

The Corporation of the
Municipality of Arran-Elderslie
Financial Information
December 31, 2018

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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

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, 2018, 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, 2018 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.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
July 8, 2019

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

December 31	2018	2017
Financial assets		
Cash and temporary investments (Note 1)	\$17,264,022	\$ 16,173,160
Taxes receivable	963,572	1,063,551
Trade and other receivables	745,593	925,075
Inventory held for resale	7,785	8,120
Long-term receivables (Note 2)	507,535	530,801
	<u>19,488,507</u>	<u>18,700,707</u>
Liabilities		
Accounts payable and accrued liabilities	1,622,758	1,147,632
Solid waste closure and post-closure liabilities (Note 4)	327,230	330,818
Post-employment benefits liabilities (Note 10)	319,629	340,117
Deferred revenue (Page 29)	479,887	428,934
Long-term liabilities (Note 5)	497,922	514,461
	<u>3,247,426</u>	<u>2,761,962</u>
Net financial assets	<u>16,241,081</u>	<u>15,938,745</u>
Non-financial assets		
Prepaid expenses	31,385	26,806
Tangible capital assets (Note 6)	33,164,798	31,885,729
	<u>33,196,183</u>	<u>31,912,535</u>
Accumulated surplus (Note 7)	<u>\$49,437,264</u>	<u>\$ 47,851,280</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	2018 Budget (Note 9)	2018 Actual	2017 Actual
Revenue			
Taxation	\$ 4,798,063	\$ 4,850,633	\$ 4,676,739
Fees and user charges	3,422,430	3,949,529	3,631,950
Government transfers (Note 11)	3,102,044	2,384,027	2,338,972
Other income (Note 12)	837,159	914,891	913,074
	<u>12,159,696</u>	<u>12,099,080</u>	<u>11,560,735</u>
Expenses			
General government	858,338	1,635,151	873,324
Protection services	1,934,979	1,992,664	1,980,366
Transportation services	1,963,817	2,914,187	2,821,954
Environmental services	1,206,582	2,151,627	2,118,422
Health services	141,057	183,163	163,023
Recreation and cultural services	1,398,228	1,487,481	1,452,395
Planning and development	177,338	148,823	181,854
	<u>7,680,339</u>	<u>10,513,096</u>	<u>9,591,338</u>
Annual surplus (Note 9)	4,479,357	1,585,984	1,969,397
Accumulated surplus, beginning of the year	<u>47,851,280</u>	<u>47,851,280</u>	<u>45,881,883</u>
Accumulated surplus, end of the year	<u>\$ 52,330,637</u>	<u>\$49,437,264</u>	<u>\$ 47,851,280</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

<u>For the year ended December 31</u>	<u>2018</u>	<u>2018</u>	<u>2017</u>
	Budget (Note 9)	Actual	Actual
Annual surplus (Page 6)	\$ 4,479,357	\$ 1,585,984	\$ 1,969,397
Acquisition of tangible capital assets	(5,782,947)	(3,197,505)	(2,915,573)
Amortization of tangible capital assets	-	1,915,293	1,917,559
Gain on sale of tangible capital assets	-	(37,617)	(95,859)
Proceeds on disposal of capital assets	-	40,760	136,692
	<u>(5,782,947)</u>	<u>(1,279,069)</u>	<u>(957,181)</u>
Change in prepaid expenses	-	(4,579)	11,441
Increase (decrease) in net financial assets	(1,303,590)	302,336	1,023,657
Net financial assets, beginning of the year	15,938,745	15,938,745	14,915,088
Net financial assets, end of the year	\$ 14,635,155	\$16,241,081	\$ 15,938,745

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	2018	2017
Cash provided by (used in)		
Operating activities		
Annual surplus (Page 6)	\$ 1,585,984	\$ 1,969,397
Items not involving cash		
Solid waste closure and post-closure liabilities	(3,588)	(4,337)
Amortization	1,915,293	1,917,559
Post-employment benefits liabilities	(20,488)	22,851
Deferred revenue recognized	(215,413)	(208,167)
Change in prepaid expenses	(4,579)	11,441
Gain on sale of capital assets	(37,617)	(95,859)
	<u>3,219,592</u>	<u>3,612,885</u>
Changes in non-cash working capital balances		
Taxes receivable	99,979	160,149
Trade and other receivables	179,482	(135,044)
Inventory held for resale	335	(1,608)
Accounts payable and accrued liabilities	475,126	305,140
Deferred revenue received	266,366	210,969
	<u>4,240,880</u>	<u>4,152,491</u>
Capital transactions		
Cash used to acquire capital assets	(3,197,505)	(2,915,573)
Proceeds on sale of capital assets	40,760	136,692
	<u>(3,156,745)</u>	<u>(2,778,881)</u>
Investing activities		
Increase in long-term receivables	(72,100)	(45,600)
Repayment of long-term receivables	95,366	119,459
	<u>23,266</u>	<u>73,859</u>
Financing activities		
Additions to long-term liabilities	72,100	45,600
Repayment of long-term liabilities	(88,639)	(113,111)
	<u>(16,539)</u>	<u>(67,511)</u>
Net change in cash and cash equivalents	1,090,862	1,379,958
Cash and cash equivalents, beginning of the year	<u>16,173,160</u>	<u>14,793,202</u>
Cash and cash equivalents, end of the year	<u>\$17,264,022</u>	<u>\$ 16,173,160</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, 2018

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	8.81%
Saugeen Mobility and Regional Transit	6.90%

The Corporation of the Municipality of Arran-Elderslie

Summary of Significant Accounting Policies

December 31, 2018

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, 2018

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, 2018

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, 2018

1. Cash and Temporary Investments

	2018	2017
Cash	\$ 8,486,134	\$ 7,550,020
Temporary investments - GIC's	8,551,429	8,551,429
Temporary investments - Restricted	47,858	47,954
Accrued interest	178,601	23,757
	<u>\$17,264,022</u>	<u>\$ 16,173,160</u>

On December 31, 2018, the Municipality had bank accounts of \$8,083,779 and GIC's of \$8,571,429 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 1.80% and mature May 2019. The restricted investments are GIC's with interest rates between 1.80% and 2.55% and mature between January 2019 and January 2023.

2. Long-Term Receivables

	2018	2017
Tile drainage loans, 6%, due 2019 to 2028	\$ 497,922	\$ 514,461
Tara water system loans, 6%, due 2020	9,613	16,340
	<u>\$ 507,535</u>	<u>\$ 530,801</u>

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, 2018, 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, 2018

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 \$293,768 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 19 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 \$33,462 and represents the present value of closure and post-closure costs for 25% 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 \$1,543,560. The estimated remaining open capacity of Phases I and II is approximately 210,885 cubic meters, which will be filled in 60 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>2018</u>	<u>2017</u>
Tile drainage loans, 6%, due 2019 to 2028	\$ 497,922	\$ 514,461

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

2019	\$ 91,944
2020	80,423
2021	79,881
2022	60,000
2023	58,519
Thereafter	<u>127,155</u>
	<u>\$ 497,922</u>

Interest paid during the year totalled \$32,583 (2017 - \$34,945).

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

December 31, 2018

6. Tangible Capital Assets

	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, 2018

6. Tangible Capital Assets - (continued)

	2017							
	Land and Land Improvements	Buildings	Equipment	Roads	Water and Other Utility Systems	Bridges and Culverts	Vehicles	Total
Cost, beginning of the year	\$ 868,659	\$ 6,565,746	\$ 2,415,908	\$ 43,612,063	\$ 25,705,292	\$ 7,514,024	\$ 5,288,381	\$ 91,970,073
Additions	13,074	216,277	166,064	560,156	1,610,212	264,799	84,991	2,915,573
Disposals	(40,000)	-	(970)	(25,086)	(4,578)	(28,710)	(7,003)	(106,347)
Cost, end 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
Accumulated amortization, beginning of the year	112,867	3,924,070	1,324,645	38,701,119	9,144,292	4,061,213	3,773,319	61,041,525
Amortization	25,291	138,944	194,662	554,048	625,239	145,917	233,458	1,917,559
Disposals	-	-	(914)	(25,086)	(3,919)	(28,710)	(6,885)	(65,514)
Accumulated amortization, end 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
Net carrying amount, end of the year	\$ 703,575	\$ 2,719,009	\$ 1,062,609	\$ 4,917,052	\$ 17,545,314	\$ 3,571,693	\$ 1,366,477	\$ 31,885,729

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

December 31, 2018

6. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction or development is \$542,523 (2017 - \$962,971).

7. Accumulated Surplus

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

	2018	2017
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$33,164,798	\$ 31,885,729
Unfinanced capital assets	(12,239)	(26,735)
	33,152,559	31,858,994
Total invested in capital assets	33,152,559	31,858,994
Unfunded post-employment benefits	(319,629)	(340,117)
Unfunded solid waste closure and post-closure costs	(162,192)	(165,780)
Unfunded Grey Bruce Health Services contribution	-	(5,000)
Operating surplus (Note 9)	208,119	167,112
Fire surplus	277	277
Saugeen Mobility and Regional Transit (S.M.A.R.T.)	202	202
Bruce Area Solid Waste Recycling (B.A.S.W.R.)	(2,950)	-
	32,876,386	31,515,688
Reserves and reserve funds (Note 8)	16,560,878	16,335,592
Accumulated surplus	\$49,437,264	\$ 47,851,280

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

December 31, 2018

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

	2018	2017
Reserves		
Working funds	\$ 301,060	\$ 922,623
Sick leave	491,080	433,565
Capital purposes	15,608,398	14,582,418
	16,400,538	15,938,606
Reserve funds		
Capital purposes	160,340	396,986
Reserves and reserve funds set aside for specific purpose by Council	\$16,560,878	\$ 16,335,592

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 2018 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.

	2018 Budget	2018 Actual	2017 Actual
Annual surplus (Page 7)	\$ 4,479,357	\$ 1,585,984	\$ 1,969,397
Amortization	-	1,915,293	1,917,559
Change in other surpluses	-	2,950	-
Change in unfunded liabilities	-	(24,076)	18,514
	4,479,357	3,480,151	3,905,470
Prior year general surplus	-	167,112	233,544
Net transfers (to) from reserves	1,303,590	(225,286)	(1,048,440)
Capital acquisitions, disposals and write-down	(5,782,947)	(3,194,362)	(2,874,740)
Prior year capital projects funded	-	(14,496)	(43,722)
Unfunded Grey Bruce Health Services	-	(5,000)	(5,000)
Operating surplus (Note 7)	\$ -	\$ 208,119	\$ 167,112

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

December 31, 2018

10. Post-Employment Benefit Liabilities

	2018	2017
Accumulating sick leave (unamortized gain \$39,328)	\$ 240,360	\$ 220,010
Post-employment benefits (unamortized gain \$38,885)	79,269	120,107
	\$ 319,629	\$ 340,117

- 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.

	2018	2017
Sick leave liability, beginning of the year	\$ 220,010	\$ 198,989
Amortization of actuarial gain	(3,653)	(1,126)
Current year benefit expense	18,850	17,399
Interest accrued	7,413	8,750
Benefits paid	(2,260)	(4,002)
	\$ 240,360	\$ 220,010

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, 2018 is \$240,360. The reserve account maintained by the municipality at December 31, 2018 per the agreement is \$491,080 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 2018 and forward. For dental and travel premiums, a 3.75% annual rate of increase was assumed for 2018 and forward. For health care premiums, a 6.75% increase was used for 2018 and decreasing .33% until 2027 where 3.75% was used thereafter.

	2018	2017
Accrued benefit liability, beginning of the year	\$ 120,107	\$ 118,277
Amortization of actuarial gain	(4,059)	(2,454)
Current year benefit expense	(38,047)	3,127
Interest accrued	1,521	2,459
Benefit payments	(253)	(1,302)
	\$ 79,269	\$ 120,107

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

December 31, 2018

11. Government Transfers

	2015	2018	2017
	Budget	Actual	Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,656,200	\$ 1,656,200	\$ 1,507,300
Conditional - Roads	14,000	11,671	14,433
- Other	74,986	243,056	130,291
	<u>1,745,186</u>	<u>1,910,927</u>	<u>1,652,024</u>
Government of Canada			
Conditional - Roads	-	9,817	-
Conditional - Other	-	18,633	27,563
	<u>\$ -</u>	<u>\$ 28,450</u>	<u>\$ 27,563</u>
Other Municipalities			
- Other	-	6,869	-
	<u>-</u>	<u>6,869</u>	<u>-</u>
Total operating transfers	<u>1,745,186</u>	<u>1,946,246</u>	<u>1,679,587</u>
Tangible Capital Asset			
Province of Ontario			
Conditional - Roads	424,909	213,909	154,878
- Sewer and water	882,000	-	87,154
- Other	49,949	9,099	36,000
	<u>1,356,858</u>	<u>223,008</u>	<u>278,032</u>
Government of Canada			
Conditional - Roads	-	214,773	207,046
- Sewer and water	-	-	174,307
	<u>-</u>	<u>214,773</u>	<u>381,353</u>
Total tangible capital asset transfers	<u>1,356,858</u>	<u>437,781</u>	<u>659,385</u>
Total Transfers	<u>\$ 3,102,044</u>	<u>\$ 2,384,027</u>	<u>\$ 2,338,972</u>

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

December 31, 2018

12. Other Income

	2018	2018	2017
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 205,000	\$ 164,602	\$ 178,320
Other fines and penalties	1,620	1,007	1,562
Investment income	262,090	306,806	212,746
Licenses, permits and rents	329,869	327,193	350,018
Donations	28,300	59,321	60,442
Local improvement special charges	10,800	14,052	11,151
Gain on disposal of capital assets	-	37,617	95,859
Other	(520)	4,293	2,976
	<u>\$ 837,159</u>	<u>\$ 914,891</u>	<u>\$ 913,074</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 35 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 amount contributed to OMERS for 2018 by the municipality was \$194,261 (2017 - \$190,451). The contribution rate for 2018 was 9.0% to 15.8% depending on age and income level (2017 - 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, 2018. At that time the plan reported a \$4.19 billion actuarial deficit (2017 - \$5.40 billion actuarial deficit), based on actuarial liabilities of \$99.06 billion (2017 - \$93.61 billion) and actuarial assets of \$94.87 billion (2017 - \$88.21 billion). Ongoing adequacy of the current contribution rates will need to be monitored as fluctuations in financial markets may lead to increased future funding requirements.

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

December 31, 2018

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:

	2018	2017
School boards	\$ 1,476,066	\$ 1,468,577
County of Bruce	2,562,169	2,443,897
	<u>\$ 4,038,235</u>	<u>\$ 3,912,474</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. Trust Funds

The trust funds administered by the municipality amounting to \$513,372 (2017 - \$504,607) 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, 2018

17. 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 8.81% interest. The Bruce Area Solid Waste Recycling has been consolidated into these financial statements.

	2018	2017
Financial assets	\$ 2,883,665	\$ 2,893,033
Liabilities	162,306	169,417
Net financial assets	2,721,359	2,723,616
Non-financial assets	1,554,408	1,585,072
Accumulated surplus	\$ 4,275,767	\$ 4,308,688
Revenues	\$ 3,057,540	\$ 3,047,316
Expenses	3,090,461	2,883,564
Annual surplus (deficit)	\$ (32,921)	\$ 163,752

18. 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%.

	2018	2017
Financial assets	\$ 27,201	\$ 25,066
Liabilities	27,201	25,066
Net financial assets	-	-
Non-financial assets	155,079	157,712
Accumulated surplus	\$ 155,079	\$ 157,712
Revenues	\$ 223,601	\$ 213,255
Expenses	226,234	224,687
Annual deficit	\$ (2,633)	\$ (11,432)

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

December 31, 2018

19. 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 6.9%.

	2018	2017
Financial assets	\$ 253,623	\$ 228,488
Liabilities	300,623	269,011
Net financial debt	(47,000)	(40,523)
Non-financial assets	540,385	546,876
Accumulated surplus	<u>\$ 493,385</u>	<u>\$ 506,353</u>
Revenues	\$ 1,929,610	\$ 1,758,577
Expenses	1,942,578	1,652,660
Annual surplus (deficit)	<u>\$ (12,968)</u>	<u>\$ 105,917</u>

On November 12, 2018 Council passed a resolution to exercise their right to provide written notice of their withdrawal from Saugeen Mobility and Regional Transit effective December 31, 2019.

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

December 31, 2018

20. 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, 2018

20. 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, payments-in-lieu and penalties and interest	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, 2018

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	629,957	49,816	512,913	55,597	3,949,529
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
	<u>1,182,279</u>	<u>2,126,397</u>	<u>3,582,434</u>	<u>2,435,388</u>	<u>686,720</u>	<u>150,995</u>	<u>1,807,333</u>	<u>127,534</u>	<u>12,099,080</u>
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	116,839	58,669	544,068	28,259	1,986,141
Contracted services	263,424	1,157,601	437,252	135,917	248,615	9,024	42,266	53,180	2,347,279
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
	<u>1,635,151</u>	<u>1,992,664</u>	<u>2,914,187</u>	<u>1,534,043</u>	<u>617,584</u>	<u>183,163</u>	<u>1,487,481</u>	<u>148,823</u>	<u>10,513,096</u>
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
Notes to the Financial Statements

December 31, 2018

For the year ended December 31, 2017	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2017 Total
Revenue									
Taxation	\$ 374,139	\$ 1,356,254	\$ 2,104,533	\$ -	\$ -	\$ -	\$ 841,813	\$ -	\$ 4,676,739
Fees and user charges	30,110	123,680	63,748	2,255,716	602,476	56,568	464,707	34,945	3,631,950
Specific grants	63,562	-	431,020	261,461	47,948	-	14,831	12,850	831,672
OMPF grant	120,584	437,117	678,285	-	-	-	271,314	-	1,507,300
Other revenue	489,127	219,543	529	11,150	4,409	107,852	80,464	-	913,074
	<u>1,077,522</u>	<u>2,136,594</u>	<u>3,278,115</u>	<u>2,528,327</u>	<u>654,833</u>	<u>164,420</u>	<u>1,673,129</u>	<u>47,795</u>	<u>11,560,735</u>
Expenses									
Salaries and benefits	613,387	385,360	938,413	389,559	202,329	68,521	713,605	45,055	3,356,229
Interest on debt	-	-	-	-	-	-	-	34,945	34,945
Materials and supplies	114,500	202,240	596,001	293,466	109,095	46,702	538,295	3,071	1,903,370
Contracted services	86,228	1,178,479	384,017	152,651	274,835	4,095	85,952	98,783	2,265,040
Other transfers	28,979	74,680	-	-	-	-	-	-	103,659
Rents and financial expenses	5,367	-	-	139	549	3,315	1,166	-	10,536
Amortization	24,863	139,607	903,523	672,669	23,130	40,390	113,377	-	1,917,559
	<u>873,324</u>	<u>1,980,366</u>	<u>2,821,954</u>	<u>1,508,484</u>	<u>609,938</u>	<u>163,023</u>	<u>1,452,395</u>	<u>181,854</u>	<u>9,591,338</u>
Annual surplus (deficit)	<u>\$ 204,198</u>	<u>\$ 156,228</u>	<u>\$ 456,161</u>	<u>\$ 1,019,843</u>	<u>\$ 44,895</u>	<u>\$ 1,397</u>	<u>\$ 220,734</u>	<u>\$ (134,059)</u>	<u>\$ 1,969,397</u>

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

For the year ended December 31, 2018

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
In lieu of parkland	\$ 2,974	\$ -	\$ 48	\$ -	\$ 3,022
Federal gas tax	401,537	216,905	6,499	(214,773)	410,168
Main St. Revitalization	-	40,664	-	-	40,664
Subdivider contributions	21,570	-	349	-	21,919
	<u>426,081</u>	<u>257,569</u>	<u>6,896</u>	<u>(214,773)</u>	<u>475,773</u>
Other					
RBC Learn to Play grant	2,853	-	-	(640)	2,213
Metis Cemetery grant	-	1,901	-	-	1,901
	<u>\$ 428,934</u>	<u>\$ 259,470</u>	<u>\$ 6,896</u>	<u>\$ (215,413)</u>	<u>\$ 479,887</u>

The Corporation of the
Municipality of Arran-Elderslie
Trust Funds
For the year ended December 31, 2018

The Corporation of the Municipality of Arran-Elderslie
Trust Funds
For the year ended December 31, 2018

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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
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, 2018, the statement of continuity for the year then ended, and notes to the financial statements 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, 2018 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 Funds 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 8, 2019

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

December 31, 2018

	Total	Care and Maintenance	Cemetery Prepaid
Assets			
Cash	\$ 228,722	\$ 209,358	\$ 19,364
Investments	303,604	303,604	-
	532,326	512,962	19,364
Other			
Accrued interest	5,012	5,012	-
	\$ 537,338	\$ 517,974	\$ 19,364
Liabilities			
Due to the Municipality of Arran-Elderslie	\$ 23,966	\$ 23,416	\$ 550
Fund balance	513,372	494,558	18,814
	\$ 537,338	\$ 517,974	\$ 19,364

Statement of Continuity

	Total	Care and Maintenance	Cemetery Prepaid
Balance, beginning of the year	\$ 504,607	\$ 485,259	\$ 19,348
Receipts			
Interest	8,874	8,558	316
Plot sales and monument fees	9,408	9,158	250
Donations	141	141	-
	18,423	17,857	566
Expenditures			
Transfers to General	9,658	8,558	1,100
Balance, end of the year	\$ 513,372	\$ 494,558	\$ 18,814

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

December 31, 2018

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.

2. Investments

The total investments of \$303,604 (2017 - \$381,180) reported on the Balance Sheet at cost have a market value of \$303,604 (2017 - \$381,180) at the end of the year.

Chesley and District Fire Board
Financial Statements
For the year ended December 31, 2018

Chesley and District Fire Board
Financial Statements
For the year ended December 31, 2018

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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, 2018, and the statements of operations and accumulated surplus, changes in net debt 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, 2018 and the results of its operations, changes in net debt 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 Consolidated 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 consolidated 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 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 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 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 organization 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.

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 8, 2019

Chesley and District Fire Board
Statement of Financial Position

<u>December 31</u>	<u>2018</u>	<u>2017</u>
Financial assets		
Due from the Township of Chatsworth	\$ 27,201	\$ 25,066
Liabilities		
Due to the Municipality of Arran-Elderslie	<u>27,201</u>	<u>25,066</u>
Net debt	-	-
Non-financial assets		
Tangible capital assets (Note 2)	<u>155,079</u>	<u>157,712</u>
Accumulated surplus (Note 3)	<u>\$ 155,079</u>	<u>\$ 157,712</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	2018 Budget (Note 1)	2018 Actual	2017 Actual
Revenue			
Municipal contributions			
Municipality of Arran-Elderslie	\$ 99,117	\$ 111,349	\$ 124,569
Municipality of Arran-Elderslie reserves	-	4,079	3,503
Township of Chatsworth	55,420	54,243	60,059
Donations and other income	11,925	32,930	25,124
Contributed capital assets	-	21,000	-
	166,462	223,601	213,255
Expenses			
Salaries and wages	91,700	105,593	103,334
Dispatch	6,200	6,161	6,126
Tanker expense	1,800	1,191	2,057
Materials, supplies and services	66,762	76,670	76,649
Amortization	-	36,619	36,521
	166,462	226,234	224,687
Annual deficit (Note 1)	-	(2,633)	(11,432)
Accumulated surplus, beginning of the year	157,712	157,712	169,144
Accumulated surplus, end of the year	\$ 157,712	\$ 155,079	\$ 157,712

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 Debt

For the year ended December 31	2018 Budget (Note 1)	2018 Actual	2017 Actual
Annual deficit (Page 5)	\$ -	\$ (2,633)	\$ (11,432)
Acquisition of tangible capital assets	-	(33,986)	(25,089)
Amortization of tangible capital assets	-	36,619	36,521
	-	2,633	11,432
Decrease in net debt	-	-	-
Net debt, beginning of the year	-	-	-
Net debt, 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
Statement of Cash Flows

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating activities		
Annual deficit (Page 5)	\$ (2,633)	\$ (11,432)
Items not involving cash		
Amortization	36,619	36,521
Contributed capital assets	(21,000)	-
	12,986	25,089
Changes in non-cash working capital balances		
Due from the Township of Chatsworth	(2,135)	21,224
Due to the Municipality of Arran-Elderslie	2,135	(21,224)
	12,986	25,089
Capital transactions		
Cash used to acquire capital assets	(12,986)	(25,089)
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, 2018

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 consolidated financial statements. Management reviews and approves the consolidated financial statements before they are submitted to Council.

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, 2018

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, 2018

1. Budgets

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

	2018 Budget	2018 Actual	2017 Actual
Annual deficit (Page 5)	\$ -	\$ (2,633)	\$ (11,432)
Capital acquisitions	-	(33,986)	(25,089)
Amortization	-	36,619	36,521
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2. Tangible Capital Assets

	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	<u>710,945</u>	<u>306,577</u>	<u>1,017,522</u>
Accumulated amortization, beginning of the year	653,967	171,857	825,824
Amortization	-	36,619	36,619
Disposals	-	-	-
Accumulated amortization, end of the year	<u>653,967</u>	<u>208,476</u>	<u>862,443</u>
Net carrying amount, end of the year	<u>\$ 56,978</u>	<u>\$ 98,101</u>	<u>\$ 155,079</u>

Chesley and District Fire Board
Notes to Financial Statements

December 31, 2018

2. Tangible Capital Assets - (continued)

	2017		
	Vehicles	Equipment & Clothing	Total
Cost, beginning of the year	\$ 710,945	\$ 247,502	\$ 958,447
Additions	-	25,089	25,089
Disposals	-	-	-
Cost, end of the year	710,945	272,591	983,536
Accumulated amortization, beginning of the year	653,967	135,336	789,303
Amortization	-	36,521	36,521
Disposals	-	-	-
Accumulated amortization, end of the year	653,967	171,857	825,824
Net carrying amount, end of the year	<u>\$ 56,978</u>	<u>\$ 100,734</u>	<u>\$ 157,712</u>

3. Accumulated Surplus

	2018	2017
Invested in tangible assets	<u>\$ 155,079</u>	<u>\$ 157,712</u>