

**The Corporation of the
Municipality of Arran-Elderslie
Financial Information
December 31, 2019**

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Contents

The Corporation of the Municipality of Arran-Elderslie Financial Statements

The Corporation of the Municipality of Arran-Elderslie Trust Funds

Chesley & District Fire Board

**The Corporation of the
Municipality of Arran-Elderslie
Financial Statements
For the year ended December 31, 2019**

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Financial Statements
For the year ended December 31, 2019

Contents

The Corporation of the Municipality of Arran-Elderslie

Independent Auditor's Report	2 - 4
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations and Accumulated Surplus	6
Consolidated Statement of Changes in Net Financial Assets	7
Consolidated Statement of Cash Flows	8
Summary of Significant Accounting Policies	9 - 12
Notes to Consolidated Financial Statements	13 - 29
Schedule of Deferred Revenue	30

Independent Auditor's Report

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

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, 2019, 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, the consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2019 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 Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the 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 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
July 13, 2020

The Corporation of the Municipality of Arran-Elderslie
Consolidated Statement of Financial Position

December 31	2019	2018
Financial assets		
Cash and temporary investments (Note 1)	\$19,762,683	\$ 17,264,022
Taxes receivable	1,180,105	963,572
Trade and other receivables	765,508	745,593
Inventory held for resale	15,007	7,785
Long-term receivables (Note 2)	457,139	507,535
	<u>22,180,442</u>	<u>19,488,507</u>
Liabilities		
Accounts payable and accrued liabilities	1,375,755	1,622,758
Solid waste closure and post-closure liabilities (Note 4)	218,390	327,230
Post-employment benefits liabilities (Note 10)	340,937	319,629
Deferred revenue (Page 30)	890,859	479,887
Long-term liabilities (Note 5)	432,278	497,922
	<u>3,258,219</u>	<u>3,247,426</u>
Net financial assets	<u>18,922,223</u>	<u>16,241,081</u>
Non-financial assets		
Inventory of supplies	54,794	-
Prepaid expenses	18,526	31,385
Tangible capital assets (Note 6)	33,444,976	33,164,798
	<u>33,518,296</u>	<u>33,196,183</u>
Accumulated surplus (Note 7)	<u>\$52,440,519</u>	<u>\$ 49,437,264</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 Operations and Accumulated Surplus

For the year ended December 31	2019 Budget (Note 9)	2019 Actual	2018 Actual
Revenue			
Taxation	\$ 5,043,329	\$ 5,112,895	\$ 4,850,633
Fees and user charges	3,772,849	4,008,162	3,870,127
Government transfers (Note 11)	3,004,898	2,898,342	2,384,027
Other income (Note 12)	842,345	1,605,629	914,891
	<u>12,663,421</u>	<u>13,625,028</u>	<u>12,019,678</u>
Expenses			
General government	1,150,717	1,372,451	1,635,151
Protection services	1,997,554	2,052,493	1,992,664
Transportation services	2,164,615	2,976,340	2,914,187
Environmental services	1,216,912	2,178,386	2,072,225
Health services	167,442	181,488	183,163
Recreation and cultural services	1,480,871	1,561,848	1,487,481
Planning and development	235,723	298,767	148,823
	<u>8,413,834</u>	<u>10,621,773</u>	<u>10,433,694</u>
Annual surplus (Note 9)	4,249,587	3,003,255	1,585,984
Accumulated surplus, beginning of the year	49,437,264	49,437,264	47,851,280
Accumulated surplus, end of the year	<u>\$ 53,686,851</u>	<u>\$52,440,519</u>	<u>\$ 49,437,264</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	2019 Budget (Note 9)	2019 Actual	2018 Actual
Annual surplus (Page 6)	\$ 4,249,587	\$ 3,003,255	\$ 1,585,984
Acquisition of tangible capital assets	(4,275,485)	(2,178,407)	(3,197,505)
Amortization of tangible capital assets	-	1,890,516	1,915,293
(Gain) loss on sale of tangible capital assets	-	3,328	(37,617)
Proceeds on disposal of capital assets	-	4,385	40,760
	<u>(4,275,485)</u>	<u>(280,178)</u>	<u>(1,279,069)</u>
Change in prepaid expenses	-	12,859	(4,579)
Change in inventories of supplies	-	(54,794)	-
	<u>-</u>	<u>(41,935)</u>	<u>(4,579)</u>
Increase (decrease) in net financial assets	(25,898)	2,681,142	302,336
Net financial assets, beginning of the year	16,241,081	16,241,081	15,938,745
Net financial assets, end of the year	<u>\$ 16,215,183</u>	<u>\$ 18,922,223</u>	<u>\$ 16,241,081</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 Cash Flows

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating activities		
Annual surplus (Page 6)	\$ 3,003,255	\$ 1,585,984
Items not involving cash		
Solid waste closure and post-closure liabilities	(108,840)	(3,588)
Amortization	1,890,516	1,915,293
Post-employment benefits liabilities	21,308	(20,488)
Deferred revenue recognized	(149,430)	(215,413)
Change in prepaid expenses	12,859	(4,579)
(Gain) loss on sale of capital assets	3,328	(37,617)
	<u>4,672,996</u>	<u>3,219,592</u>
Changes in non-cash working capital balances		
Taxes receivable	(216,533)	99,979
Trade and other receivables	(19,915)	179,482
Inventory held for resale	(7,222)	335
Inventory of supplies	(54,794)	-
Accounts payable and accrued liabilities	(247,003)	475,126
Deferred revenue received	560,402	266,366
	<u>4,687,931</u>	<u>4,240,880</u>
Capital transactions		
Cash used to acquire capital assets	(2,178,407)	(3,197,505)
Proceeds on sale of capital assets	4,385	40,760
	<u>(2,174,022)</u>	<u>(3,156,745)</u>
Investing activities		
Increase in long-term receivables	(26,300)	(72,100)
Repayment of long-term receivables	76,696	95,366
	<u>50,396</u>	<u>23,266</u>
Financing activities		
Additions to long-term liabilities	26,300	72,100
Repayment of long-term liabilities	(91,944)	(88,639)
	<u>(65,644)</u>	<u>(16,539)</u>
Net change in cash and cash equivalents	2,498,661	1,090,862
Cash and cash equivalents, beginning of the year	17,264,022	16,173,160
Cash and cash equivalents, end of the year	\$19,762,683	\$ 17,264,022

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, 2019

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.

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

Paisley Local Architectural Conservation Advisory Committee

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	8.77%
Saugeen Mobility and Regional Transit	7.20%

The Corporation of the Municipality of Arran-Elderslie

Summary of Significant Accounting Policies

December 31, 2019

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, 2019

Cash and Cash Equivalents	Cash and cash equivalents include all cash balances and short- term highly liquid investments that are readily converted into cash.
Temporary Investments	Temporary investments are recorded at the lower of cost and market value.
Inventory	Inventory of goods held for resale is recorded at net realizable value.
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, 2019

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, 2019

1. Cash and Temporary Investments

	2019	2018
Cash	\$11,062,844	\$ 8,486,134
Temporary investments - GIC's	8,551,429	8,551,429
Temporary investments - Restricted	28,526	47,858
Accrued interest	119,884	178,601
	\$19,762,683	\$ 17,264,022

On December 31, 2019, the Municipality had bank accounts of \$10,970,763 and GIC's of \$8,551,429 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 GIC's have an interest rate of 2.15% and mature May 2020. The restricted investments are GIC's with interest rates between 0.55% and 2.05% and mature between October 2020 and January 2023.

2. Long-Term Receivables

	2019	2018
Tile drainage loans, 6%, due 2020 to 2029	\$ 432,278	\$ 497,922
Tara water system loans, 6%, due 2020	5,334	9,613
Kinette Club	19,527	-
	\$ 457,139	\$ 507,535

3. Temporary Borrowings

The Municipality of Arran Elderslie has a demand operating facility with interest charged at prime plus 0.5% per annum. This facility is secured by a current borrowing by-law. At December 31, 2019, 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, 2019

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 \$183,182 and represents the present value of estimated post-closure costs using a discount rate of 3.43%. 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 18 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 \$35,208 and represents the present value of closure and post-closure costs for 26% of the current site's capacity, using the municipality's average long-term borrowing rate of 3.43%. 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 \$1,435,446. The estimated remaining open capacity of Phases I and II is approximately 208,360 cubic meters, which will be filled in 58 years. Post-closure care is estimated to continue for a period of 25 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:

	<u>2019</u>	<u>2018</u>
Tile drainage loans, 6%, due 2020 to 2029	<u>\$ 432,278</u>	<u>\$ 497,922</u>

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

2020	\$ 82,418
2021	81,996
2022	62,242
2023	60,895
2024	54,033
Thereafter	<u>90,694</u>
	<u>\$ 432,278</u>

Interest paid during the year totalled \$29,971 (2018 - \$32,583).

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

December 31, 2019

6. Tangible Capital Assets

	2019							
	Land and Land Improvements	Buildings	Equipment	Roads	Water and Other Utility Systems	Bridges and Culverts	Vehicles	Total
Cost, beginning of the year	\$ 927,882	\$ 7,020,525	\$ 2,754,390	\$ 44,849,990	\$ 28,028,931	\$ 8,063,246	\$ 5,715,506	\$ 97,360,470
Additions	71,222	117,104	110,218	428,288	590,823	585,138	275,614	2,178,407
Disposals	-	-	-	-	-	-	(24,379)	(24,379)
Cost, end of the year	999,104	7,137,629	2,864,608	45,278,278	28,619,754	8,648,384	5,966,741	99,514,498
Accumulated amortization, beginning of the year	165,139	4,188,870	1,666,043	39,364,644	10,419,912	4,333,828	4,057,236	64,195,672
Amortization	33,270	121,332	147,006	504,288	675,493	159,692	249,435	1,890,516
Disposals	-	-	-	-	-	-	(16,666)	(16,666)
Accumulated amortization, end of the year	198,409	4,310,202	1,813,049	39,868,932	11,095,405	4,493,520	4,290,005	66,069,522
Net carrying amount, end of the year	\$ 800,695	\$ 2,827,427	\$ 1,051,559	\$ 5,409,346	\$ 17,524,349	\$ 4,154,864	\$ 1,676,736	\$ 33,444,976

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

December 31, 2019

6. Tangible Capital Assets - (continued)

								2018
	Land and Land Improvements	Buildings	Equipment	Roads	Water and Other Utility Systems	Bridges and Culverts	Vehicles	Total
Cost, beginning of the year	\$ 841,733	\$ 6,782,023	\$ 2,581,002	\$ 44,147,133	\$ 27,310,926	\$ 7,750,113	\$ 5,366,369	\$ 94,779,299
Additions	86,149	238,502	187,463	1,105,958	718,005	314,492	546,936	3,197,505
Disposals	-	-	(14,075)	(403,101)	-	(1,359)	(197,799)	(616,334)
Cost, end of the year	927,882	7,020,525	2,754,390	44,849,990	28,028,931	8,063,246	5,715,506	97,360,470
Accumulated amortization, beginning of the year	138,158	4,063,014	1,518,393	39,230,081	9,765,612	4,178,420	3,999,892	62,893,570
Amortization	26,981	125,856	161,725	537,664	654,300	155,408	253,359	1,915,293
Disposals	-	-	(14,075)	(403,101)	-	-	(196,015)	(613,191)
Accumulated amortization, end of the year	165,139	4,188,870	1,666,043	39,364,644	10,419,912	4,333,828	4,057,236	64,195,672
Net carrying amount, end of the year	\$ 762,743	\$ 2,831,655	\$ 1,088,347	\$ 5,485,346	\$ 17,609,019	\$ 3,729,418	\$ 1,658,270	\$ 33,164,798

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

December 31, 2019

6. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction or development is \$707,671 (2018 - \$542,523).

7. Accumulated Surplus

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

	2019	2018
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$33,444,976	\$ 33,164,798
Unfinanced capital assets	-	(12,239)
	33,444,976	33,152,559
Total invested in capital assets	33,444,976	33,152,559
Unfunded post-employment benefits	(340,937)	(319,629)
Unfunded solid waste closure and post-closure costs	(53,352)	(162,192)
General operating surplus (Note 9)	208,119	208,119
Fire surplus	277	277
Saugeen Mobility and Regional Transit (S.M.A.R.T.)	-	202
Bruce Area Solid Waste Recycling (B.A.S.W.R.)	(5,346)	(2,950)
	33,253,737	32,876,386
Reserves and reserve funds (Note 8)	19,186,782	16,560,878
Accumulated surplus	\$52,440,519	\$ 49,437,264

As per resolution of Council the general 2019 operating surplus of \$123,032 was transferred to working capital reserve.

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

December 31, 2019

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

	<u>2019</u>	<u>2018</u>
Reserves		
Working funds	\$ 1,823,010	\$ 301,060
Sick leave	487,436	491,080
Capital purposes	<u>16,712,895</u>	<u>15,608,398</u>
	19,023,341	16,400,538
Reserve funds		
Capital purposes	<u>163,441</u>	<u>160,340</u>
Reserves and reserve funds set aside for specific purpose by Council	<u>\$19,186,782</u>	<u>\$ 16,560,878</u>

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

December 31, 2019

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 2019 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.

	2019 Budget	2019 Actual	2018 Actual
Annual surplus (Page 7)	\$ 4,249,587	\$ 3,003,255	\$ 1,585,984
Amortization	-	1,890,516	1,915,293
Change in other surpluses	-	2,598	2,950
Change in unfunded liabilities	-	(87,532)	(24,076)
	4,249,587	4,808,837	3,480,151
Transfers to reserves	(3,645,893)	(4,352,536)	(3,564,165)
Transfers from reserves for operations	128,500	167,128	672,612
Transfers from reserves for capital	3,543,291	1,682,536	2,666,267
Capital acquisitions, disposals and write-down	(4,275,485)	(2,170,694)	(3,194,362)
Prior year capital projects funded	-	(12,239)	(14,496)
Unfunded Grey Bruce Health Services	-	-	(5,000)
Current year general operating surplus before transfers to reserve	-	123,032	41,007
Transfer of general operating surplus to reserve per resolution	-	(123,032)	-
Current year general operating surplus	-	-	41,007
Prior year accumulated general surplus	-	208,119	167,112
Accumulated general surplus (Note 7)	\$ -	\$ 208,119	\$ 208,119

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

December 31, 2019

10. Post-Employment Benefit Liabilities

	2019	2018
Accumulating sick leave (unamortized gain \$39,328)	\$ 262,775	\$ 240,360
Post-employment benefits (unamortized gain \$38,885)	78,162	79,269
	\$ 340,937	\$ 319,629

- 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.

	2019	2018
Sick leave liability, beginning of the year	\$ 240,360	\$ 220,010
Amortization of actuarial gain	(3,653)	(3,653)
Current year benefit expense	19,996	18,850
Interest accrued	8,395	7,413
Benefits paid	(2,323)	(2,260)
	\$ 262,775	\$ 240,360

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, 2019 is \$262,775. The reserve account maintained by the municipality at December 31, 2019 per the agreement is \$487,436 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 4.00%. For future salaries, a 2.75% annual rate of increase was used for 2019 and forward. For dental and travel premiums, a 3.75% annual rate of increase was assumed for 2019 and forward. For health care premiums, a 6.42% increase was used for 2019 and decreasing .33% until 2027 where 3.75% was used thereafter.

	2019	2018
Accrued benefit liability, beginning of the year	\$ 79,269	\$ 120,107
Amortization of actuarial gain	(4,059)	(4,059)
Current year benefit expense	2,071	(38,047)
Interest accrued	1,642	1,521
Benefit payments	(761)	(253)
	\$ 78,162	\$ 79,269

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

December 31, 2019

11. Government Transfers

	2019 Budget	2019 Actual	2018 Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,626,800	\$ 1,626,800	\$ 1,656,200
Public Works	12,000	39,308	11,671
Sewer and water	-	14,851	-
Other	620,942	762,522	243,056
	<u>2,259,742</u>	<u>2,443,481</u>	<u>1,910,927</u>
Government of Canada			
Public Works	-	-	9,817
Other	5,712	5,468	18,633
	<u>\$ 5,712</u>	<u>\$ 5,468</u>	<u>\$ 28,450</u>
Other Municipalities			
Other	7,250	2,584	6,869
Total operating transfers	<u>2,272,704</u>	<u>2,451,533</u>	<u>1,946,246</u>
Tangible Capital Asset			
Province of Ontario			
Public Works	326,017	279,033	213,909
Sewer and water	1,800	1,000	-
Other	126,000	19,441	9,099
	<u>453,817</u>	<u>299,474</u>	<u>223,008</u>
Government of Canada			
Federal Gas Tax	\$ 206,377	\$ 112,112	\$ 214,773
Other Municipalities			
Public Works	72,000	35,223	-
Total tangible capital asset transfers	<u>732,194</u>	<u>446,809</u>	<u>437,781</u>
Total Transfers	<u>3,004,898</u>	<u>\$ 2,898,342</u>	<u>\$ 2,384,027</u>

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

December 31, 2019

12. Other Income

	2019	2019	2018
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 176,400	\$ 160,071	\$ 164,602
Other fines and penalties	1,120	966	1,007
Investment income	333,029	394,042	306,806
Licenses, permits and rents	322,036	391,272	327,193
Donations	6,280	85,667	59,321
Local improvement special charges	4,000	52,909	14,052
Gain (loss) on disposal of capital assets	-	(3,328)	37,617
Other	(520)	134,646	4,293
Insurance proceeds	-	389,384	-
	<u>\$ 842,345</u>	<u>\$ 1,605,629</u>	<u>\$ 914,891</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 2019 by the municipality was \$208,039 (2018 - \$194,261). The contribution rate for 2019 was 9.0% to 15.8% depending on age and income level (2018 - 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, 2019. At that time the plan reported a \$3.40 billion actuarial deficit (2018 - \$4.19 billion), based on actuarial liabilities of \$106.44 billion (2018 - \$99.06 billion) and actuarial assets of \$103.04 billion (2018 - \$94.87 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.

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

December 31, 2019

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:

	<u>2019</u>	<u>2018</u>
School boards	\$ 1,435,452	\$ 1,476,066
County of Bruce	<u>2,702,254</u>	<u>2,562,169</u>
	<u>\$ 4,137,706</u>	<u>\$ 4,038,235</u>

15. Contingencies

The Municipality of Arran-Elderslie has been named as a defendant in a legal action for damages arising from negligence in the amount of \$400,000 plus costs. The municipality's liability with respect to this action is not determinable at the present time. Amounts owing by the municipality, if any, pursuant to this claim will be recorded when they are determinable.

16. Commitments

As of December 31, the Municipality has committed to various capital projects with a total cost of \$1,033,527, of which \$714,807 was paid in the year and \$315,720 is still to be paid.

17. Trust Funds

The trust funds administered by the municipality amounting to \$540,400 (2018 - \$513,372) have not been included in the consolidated statement of financial position, nor have the operations been included in the consolidated statement of financial activities.

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

December 31, 2019

18. Subsequent Event

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

19. 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 8.77% interest. The Bruce Area Solid Waste Recycling has been consolidated into these financial statements.

	<u>2019</u>	<u>2018</u>
Financial assets	\$ 2,661,641	\$ 2,883,665
Liabilities	217,468	162,306
Net financial assets	2,444,173	2,721,359
Non-financial assets	1,401,281	1,554,408
Accumulated surplus	<u>\$ 3,845,454</u>	<u>\$ 4,275,767</u>
Revenues	2,817,898	3,057,540
Expenses	3,248,211	3,090,461
Annual deficit	<u>\$ (430,313)</u>	<u>\$ (32,921)</u>

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

December 31, 2019

20. 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%.

	2019	2018
Financial assets	\$ 27,734	\$ 27,201
Liabilities	26,395	27,201
Net financial assets	1,339	-
Non-financial assets	116,954	155,079
Accumulated surplus	\$ 118,293	\$ 155,079
Revenues	\$ 235,891	\$ 223,601
Expenses	272,677	226,234
Annual deficit	\$ (36,786)	\$ (2,633)

21. 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%.

	2019	2018
Financial assets	\$ 228,343	\$ 253,623
Liabilities	281,043	300,623
Net financial debt	(52,700)	(47,000)
Non-financial assets	412,489	540,385
Accumulated surplus	\$ 359,789	\$ 493,385
Revenues	\$ 1,791,586	\$ 1,929,610
Expenses	1,925,182	1,942,578
Annual deficit	\$ (133,596)	\$ (12,968)

The Corporation of the Municipality of Arran-Elderslie

Notes to Financial Statements

December 31, 2019

22. 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, 2019

22. 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.

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

December 31, 2019

For the year ended December 31, 2019	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2019 Total
Revenue									
Taxation	\$ 1,278,224	\$ 1,278,224	\$ 1,738,384	\$ -	\$ -	\$ -	\$ 715,805	\$ 102,258	\$ 5,112,895
Fees and user charges	59,265	230,163	79,239	2,495,963	512,783	67,670	524,761	38,318	4,008,162
Specific grants	644,569	-	515,306	15,851	51,530	1,901	10,388	31,997	1,271,542
OMPF grant	406,700	406,700	553,112	-	-	-	227,752	32,536	1,626,800
Other revenue	1,068,664	264,521	715	90,359	(1,041)	72,650	109,761	-	1,605,629
	3,457,422	2,179,608	2,886,756	2,602,173	563,272	142,221	1,588,467	205,109	13,625,028
Expenses									
Salaries and benefits	1,073,851	433,214	1,058,450	435,896	241,253	70,460	877,632	96,284	4,287,040
Interest on debt	-	-	-	-	-	-	-	29,886	29,886
Materials and supplies	159,069	224,106	634,651	424,681	33,884	59,755	533,830	21,655	2,091,631
Contracted services	79,275	1,180,970	454,822	112,755	182,892	5,454	40,644	150,942	2,207,754
Other transfers	26,627	79,348	-	-	-	-	-	-	105,975
Rents and financial expenses	5,620	-	807	131	547	1,002	864	-	8,971
Amortization	28,009	134,855	827,610	726,119	20,228	44,817	108,878	-	1,890,516
	1,372,451	2,052,493	2,976,340	1,699,582	478,804	181,488	1,561,848	298,767	10,621,773
Annual surplus (deficit)	\$ 2,084,971	\$ 127,115	\$ (89,584)	\$ 902,591	\$ 84,468	\$ (39,267)	\$ 26,619	\$ (93,658)	\$ 3,003,255

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

December 31, 2019

For the year ended December 31, 2018	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2018 Total
Revenue									
Taxation	\$ 388,051	\$ 1,309,671	\$ 2,231,291	\$ -	\$ -	\$ -	\$ 873,114	\$ 48,506	\$ 4,850,633
Fees and user charges	23,100	180,092	76,718	2,421,336	550,555	49,816	512,913	55,597	3,870,127
Specific grants	119,397	-	511,792	-	53,272	9,099	27,398	6,869	727,827
OMPF grant	132,496	447,174	761,852	-	-	-	298,116	16,562	1,656,200
Other revenue	519,235	189,460	781	14,052	3,491	92,080	95,792	-	914,891
	1,182,279	2,126,397	3,582,434	2,435,388	607,318	150,995	1,807,333	127,534	12,019,678
Expenses									
Salaries and benefits	615,268	403,034	1,014,670	396,270	229,251	74,344	797,321	34,971	3,565,129
Interest on debt	-	-	-	-	-	-	-	32,413	32,413
Materials and supplies	144,090	214,980	577,689	301,547	116,840	58,669	544,068	28,259	1,986,142
Contracted services	263,424	1,157,601	437,252	135,917	169,212	9,024	42,266	53,180	2,267,876
Other transfers	582,109	77,801	-	-	-	-	-	-	659,910
Rents and financial expenses	4,135	-	-	150	547	973	1,126	-	6,931
Amortization	26,125	139,248	884,576	700,159	22,332	40,153	102,700	-	1,915,293
	1,635,151	1,992,664	2,914,187	1,534,043	538,182	183,163	1,487,481	148,823	10,433,694
Annual surplus (deficit)	\$ (452,872)	\$ 133,733	\$ 668,247	\$ 901,345	\$ 69,136	\$ (32,168)	\$ 319,852	\$ (21,289)	\$ 1,585,984

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

For the year ended December 31, 2019

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
In lieu of parkland	\$ 3,022	\$ -	\$ 58	\$ -	\$ 3,080
Federal gas tax	410,168	435,213	-	(112,112)	733,269
Main St. Revitalization	40,664	-	-	(33,204)	7,460
Subdivider contributions	21,919	-	424	-	22,343
	<u>475,773</u>	<u>435,213</u>	<u>482</u>	<u>(145,316)</u>	<u>766,152</u>
Other					
Ontario Community Infrastructure Fund	-	46,984	-	-	46,984
RBC Learn to Play grant	2,213	-	-	(2,213)	-
Metis Cemetery grant	1,901	-	-	(1,901)	-
Ontario Trillium Grant	-	22,500	-	-	22,500
Accessibility Grant	-	12,000	-	-	12,000
Tara Rotary Club Fund	-	35,000	-	-	35,000
Ontario Power Grant	-	2,500	-	-	2,500
Treasure Chest Museum	-	5,723	-	-	5,723
	<u>4,114</u>	<u>124,707</u>	<u>-</u>	<u>(4,114)</u>	<u>124,707</u>
	<u>\$ 479,887</u>	<u>\$ 559,920</u>	<u>\$ 482</u>	<u>\$ (149,430)</u>	<u>\$ 890,859</u>

**The Corporation of the
Municipality of Arran-Elderslie
Trust Funds
For the year ended December 31, 2019**

**The Corporation of the Municipality of Arran-Elderslie
Trust Funds**
For the year ended December 31, 2019

Contents

The Corporation of the Municipality of Arran-Elderslie Trust Funds

Independent Auditor's Report	2 - 3
Balance Sheet and Statement of Continuity	4
Notes to Financial Information	5

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, 2019, 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, 2019 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
July 13, 2020

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

December 31, 2019

	Total	Care and Maintenance	Cemetery Prepaid
Assets			
Cash	\$ 540,936	\$ 521,197	\$ 19,739
Liabilities			
Due to the Municipality of Arran-Elderslie	\$ 536	\$ 474	\$ 62
Fund balance	540,400	520,723	19,677
	\$ 540,936	\$ 521,197	\$ 19,739

Statement of Continuity

	Total	Care and Maintenance	Cemetery Prepaid
Balance, beginning of the year	\$ 513,372	\$ 494,558	\$ 18,814
Receipts			
Interest	20,715	20,294	421
Plot sales and monument fees	12,660	12,410	250
	33,375	32,704	671
Expenditures			
Transfers to General	6,347	6,539	(192)
Balance, end of the year	\$ 540,400	\$ 520,723	\$ 19,677

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

December 31, 2019

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	<p>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.</p> <p>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.</p>
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, 2019

Chesley and District Fire Board
Financial Statements
For the year ended December 31, 2019

Contents

Financial Statements

Independent Auditor's Report	2 - 3
Statement of Financial Position	4
Statement of Operations and Accumulated Surplus	5
Statement of Changes in Net Financial Assets	6
Statement of Cash Flows	7
Summary of Significant Accounting Policies	8 - 9
Notes to Financial Statements	10 - 11



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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, 2019, 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, 2019 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
July 13, 2020

Chesley and District Fire Board
Statement of Financial Position

December 31	2019	2018
Financial assets		
Due from the Township of Chatsworth	\$ 26,395	\$ 27,201
Due from the Municipality of Arran-Elderslie-Reserve	<u>1,339</u>	<u>-</u>
	27,734	27,201
Liabilities		
Due to the Municipality of Arran-Elderslie	<u>26,395</u>	<u>27,201</u>
Net financial assets	1,339	-
Non-financial assets		
Tangible capital assets (Note 2)	<u>116,954</u>	<u>155,079</u>
Accumulated surplus (Note 3)	<u>\$ 118,293</u>	<u>\$ 155,079</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 Operations and Accumulated Surplus

For the year ended December 31	2019 Budget (Note 1)	2019 Actual	2018 Actual
Revenue			
Municipal contributions			
Municipality of Arran-Elderslie	\$ 115,274	\$ 136,221	\$ 111,349
Municipality of Arran-Elderslie reserves	-	-	4,079
Township of Chatsworth	54,759	67,838	54,243
Donations and other income	20,400	31,832	32,930
Contributed capital assets	-	-	21,000
	190,433	235,891	223,601
Expenses			
Salaries and wages	100,950	126,091	105,593
Dispatch	6,200	6,347	6,161
Tanker expense	1,400	3,481	1,191
Materials, supplies and services	81,883	98,633	76,670
Amortization	-	38,125	36,619
	190,433	272,677	226,234
Annual deficit (Note 1)	-	(36,786)	(2,633)
Accumulated surplus, beginning of the year	155,079	155,079	157,712
Accumulated surplus, end of the year	\$ 155,079	\$ 118,293	\$ 155,079

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	2019 Budget (Note 1)	2019 Actual	2018 Actual
Annual deficit (Page 5)	\$ -	\$ (36,786)	\$ (2,633)
Acquisition of tangible capital assets	-	-	(33,986)
Amortization of tangible capital assets	-	38,125	36,619
	-	38,125	2,633
Increase in net financial assets	-	1,339	-
Net financial assets, beginning of the year	-	-	-
Net financial assets, end of the year	\$ -	\$ 1,339	\$ -

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

Chesley and District Fire Board
Statement of Cash Flows

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating activities		
Annual deficit (Page 5)	\$ (36,786)	\$ (2,633)
Items not involving cash		
Amortization	38,125	36,619
Contributed capital assets	-	(21,000)
	1,339	12,986
Changes in non-cash working capital balances		
Due from the Township of Chatsworth	806	(2,135)
Due from the Municipality of Arran-Elderslie-reserve	(1,339)	-
Due to the Municipality of Arran-Elderslie	(806)	2,135
	-	12,986
Capital transactions		
Cash used to acquire capital assets	-	(12,986)
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, 2019

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, 2019

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, 2019

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 debt for comparative purposes. The following is a reconciliation of the budget approved by the Board.

	2019 Budget	2019 Actual	2018 Actual
Annual deficit (Page 5)	\$ -	\$ (36,786)	\$ (2,633)
Transfers to reserves	-	(1,339)	-
Capital acquisitions	-	-	(33,986)
Amortization	-	38,125	36,619
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2. Tangible Capital Assets

	2019		
	Vehicles	Equipment & Clothing	Total
Cost, beginning of the year	\$ 710,945	\$ 306,577	\$ 1,017,522
Additions	-	-	-
Disposals	-	-	-
Cost, end of the year	<u>710,945</u>	<u>306,577</u>	<u>1,017,522</u>
Accumulated amortization, beginning of the year	688,098	174,345	862,443
Amortization	16,128	21,997	38,125
Disposals	-	-	-
Accumulated amortization, end of the year	<u>704,226</u>	<u>196,342</u>	<u>900,568</u>
Net carrying amount, end of the year	<u>\$ 6,719</u>	<u>\$ 110,235</u>	<u>\$ 116,954</u>

Chesley and District Fire Board
Notes to Financial Statements

December 31, 2019

2. Tangible Capital Assets - (continued)

	2018		
	Vehicles	Equipment & Clothing	Total
Cost, beginning of the year	\$ 710,945	\$ 272,591	\$ 983,536
Additions	-	33,986	33,986
Disposals	-	-	-
Cost, end of the year	710,945	306,577	1,017,522
Accumulated amortization, beginning of the year	671,970	153,854	825,824
Amortization	16,128	20,491	36,619
Disposals	-	-	-
Accumulated amortization, end of the year	688,098	174,345	862,443
Net carrying amount, end of the year	\$ 22,847	\$ 132,232	\$ 155,079

3. Accumulated Surplus

	2019	2018
Invested in tangible assets	\$ 116,954	\$ 155,079
Reserve	1,339	-
	\$ 118,293	\$ 155,079