960 | 9,133,241 | 7,254,855 | 284,850 | 106,792,737 |
| Accumulated amortization, beginning of the year | 122,198 | 4,347,423 | 1,449,752 | 38,199,170 | 13,260,964 | 4,689,250 | 4,700,213 | - | 66,768,970 |
| Amortization | 27,551 | 147,024 | 152,119 | 704,202 | 603,595 | 172,146 | 267,865 | - | 2,074,502 |
| Disposals | - | - | - | - | - | - | (31,618) | - | (31,618) |
| Accumulated amortization, end of the year | 149,749 | 4,494,447 | 1,601,871 | 38,903,372 | 13,864,559 | 4,861,396 | 4,936,460 | - | 68,811,854 |
| Net carrying amount, end of the year | \$ 914,858 | \$ 2,779,256 | \$ 944,387 | \$ 7,424,891 | \$ 19,042,401 | \$ 4,271,845 | \$ 2,318,395 | \$ 284,850 | \$ 37,980,883 |

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2021

6. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction or development is \$955,962 (2020 - \$284,850).

7. Accumulated Surplus

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

| | 2021 | 2020 |
|---|---------------------|----------------------|
| Invested in tangible capital assets | | |
| Tangible capital assets at cost less amortization | \$39,476,756 | \$ 37,980,883 |
| Unfunded post-employment benefits | (377,749) | (364,214) |
| Unfunded solid waste closure and post-closure costs | 3,103 | (15,639) |
| Fire surplus | 277 | 277 |
| Bruce Area Solid Waste Recycling (B.A.S.W.R.) | 21,866 | 13,235 |
| | 39,124,253 | 37,614,542 |
| Reserves and reserve funds (Note 8) | 21,185,036 | 20,569,935 |
| Accumulated surplus | <u>\$60,309,289</u> | <u>\$ 58,184,477</u> |

As per resolution of Council the general 2021 operating surplus of \$45,750 was transferred to working capital reserve.

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2021

8. Reserves and Reserve Funds Set Aside for Specific Purpose by Council

| | 2021 | 2020 |
|---|--------------|---------------|
| Reserves | | |
| Working funds | \$ 3,340,041 | \$ 3,000,474 |
| Sick leave | 533,520 | 521,687 |
| Sewer | 3,689,781 | 3,612,679 |
| Water | 7,956,481 | 7,862,936 |
| Capital purposes | 5,606,038 | 5,407,277 |
| | 21,125,861 | 20,405,053 |
| Reserve funds | | |
| Capital purposes | 59,175 | 164,882 |
| Reserves and reserve funds set aside for specific purpose by Council | \$21,185,036 | \$ 20,569,935 |

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The Corporation of the Municipality of Arran-Elderslie

Notes to Financial Statements

December 31, 2021

9. Budgets

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statements of operations and accumulated surplus and changes in net financial assets for comparative purposes. The 2021 budget amounts for the Corporation of the Municipality of Arran-Elderslie approved by Council have been restated to conform to the presentation of the consolidated statements of operations and accumulated surplus and changes in net financial assets. The following is a reconciliation of the budget approved by Council.

| | 2021 Budget | 2021 Actual | 2020 Actual |
|--|----------------|----------------|----------------|
| Annual surplus (Page 7) | \$ 5,094,582 | \$ 2,124,812 | \$ 2,114,671 |
| Amortization | - | 2,054,018 | 2,074,502 |
| Change in other surpluses | - | (8,631) | (18,581) |
| Change in unfunded liabilities | - | (5,207) | (14,436) |
| | 5,094,582 | 4,164,992 | 4,156,156 |
| Transfers to reserves from operations | (3,350,052) | (4,306,838) | (3,624,767) |
| Transfers from reserves for operations | 540,584 | 846,002 | 565,501 |
| Transfers from reserves for capital | 4,616,289 | 5,472,015 | 4,276,560 |
| Transfer unspent capital to reserves | - | (2,580,530) | (2,156,040) |
| Capital acquisitions, disposals and write-down | (6,901,403) | (3,549,891) | (2,981,122) |
| Current year general operating surplus before transfers to reserve | - | 45,750 | 236,288 |
| Transfer of current year general operating surplus to reserve per resolution | - | (45,750) | (236,288) |
| | - | - | - |
| Prior year accumulated general surplus | - | - | 208,119 |
| Transfer of prior year general operating surplus to reserve per resolution | - | - | (208,119) |
| Accumulated general surplus (Note 7) | \$ - | \$ - | \$ - |

The Corporation of the Municipality of Arran-Elderslie

Notes to Financial Statements

December 31, 2021

10. Post-Employment Benefit Liabilities

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Accumulating sick leave (unamortized gain \$77,237) | \$ 302,299 | \$ 287,408 |
| Post-employment benefits (unamortized gain \$35,217) | 75,450 | 76,806 |
| | <u>\$ 377,749</u> | <u>\$ 364,214</u> |

- a) The municipality provides its employees with an accumulating sick leave plan which allows employees to use days accumulated in prior years, and allows for partial payout upon death, termination or retirement.

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Sick leave liability, beginning of the year | \$ 287,408 | \$ 262,775 |
| Amortization of actuarial gain | (7,725) | (3,653) |
| Current year benefit expense | 15,780 | 21,212 |
| Interest accrued | 6,836 | 9,461 |
| Benefits paid | - | (2,387) |
| Sick leave liability, end of the year | <u>\$ 302,299</u> | <u>\$ 287,408</u> |

As per the collective agreement, the unused portion of annual earned sick leave days plus interest, is accumulated in a reserve account. The reserve tracks the number and dollar value of the unused days for each employee. When an employee ceases to work for the municipality, the employee receives 50% of the value credited in the reserve for that employee. The estimated liability at December 31, 2021 is \$302,299. The reserve account maintained by the municipality at December 31, 2021 per the agreement is \$533,520 and any future sick leave payouts will be funded from the reserve.

- b) The municipality pays certain health, dental, travel and life insurance benefits on behalf of its retired members to the age of 70. The municipality recognizes these post-employment costs in the period in which the employees rendered the services. The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 3.25%. For future salaries, a 2.75% annual rate of increase was used for 2021 and forward. For dental and travel premiums, a 3.75% annual rate of increase was assumed for 2020 and forward. For health care premiums, a 5.75% increase was used for 2021 and decreasing .33% until 2027 where 3.75% was used thereafter.

| | 2021 | 2020 |
|--|------------------|------------------|
| Accrued benefit liability, beginning of the year | \$ 76,806 | \$ 78,162 |
| Amortization of actuarial gain | (4,768) | (4,059) |
| Current year benefit expense | 2,343 | 2,197 |
| Interest accrued | 1,463 | 1,752 |
| Benefit payments | (394) | (1,246) |
| Accrued benefit liability, end of the year | <u>\$ 75,450</u> | <u>\$ 76,806</u> |

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2021

11. Government Transfers

| | 2021 Budget | 2021 Actual | 2020 Actual |
|---|----------------|----------------|----------------|
| Operating | | | |
| Ontario Municipal Partnership Fund (OMPF) | \$ 1,592,400 | \$ 1,592,400 | \$ 1,574,000 |
| Public Works | 35,000 | 27,874 | 32,177 |
| Sewer and water | - | - | 10,862 |
| Other | 51,000 | 416,211 | 438,972 |
| Total operating transfers | 1,678,400 | 2,036,485 | 2,056,011 |
| Tangible Capital Asset | | | |
| Federal Gas Tax | 634,127 | 452,917 | 627,829 |
| Ontario Community Infrastructure Fund | 195,329 | 5,758 | 4,671 |
| Public Works | 655,757 | 42,582 | 42,171 |
| Recreation | 799,901 | 98,565 | 17,046 |
| Other | - | 18,857 | - |
| Total tangible capital asset transfers | 2,285,114 | 618,679 | 691,717 |
| Total Transfers | \$ 3,963,514 | \$ 2,655,164 | \$ 2,747,728 |

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The Corporation of the Municipality of Arran-Elderslie

Notes to Financial Statements

December 31, 2021

12. Other Income

| | 2021 Budget | 2021 Actual | 2020 Actual |
|------------------------------------|-------------------|-------------------|-------------------|
| Penalties and interest on taxation | \$ 150,000 | \$ 166,698 | \$ 112,623 |
| Other fines and penalties | 800 | 896 | 315 |
| Investment income | 272,027 | 136,486 | 270,878 |
| Licenses, permits and rents | 338,318 | 416,194 | 309,296 |
| Donations | 36,100 | 112,101 | 193,601 |
| Local improvement special charges | 4,161 | 33,275 | 29,566 |
| Loss on disposal of capital assets | - | (66,697) | (48) |
| Other | 1,922 | 48,999 | 6,355 |
| | <u>\$ 803,328</u> | <u>\$ 847,952</u> | <u>\$ 922,586</u> |

13. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 36 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement 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 employer amount contributed to OMERS for 2021 by the Municipality was \$219,511 (2020 - \$229,836). The contribution rate for 2021 was 9.0% to 15.8% depending on age and income level (2020 - 9.0% to 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 Municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2021. At that time the plan reported a \$3.1 billion actuarial deficit (2020 - \$3.2 billion), based on actuarial liabilities of \$119.3 billion (2020 - \$111.8 billion) and actuarial assets of \$116.2 billion (2020 - \$108.6 billion). Ongoing adequacy of the current contribution rates will need to be monitored as declines in financial markets may lead to increased future funding requirements.

14. Operations of School Boards and the County of Bruce

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Bruce:

| | 2021 | 2020 |
|-----------------|---------------------|---------------------|
| School boards | \$ 1,396,196 | \$ 1,441,730 |
| County of Bruce | 3,040,640 | 2,888,522 |
| | <u>\$ 4,436,836</u> | <u>\$ 4,330,252</u> |

The Corporation of the Municipality of Arran-Elderslie

Notes to Financial Statements

December 31, 2021

15. Contingencies

The Municipality has been served with a claim as a result of a motor vehicle accident. The outcome of this claim is not determinable at this time.

The Municipality has been served with claims relating to building codes and other property matters. The Municipality is not aware of any possible settlements in excess of its liability insurance coverage. The outcome of these claims are not determinable at this time.

16. Commitments

As of December 31, the Municipality has committed to various capital projects with a total cost of \$419,840 of which \$Nil was paid in the year and \$419,840 is still to be paid.

Arran-Elderslie has approved a cost sharing agreement with the County of Bruce for the Teeswater bridge and roadwork. Subsequent to the year-end the County approved the commencement of the capital project in the amount of \$9.6 million. Arran-Elderslie's share of the costs is estimated at \$1.1 million. The work is expected to be completed 2022 to 2024.

17. Trust Funds

The trust funds administered by the Municipality amounting to \$568,573 (2020 - \$553,810) have not been included in the consolidated statement of financial position, nor have the operations been included in the consolidated statement of financial activities.

18. Bruce Area Solid Waste Recycling

The following summarizes the financial position and operations of Bruce Area Solid Waste Recycling, which is a Joint Board of Management of which Arran-Elderslie has a 8.73% interest. The Bruce Area Solid Waste Recycling has been consolidated into these financial statements.

| | 2021 | 2020 |
|----------------------|---------------------|---------------------|
| Financial assets | \$ 2,438,898 | \$ 2,517,711 |
| Liabilities | 354,286 | 256,318 |
| Net financial assets | 2,084,612 | 2,261,393 |
| Non-financial assets | 1,444,615 | 1,398,521 |
| Accumulated surplus | <u>\$ 3,529,227</u> | <u>\$ 3,659,914</u> |
| Revenues | 3,608,239 | 3,007,471 |
| Expenses | <u>3,738,926</u> | <u>3,193,011</u> |
| Annual deficit | <u>\$ (130,687)</u> | <u>\$ (185,540)</u> |

The Corporation of the Municipality of Arran-Elderslie

Notes to Financial Statements

December 31, 2021

19. Chesley and District Fire Board

The following summarizes the financial position and operations of the Chesley and District Fire Board, which the Municipality funds through a service agreement. The Chesley District Fire Board has been consolidated into these financial statements. The Municipality's proportionate share is 65.70%.

| | 2021 | 2020 |
|----------------------|------------|-------------|
| Financial assets | \$ 31,917 | \$ 11,347 |
| Liabilities | 9,932 | 7,110 |
| Net financial assets | 21,985 | 4,237 |
| Non-financial assets | 92,938 | 100,723 |
| Accumulated surplus | \$ 114,923 | \$ 104,960 |
| Revenues | \$ 228,076 | \$ 214,979 |
| Expenses | 218,113 | 228,312 |
| Annual deficit | \$ 9,963 | \$ (13,333) |

20. Saugeen Mobility and Regional Transit (S.M.A.R.T.)

The following summarizes the financial position and operations of the Saugeen Mobility and Regional Transit non-profit organization, which the Municipality funds through a service agreement. The Saugeen Mobility and Regional Transit organization has been consolidated into these financial statements. The Municipality's proportionate share is 7.2%.

| | 2021 | 2020 |
|----------------------|--------------|--------------|
| Financial assets | \$ 161,988 | \$ 166,306 |
| Liabilities | 235,349 | 219,401 |
| Net financial debt | (73,361) | (53,095) |
| Non-financial assets | 637,341 | 523,352 |
| Accumulated surplus | \$ 563,980 | \$ 470,257 |
| Revenues | \$ 1,615,928 | \$ 1,532,861 |
| Expenses | 1,522,205 | 1,422,393 |
| Annual deficit | \$ 93,723 | \$ 110,468 |

The Corporation of the Municipality of Arran-Elderslie

Notes to Financial Statements

December 31, 2021

21. Segmented Information

The Municipality of Arran-Elderslie is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, sewer, water, waste, collection, disposal and recycling, 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

This item includes revenues and expenses that relate to the governance and operations of the municipality itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

Protection is comprised of police services, fire protection, conservation authority, emergency measures, animal control and building and structural inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. The building department provides a number of services including maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

Transportation

Transportation is responsible for construction and maintenance of the municipality's roadways, bridges, storm sewers, parking areas, and streetlighting.

Sewer and Water

This service provides the municipality's drinking water. The municipality also processes and cleans sewage and ensures sewer and water systems meet all Provincial standards.

Environmental

Environmental services consists of providing waste collection, disposal and recycling to its citizens.

Health

Health services include contributions to support local Hospitals. Health services also includes the operations of local cemeteries.

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2021

21. Segmented Information - (continued)

Recreational and Cultural Services

This service area provides services meant to improve the health and development of the municipality's citizens. The municipality operates and maintains or contributes to parks, arenas, community centres, a campground, and museums. The municipality also provides library services and recreational programs.

Planning and Development

This department is responsible for planning and zoning and downtown revitalization. This service area also includes municipal and tile drainage.

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 and payments-in-lieu

Allocated to those segments that are funded by these amounts based on the budget for the year.

OMPF grants

Allocated to segments based on the budget for the year.

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The Corporation of the Municipality of Arran-Elderslie
Notes to the Financial Statements

December 31, 2021

| For the year ended December 31, 2021 | General Government | Protection Services | Transportation Services | Sewer and Water | Environmental Services | Health Services | Recreation and Cultural Services | Planning and Development | 2021 Total |
|--------------------------------------|-----------------------|------------------------|----------------------------|---------------------|---------------------------|--------------------|--|-----------------------------|---------------------|
| Revenue | | | | | | | | | |
| Taxation | \$ 1,349,247 | \$ 1,349,247 | \$ 1,742,778 | \$ - | \$ - | \$ - | \$ 787,061 | \$ 224,875 | \$ 5,621,864 |
| Fees and user charges | 40,876 | 185,748 | 43,285 | 2,673,413 | 537,004 | 63,377 | 399,946 | 100,726 | 4,044,375 |
| Specific grants | 158,558 | 15,591 | 577,420 | - | 139,060 | - | 128,813 | 43,322 | 1,062,764 |
| OMPF grant | 382,176 | 382,176 | 493,644 | - | - | - | 222,936 | 63,696 | 1,592,400 |
| Other revenue | 369,473 | 296,681 | (30,977) | - | 39,637 | 86,638 | 84,400 | 2,100 | 847,952 |
| | 2,300,330 | 2,229,443 | 2,826,150 | 2,673,413 | 715,701 | 150,015 | 1,623,156 | 434,719 | 13,169,355 |
| Expenses | | | | | | | | | |
| Salaries and benefits | 800,261 | 428,536 | 1,071,651 | 422,507 | 280,857 | 84,650 | 870,649 | 120,423 | 4,079,534 |
| Interest on debt | - | - | - | - | - | - | - | 23,026 | 23,026 |
| Materials and supplies | 254,711 | 226,303 | 575,187 | 408,330 | 176,670 | 29,870 | 416,813 | 75,031 | 2,162,915 |
| Contracted services | 217,818 | 1,256,047 | 605,143 | 117,311 | 181,970 | 41,277 | 54,638 | 154,882 | 2,629,086 |
| Other transfers | (50) | 84,446 | - | - | - | - | - | - | 84,396 |
| Rents and financial expenses | 10,242 | - | 275 | - | - | 1,051 | - | - | 11,568 |
| Amortization | 41,322 | 163,332 | 974,966 | 647,698 | 20,341 | 41,498 | 164,861 | - | 2,054,018 |
| | 1,324,304 | 2,158,664 | 3,227,222 | 1,595,846 | 659,838 | 198,346 | 1,506,961 | 373,362 | 11,044,543 |
| <i>Annual surplus (deficit)</i> | <i>\$ 976,026</i> | <i>\$ 70,779</i> | <i>\$ (401,072)</i> | <i>\$ 1,077,567</i> | <i>\$ 55,863</i> | <i>\$ (48,331)</i> | <i>\$ 116,195</i> | <i>\$ 61,357</i> | <i>\$ 2,124,812</i> |

The Corporation of the Municipality of Arran-Elderslie
Notes to the Financial Statements

December 31, 2021

| For the year ended December 31, 2020 | General Government | Protection Services | Transportation Services | Sewer and Water | Environmental Services | Health Services | Recreation and Cultural Services | Planning and Development | 2020 Total |
|---|-----------------------|------------------------|----------------------------|---------------------|---------------------------|--------------------|--|-----------------------------|---------------------|
| Revenue | | | | | | | | | |
| Taxation | \$ 1,295,632 | \$ 1,349,615 | \$ 1,781,492 | \$ - | \$ - | \$ - | \$ 755,785 | \$ 215,938 | \$ 5,398,462 |
| Fees and user charges | 32,149 | 166,964 | 32,800 | 2,593,352 | 463,145 | 53,665 | 347,871 | 32,774 | 3,722,720 |
| Specific grants | 152,944 | 44,789 | 746,683 | 10,862 | 124,997 | - | 56,545 | 36,908 | 1,173,728 |
| OMPF grant | 377,760 | 393,500 | 519,420 | - | - | - | 220,360 | 62,960 | 1,574,000 |
| Other revenue | 411,618 | 213,875 | 74,208 | 31,238 | - | 81,049 | 110,598 | - | 922,586 |
| | 2,270,103 | 2,168,743 | 3,154,603 | 2,635,452 | 588,142 | 134,714 | 1,491,159 | 348,580 | 12,791,496 |
| Expenses | | | | | | | | | |
| Salaries and benefits | 784,617 | 442,985 | 1,008,647 | 432,101 | 258,788 | 86,042 | 721,127 | 116,997 | 3,851,304 |
| Interest on debt | - | - | - | - | - | - | - | 27,136 | 27,136 |
| Materials and supplies | 326,303 | 240,203 | 618,017 | 357,236 | 117,153 | 50,832 | 462,388 | 92,881 | 2,265,013 |
| Contracted services | 87,440 | 1,260,539 | 612,383 | 122,728 | 175,008 | 6,354 | 72,009 | 31,240 | 2,367,701 |
| Other transfers | - | 83,235 | - | - | - | - | - | - | 83,235 |
| Rents and financial expenses | 6,193 | - | - | - | 42 | 1,055 | 644 | - | 7,934 |
| Amortization | 31,599 | 137,502 | 1,046,631 | 657,898 | 18,581 | 41,764 | 140,527 | - | 2,074,502 |
| | 1,236,152 | 2,164,464 | 3,285,678 | 1,569,963 | 569,572 | 186,047 | 1,396,695 | 268,254 | 10,676,825 |
| <i>Annual surplus (deficit)</i> | <i>\$ 1,033,951</i> | <i>\$ 4,279</i> | <i>\$ (131,075)</i> | <i>\$ 1,065,489</i> | <i>\$ 18,570</i> | <i>\$ (51,333)</i> | <i>\$ 94,464</i> | <i>\$ 80,326</i> | <i>\$ 2,114,671</i> |

The Corporation of the Municipality of Arran-Elderslie
Schedule of Deferred Revenue

For the year ended December 31, 2021

| | Opening | Contributions Received | Investment Income | Revenue Recognized | Ending |
|--|-------------------|---------------------------|----------------------|-----------------------|--------------------|
| Obligatory Reserve Funds | | | | | |
| In lieu of parkland | \$ 3,108 | \$ 1,500 | \$ 23 | \$ - | \$ 4,631 |
| Federal gas tax | 320,772 | 423,173 | 9,314 | (452,917) | 300,342 |
| Subdivider contributions | 22,540 | - | 148 | - | 22,688 |
| | <u>346,420</u> | <u>424,673</u> | <u>9,485</u> | <u>(452,917)</u> | <u>327,661</u> |
| Other | | | | | |
| Ontario Community Infrastructure Fund | 372,699 | 330,386 | 7,997 | (5,757) | 705,325 |
| Treasure Chest Museum | 3,328 | - | - | - | 3,328 |
| Other revenue | 10,319 | 38,095 | - | (10,319) | 38,095 |
| | <u>386,346</u> | <u>368,481</u> | <u>7,997</u> | <u>(16,076)</u> | <u>746,748</u> |
| | <u>\$ 732,766</u> | <u>\$ 793,154</u> | <u>\$ 17,482</u> | <u>\$ (468,993)</u> | <u>\$1,074,409</u> |

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The Corporation of the
Municipality of Arran-Elderslie
Trust Funds
For the year ended December 31, 2021

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The Corporation of the Municipality of Arran-Elderslie
Trust Funds
For the year ended December 31, 2021

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BDO Canada LLP
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Owen Sound ON N4K 5P7 Canada

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the Municipality of Arran-Elderslie Trust
Funds

Opinion

We have audited the accompanying financial information for the Municipality of Arran-Elderslie Trust Funds (Trust Funds), which comprise the balance sheet as at December 31, 2021, the statement of continuity for the year then ended, and notes to the financial information including a summary of significant accounting policies.

In our opinion, the financial information presents fairly, in all material respects, the balance sheet for the Trust Funds as at December 31, 2021 and the statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Information

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

In preparing the financial information, management is responsible for assessing the Trust Funds 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 Trust Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust Funds financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information 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 this financial information.

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 financial information, 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 Trust Fund'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 Trust Funds ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information 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 Trust Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
May 23, 2023

The Corporation of the Municipality of Arran-Elderslie
Trust Funds
Balance Sheet

December 31, 2021

| | Total | Care and Maintenance | Cemetery Prepaid |
|--|------------|-------------------------|---------------------|
| Assets | | | |
| Cash | \$ 553,784 | \$ 533,920 | \$ 19,864 |
| Due from the Municipality of Arran-Elderslie | 14,789 | 13,914 | 875 |
| | 568,573 | 547,834 | 20,739 |
| Fund balance | \$ 568,573 | \$ 547,834 | \$ 20,739 |

Statement of Continuity

| | Total | Care and Maintenance | Cemetery Prepaid |
|--------------------------------|------------|-------------------------|---------------------|
| Balance, beginning of the year | \$ 553,810 | \$ 534,075 | \$ 19,735 |
| Receipts | | | |
| Interest | 3,584 | 3,455 | 129 |
| Plot sales and monument fees | 17,799 | 16,924 | 875 |
| | 21,383 | 20,379 | 1,004 |
| Expenditures | | | |
| Transfers to General | 6,620 | 6,620 | - |
| Balance, end of the year | \$ 568,573 | \$ 547,834 | \$ 20,739 |

The Corporation of the Municipality of Arran-Elderslie
Trust Funds
Notes to Financial Information

December 31, 2021

1. Summary of Significant Accounting Policies

Management Responsibility The management of the Corporation of the Municipality of Arran-Elderslie has prepared and is responsible for the integrity, objectivity and accuracy of this financial information. The Council reviews and approves the financial information.

Basis of Accounting The financial information has been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada.

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 generally accepted accounting principles 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.

Basis of Consolidation These trust funds have not been consolidated with the financial statements of the Corporation of the Municipality of Arran-Elderslie.

Chesley and District Fire Board
Financial Statements
For the year ended December 31, 2021

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Chesley and District Fire Board
Financial Statements
For the year ended December 31, 2021

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Financial Statements

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Independent Auditor's Report

To the Board Members, Members of Council,
Inhabitants and Ratepayers of the
Participating Municipalities of the
Chesley and District Fire Board

Opinion

We have audited the accompanying financial statements of the Chesley and District Fire Board, which comprise the statement of financial position as at December 31, 2021, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Chesley and District Fire Board as at December 31, 2021 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted 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 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 organization'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 organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
May 23, 2023

Chesley and District Fire Board
Statement of Financial Position

| December 31 | 2021 | 2020 |
|--|------------|------------|
| Financial assets | | |
| Due from the Township of Chatsworth | \$ 9,932 | \$ 7,110 |
| Due from the Municipality of Arran-Elderslie-Reserve | 21,985 | 4,237 |
| | 31,917 | 11,347 |
| Liabilities | | |
| Due to the Municipality of Arran-Elderslie | 9,932 | 7,110 |
| Net financial assets | 21,985 | 4,237 |
| Non-financial assets | | |
| Tangible capital assets (Note 2) | 92,938 | 100,723 |
| Accumulated surplus (Note 3) | \$ 114,923 | \$ 104,960 |

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Chesley and District Fire Board
Statement of Operations and Accumulated Surplus

| For the year ended December 31 | 2021 Budget (Note 1) | 2021 Actual | 2020 Actual |
|--|----------------------------|-------------------|-------------------|
| Revenue | | | |
| Municipal contributions | | | |
| Municipality of Arran-Elderslie | \$ 133,531 | \$ 136,296 | \$ 116,873 |
| Municipality of Arran-Elderslie reserves | 3,100 | 242 | 2,716 |
| Township of Chatsworth | 63,935 | 67,473 | 59,346 |
| Provincial grant | - | 3,100 | 3,605 |
| Donations and other income | 23,557 | 20,965 | 32,439 |
| | <u>224,123</u> | <u>228,076</u> | <u>214,979</u> |
| Expenses | | | |
| Salaries and wages | 121,071 | 114,841 | 108,078 |
| Dispatch | 6,383 | 7,034 | 6,254 |
| Tanker expense | 1,400 | 817 | 2,127 |
| Materials, supplies and services | 79,969 | 72,199 | 81,945 |
| Amortization | - | 23,222 | 29,908 |
| | <u>208,823</u> | <u>218,113</u> | <u>228,312</u> |
| Annual surplus (deficit) (Note 1) | 15,300 | 9,963 | (13,333) |
| Accumulated surplus, beginning of the year | 104,960 | 104,960 | 118,293 |
| Accumulated surplus, end of the year | <u>\$ 120,260</u> | <u>\$ 114,923</u> | <u>\$ 104,960</u> |

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

Chesley and District Fire Board
Statement of Changes in Net Financial Assets

| For the year ended December 31 | 2021 Budget (Note 1) | 2021 Actual | 2020 Actual |
|---|----------------------------|----------------|----------------|
| Annual surplus (deficit) (Page 5) | \$ 15,300 | \$ 9,963 | \$ (13,333) |
| Acquisition of tangible capital assets | (15,000) | (15,437) | (13,677) |
| Amortization of tangible capital assets | - | 23,222 | 29,908 |
| | (15,000) | 7,785 | 16,231 |
| Increase in net financial assets | 300 | 17,748 | 2,898 |
| Net financial assets, beginning of the year | 4,237 | 4,237 | 1,339 |
| Net financial assets, end of the year | \$ 4,537 | \$ 21,985 | \$ 4,237 |

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Chesley and District Fire Board
Statement of Cash Flows

| For the year ended December 31 | 2021 | 2020 |
|--|----------|-------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Annual surplus (deficit) (Page 5) | \$ 9,963 | \$ (13,333) |
| Items not involving cash | | |
| Amortization | 23,222 | 29,908 |
| | 33,185 | 16,575 |
| Changes in non-cash working capital balances | | |
| Due from the Township of Chatsworth | (2,822) | 19,285 |
| Due from the Municipality of Arran-Elderslie-reserve | (17,748) | (2,898) |
| Due to the Municipality of Arran-Elderslie | 2,822 | (19,285) |
| | 15,437 | 13,677 |
| Capital transactions | | |
| Cash used to acquire capital assets | (15,437) | (13,677) |
| Net change in cash and cash equivalents | - | - |
| Cash and cash equivalents, beginning of the year | - | - |
| Cash and cash equivalents, end of the year | \$ - | \$ - |

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

Chesley and District Fire Board

Summary of Significant Accounting Policies

December 31, 2021

Management Responsibility

The management of the Corporation of the Municipality of Arran-Elderslie is responsible for the integrity, objectivity and accuracy of the financial information presented in these financial statements. Management reviews and approves the financial statements before they are submitted to the Board.

Basis of Accounting

The financial statements of the Chesley and District Fire Board are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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 expenditures 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.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Costs include 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 Council. The following rates are used:

| | |
|------------------------|----------|
| Vehicles | 10 years |
| Equipment and clothing | 12 years |

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

Chesley and District Fire Board
Summary of Significant Accounting Policies

December 31, 2021

Revenue Recognition

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

- (a) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- (b) 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.

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Chesley and District Fire Board

Notes to Financial Statements

December 31, 2021

1. Budgets

Under Canadian public sector accounting standards, budget amounts are to be reported on the statement of operations and accumulated surplus and changes in net financial assets for comparative purposes. The following is a reconciliation of the budget approved by the Board.

| | 2021 Budget | 2021 Actual | 2020 Actual |
|-----------------------------------|----------------|----------------|----------------|
| Annual surplus (deficit) (Page 5) | \$ 15,300 | \$ 9,963 | \$ (13,333) |
| Transfers to reserves | - | (17,748) | (2,898) |
| Capital acquisitions | (15,300) | (15,437) | (13,677) |
| Amortization | - | 23,222 | 29,908 |
| | \$ - | \$ - | \$ - |

2. Tangible Capital Assets

| | 2021 | | |
|---|------------|----------------------|--------------|
| | Vehicles | Equipment & Clothing | Total |
| Cost, beginning of the year | \$ 710,945 | \$ 320,254 | \$ 1,031,199 |
| Additions | - | 15,437 | 15,437 |
| Disposals | - | - | - |
| Cost, end of the year | 710,945 | 335,691 | 1,046,636 |
| Accumulated amortization, beginning of the year | 710,945 | 219,531 | 930,476 |
| Amortization | - | 23,222 | 23,222 |
| Disposals | - | - | - |
| Accumulated amortization, end of the year | 710,945 | 242,753 | 953,698 |
| Net carrying amount, end of the year | \$ - | \$ 92,938 | \$ 92,938 |

Chesley and District Fire Board
Notes to Financial Statements

December 31, 2021

2. Tangible Capital Assets - (continued)

| | 2020 | | |
|---|------------|-------------------------|--------------|
| | Vehicles | Equipment & Clothing | Total |
| Cost, beginning of the year | \$ 710,945 | \$ 306,577 | \$ 1,017,522 |
| Additions | - | 13,677 | 13,677 |
| Disposals | - | - | - |
| Cost, end of the year | 710,945 | 320,254 | 1,031,199 |
| Accumulated amortization, beginning of the year | 704,226 | 196,342 | 900,568 |
| Amortization | 6,719 | 23,189 | 29,908 |
| Disposals | - | - | - |
| Accumulated amortization, end of the year | 710,945 | 219,531 | 930,476 |
| Net carrying amount, end of the year | \$ - | \$ 100,723 | \$ 100,723 |

3. Accumulated Surplus

| | 2021 | 2020 |
|-----------------------------|-------------------|-------------------|
| Invested in tangible assets | \$ 92,938 | \$ 100,723 |
| Reserve | 21,985 | 4,237 |
| | <u>\$ 114,923</u> | <u>\$ 104,960</u> |

APPENDIX B: INDEPENDENCE UPDATE



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Owen Sound, Ontario
N4K 5P7

May 23, 2023

Members of the Council
Municipality of Arran-Elderslie

Dear Members of Council:

We have been engaged to audit the consolidated financial statements of Municipality of Arran-Elderslie (the "Municipality") for the year ended December 31, 2021.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the Municipality 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 March 5, 2022, the date of our last letter.

We are aware of the following relationships between the Municipality 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 March 5, 2022 to May 23, 2023.

- 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 Municipality'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.



- Members of our Firm providing bookkeeping services did not participate on the audit engagement team.
- Someone other than the preparer reviewed the proposed journal entries and consolidated financial statements.

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

Yours truly,

Chartered Professional Accountants, Licensed Public Accountants

APPENDIX C: REPRESENTATION LETTER

The Corporation of the Municipality of Arran-Elderslie
1925 Bruce Road 10, Box 70
Chesley ON N0G 1L0

May 23, 2023

BDO Canada LLP
Chartered Professional Accountants
BDO Building, 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 The Corporation of the Municipality of Arran-Elderslie for the year ended December 31, 2021, 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 March 5, 2022, 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. A list of the uncorrected misstatements is attached to the representation letter.
- We have reviewed and approved all journal entries recommended by the practitioners during the audit. A list of the journal entries is attached to the representation letter.

Information Provided

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

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

Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

General Representations

- 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.
- 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.
- We have:
 - Evaluated all land owned by the Municipality or where the Municipality has accepted responsibility for the land as to whether there are sites in the Scope of PS 3260 Liability for Contaminated Sites.
 - Made available to you all financial records and related data relevant to the assessment of the liability for contaminated sites.
 - Recorded the necessary contaminated sites within the Scope of PS 3260.

Yours truly,

Signature

Position

Signature

Position

APPENDIX D: BDO RESOURCES FOR PUBLIC SECTOR ENTITIES

Key Changes to Financial Reporting

There are significant changes to accounting standards for public sector entities which will be effective for the December 31, 2023 year-end. These changes are summarized in the following PSAS Update 2022. Of particular note are the changes to asset retirement obligations (ARO's) and financial instruments. Municipal staff will need to begin preparing documentation for the implementation of these new standards well in advance of the year-end.

PSAS Update 2022

<https://www.bdo.ca/en-ca/insights/assurance-accounting/psas/public-sector-accounting-standards-update-2022/>

Asset Retirement Obligations (ARO): A Practical Approach to Section PS 3280

This publication will walk through a practical approach to applying Section PS 3280 including: identification, recognition and measurement of an obligation, and the different options available to entities on transition.

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

A Guide to Accounting for Financial Instruments in the Public Sector

Ten years after the adoption by certain government organizations, these standards and amendments will be adopted by governments for fiscal years beginning on or after April 1, 2022.

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

When the rules of reporting change, you may need to fine-tune how to present consolidated financial statements and govern the organization. Access our Knowledge Centre:

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

The BDO Local & Municipal Governments Resource Centre

<https://www.bdo.ca/en-ca/industries/public-sector/local-government/>

For more on these and other key issues facing your organization, please reach out to your engagement partner. They will be happy to put you in touch with the BDO professional who can best help you.