

**CORPORATION OF THE
MUNICIPALITY OF SOUTH BRUCE
CONSOLIDATED FINANCIAL REPORT
DECEMBER 31, 2019**

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

DECEMBER 31, 2019

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CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

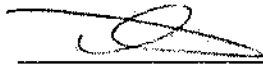
MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL REPORT

The accompanying consolidated financial statements of The Municipality of South Bruce (the "Municipality") are the responsibility of the Municipality's management and 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 described in Note 1 to the consolidated financial statements.

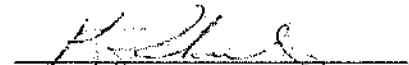
The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management. Council meets with management and the external auditor to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval.

The consolidated financial statements have been audited by Baker Tilly SGB LLP, independent external auditor appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.



CAO/Clerk
June 23, 2020



Treasurer
June 23, 2020

BAKER TILLY SGB LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of **The Municipality of South Bruce:**

Opinion

We have audited the consolidated financial statements of the The Municipality of South Bruce (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2019, and its consolidated results of operations 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 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 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 relating 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.

BAKER TILLY SGB LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT CONTINUED

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 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.

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.

Baker Tilly SGB

BAKER TILLY SGB LLP
LICENSED PUBLIC ACCOUNTANTS

Walkerton, Ontario
June 23, 2020

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	2019	2018
	\$	\$
Financial assets:		
Cash (Note 2)	4,943,281	4,676,105
Portfolio investments (Note 3)	687,362	688,859
Taxes receivable	494,479	427,404
Accounts receivable	816,453	1,159,601
Long-term receivables (Note 4)	2,462,205	2,810,487
Long-term investments (Note 5)	1,970,850	962,610
	11,374,630	10,725,066
Liabilities:		
Accounts payable and accruals	1,723,955	878,285
Deferred revenue - obligatory reserve funds (Note 6)	1,011,554	430,098
Deferred revenue - other (Note 6)	614,622	851,078
Landfill closure and post-closure liability (Note 7)	383,252	345,503
Long-term liabilities (Note 8)	4,431,862	4,876,263
	8,165,245	7,381,227
Net financial assets	3,209,385	3,343,839
Non-financial assets:		
Tangible capital assets (Schedule 1, 2 and Note 10)	64,811,629	64,449,734
Prepaid expenses	1,476,322	825,658
	66,287,951	65,275,392
Accumulated surplus (Note 11)	69,497,336	68,619,231

Approved _____ Mayor

_____ Date

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31

	Budget 2019	Actual 2019	Actual 2018
	\$ (Note 12)	\$	\$
Revenues			
Net property taxation (Note 14)	4,836,277	4,777,837	4,618,198
Taxation from other governments	25,695	25,698	25,664
User charges and fees	3,874,464	4,217,156	4,017,795
Government transfers	949,000	1,539,191	1,028,794
Donations and sale of goods	531,541	464,389	266,804
Investment income (Note 3 and 5)	102,800	153,839	108,733
Penalties and interest on property taxation (Note 4)	84,000	165,202	186,830
	10,403,777	11,343,312	10,252,818
Expenses			
General government	996,411	943,471	686,403
Protection services	1,699,036	1,757,643	1,771,664
Transportation services	2,635,527	4,275,040	4,176,167
Environmental services	1,851,118	2,899,260	2,614,769
Health services	101,336	137,088	166,453
Recreation and cultural services	951,410	1,227,226	1,170,024
Planning and development	117,200	149,277	115,950
	8,352,038	11,389,005	10,701,430
Net revenues (expenses)	2,051,739	(45,693)	(448,612)
Other			
Grants and transfers related to capital			
Government transfers	705,600	701,372	930,253
Capital cost recoveries	60,100	-	-
Donations	223,780	194,430	527,619
Capital contribution	5,000	7,621	88,292
Other municipalities	70,000	-	-
Gain (loss) on disposal of tangible capital assets	-	20,375	(22,386)
	1,064,480	923,798	1,523,778
Annual surplus	3,116,219	878,105	1,075,166
Accumulated surplus, beginning of year		68,619,231	67,544,065
Accumulated surplus, end of year (Note 11)		69,497,336	68,619,231

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31

	Budget 2019	Actual 2019	Actual 2018
	\$ (Note 12)	\$	\$
Annual surplus	3,116,219	878,105	1,075,166
Acquisition of tangible capital assets	-	(3,185,327)	(3,065,858)
Amortization of tangible capital assets	-	2,744,764	2,679,547
Loss (gain) on disposal of tangible capital assets	-	(20,375)	22,386
Proceeds on disposal of tangible capital assets	-	99,319	50,430
Acquisition of prepaid expenses	-	(650,940)	(501,072)
Change in net financial assets	3,116,219	(134,454)	260,599
Net financial assets, beginning of year		3,343,839	3,083,240
Net financial assets, end of year		3,209,385	3,343,839

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

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

	2019	2018
	\$	\$
Cash flows from (for):		
Operating activities		
Annual surplus	878,105	1,075,166
Non-cash items:		
Amortization of tangible capital assets	2,744,764	2,679,547
Loss (gain) on disposal of tangible capital assets	(20,375)	22,386
Landfill closure and post-closure liability	37,749	25,921
	3,640,243	3,803,020
Changes in:		
Portfolio investments	1,497	(9,596)
Taxes receivable	(67,075)	123,564
Accounts receivable	343,148	113,327
Prepaid expenses	(650,940)	(501,072)
Accounts payable and accruals	845,670	(174,089)
Net change in cash from operations	4,112,543	3,355,154
Capital activities		
Acquisition of tangible capital assets	(3,185,327)	(3,065,858)
Proceeds on disposal of tangible capital assets	99,319	50,430
Net change in cash from capital	(3,086,008)	(3,015,428)
Investing activities		
Purchase of GICs	(1,008,240)	-
Financing activities		
Long-term liabilities repaid	(444,401)	(781,186)
Deferred revenue - obligatory reserve funds and other	345,000	42,678
Long-term receivables	348,282	686,284
Net change in cash from financing	248,881	(52,224)
Net change in cash position	267,176	287,502
Cash position, beginning of year	4,676,105	4,388,603
Cash position, end of year	4,943,281	4,676,105

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

Nature of operations

The Municipality of South Bruce (the "Municipality") is a lower-tier Municipality located in the County of Bruce, Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes, such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Summary of significant accounting policies

The consolidated financial statements of the Municipality are the representation of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The focus of PSAB financial statements is on the financial position of the Municipality and the changes thereto. The consolidated statement of financial position includes all of the assets and liabilities of the Municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position and is the difference between assets and liabilities. This provides information about the Municipality's overall future revenue requirements and its ability to finance activities and meet its obligations. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Basis of consolidation

These consolidated financial statements reflect assets, liabilities, revenues and expenses of the Municipality. They include the activities of all committees of Council and the following organizations which are accountable to, and owned or controlled by the Municipality:

- Teeswater-Culross Cemetery Board
- Formosa Community Centre Board
- Teeswater Town Hall Board

Excluded are Funds Held in Trust which are administered by the Municipality and reported on separately.

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

Bruce Area Solid Waste Recycling	3.32%
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All interfund assets and liabilities and sources of financing and expenses have been eliminated.

(b) Basis of accounting

Sources of financing 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.

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

1. Summary of significant accounting policies (continued)

(c) Cash and cash equivalents

Cash and cash equivalents include cash on deposit, short-term deposits with a maturity of less than three months at acquisition and temporary bank overdrafts which form an integral part of the Municipality's cash management.

(d) Portfolio investments

Portfolio investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

(e) Deferred revenue

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 operations in the year in which it is used for the specified purpose.

(f) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the consolidated change in net financial assets for the year.

(i) 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. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	- 15 to 25 years
Buildings	- 25 to 50 years
Vehicles, machinery and equipment	- 4 to 50 years
Roads	- 8 to 100 years
Water & sewers	- 75 years

(ii) Contribution of tangible capital assets

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

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

1. Summary of significant accounting policies (continued)

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of the property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iv) Intangible assets

Intangible assets are not recognized as assets in the financial statements.

(g) Revenue recognition

User charges and fees and other revenues are recognized when related goods or services are provided and collectibility is reasonably assured.

Investment income is recognized in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balance and is recognized in the period in which eligible expenditures are made.

Donations, sale of goods, other grants, capital contributions and taxation from other governments are recognized on an accrual basis.

(h) Taxation and related revenues

Property tax billings are prepared by the municipality based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by Municipal council, incorporating amounts to be raised for local services. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued.

Assessments and the related property taxes are subject to appeal. 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. Taxes receivable are recognized net of allowance for anticipated uncollectable amounts.

The municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

(i) County and School Boards

The Municipality collects taxation revenue on behalf of the School Boards and the County of Bruce. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the School Boards and the County of Bruce are not reflected in these financial statements.

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

1. Summary of significant accounting policies (continued)

(j) Government transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Conditional government transfer revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional transfer revenue is recognized when monies are receivable. Government transfers for acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

(k) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The Municipality's implementation of the Public Sector Handbook PS 3150 has required management to make estimates of historical cost, useful lives and amortization of tangible capital assets. In addition, estimates have been made of closure and post-closure costs related to landfill sites. Actual results could differ from those estimates.

(l) Pension plan

The Municipality offers a pension plan for its full-time employees through the Ontario Municipal Employee Retirement System ("OMERS"). OMERS is a multi-employer, contributory, public sector pension fund established for employees of municipalities, local boards and school boards in Ontario. Participating employers and employees are required to make plan contributions based on participating employees' contributory earnings. The Municipality accounts for its participation in OMERS as a defined contribution plan and recognizes the expense related to this plan as contributions are made, even though OMERS is itself a defined benefit plan.

2. Cash

Cash consists of the following:

	2019	2018
	\$	\$
Unrestricted	3,317,105	3,394,930
Restricted (Note 6)	1,626,176	1,281,175
	4,943,281	4,676,105

Restricted cash relates to obligatory reserve funds and other deferred revenue as described in Note 6 below.

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

3. Portfolio investments

The Municipality has unrestricted investments in The One Investment Program of \$687,362 (2018 - \$688,859). During the year, portfolio investments earned income of \$9,480 (2018 - \$9,596).

The One Investment Program is designed specifically for the municipal and broader Ontario public sector. The investments held within the Program are at their purchase cost. The investments include a money market portfolio and equity fund with a cost of \$687,362 (2018 - \$688,859).

	2019	2018
	\$	\$
Carrying value	687,362	688,859
Market value	680,682	667,550

4. Long-term receivables

Long-term receivables consist of the following:

	2019	2018
	\$	\$
Sewer loan receivable, industry contributions, 0% interest annual repayments, due 2020 and 2023	386,000	552,000
Sewer loan receivable, 2.1% interest rate, quarterly repayments, due 2019	-	19,892
Sewer loan receivable, 3.6% interest rate, quarterly repayments, due 2028	1,418,655	1,558,594
Sewer loan receivable, 4.1% interest rate, quarterly repayments, due 2038	657,550	680,001
	2,462,205	2,810,487

Interest earned on the loans receivable during the year was \$83,833 (2018 - \$103,980). This amount has been included in penalties and interest on property taxation on the consolidated statement of operations.

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

5. Long-term investments

	2019	2018
	\$	\$
Note receivable, Westario Power Inc., 4.12%, interest only receivable quarterly	292,498	292,498
366.8 Common shares, Westario Power Inc.	670,112	670,112
GIC, CCS, 2.6% interest rate, due September, 2022	504,120	-
GIC, Summerland, 2.6% interest rate, due September, 2023	504,120	-
	1,970,850	962,610

The Westario Power Inc. investments arose on November 1, 2000 as a result of the sale of the Mildmay Teeswater Hydro Electric Commission to Westario Power Inc.

Interest earned on the notes receivable during the year was \$12,051 (2018 - \$12,051). This amount has been included in investment income on the consolidated statement of operations.

The Municipality owns 3.7% of the outstanding common shares of Westario Power Inc. The shares are generally not exposed to interest rate risk. The fair value of these shares is not determinable at this time. Dividends of \$29,344 (2018 - \$16,506) were received on these shares during the year and is also included in investment income.

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

6. Deferred revenue - obligatory reserve funds and other

A requirement of public sector accounting principles of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

The balance of deferred revenue is made up as follows:

	2019	2018
	\$	\$
Obligatory reserve funds		
Community well being	628,927	407,911
Federal gas tax	363,060	4,989
Parkland levies	19,567	17,198
	1,011,554	430,098
Other		
Government grant funding	318,000	561,790
Planning deposits	82,572	55,572
Other	214,050	233,716
	614,622	851,078
	1,626,176	1,281,176

The net change during the year for the obligatory reserve funds is made up as follows:

	2019	2018
	\$	\$
Balance, beginning of year	430,098	534,573
Interest earned	9,145	4,864
Restricted funds received	657,511	487,633
Revenue recognized	(85,200)	(596,972)
Balance, end of year	1,011,554	430,098

The net change during the year for the other deferred revenue is made up as follows:

	2019	2018
	\$	\$
Balance, beginning of year	851,078	703,925
Restricted funds received	836,218	687,266
Revenue recognized	(1,072,674)	(540,113)
Balance, end of year	614,622	851,078

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

7. Landfill closure and post-closure liability

Solid waste landfill closure and post-closure care requirements are 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. These costs will be incurred as each landfill site stops accepting waste, with the post-closure care expected to continue for an additional 20 years. The total future closure and post-closure care costs are estimated to be \$622,100 (2018 -\$549,000).

Carrick Mildmay landfill site

As at December 31, 2019, the Municipality has recognized in the financial statements a funded liability of \$189,084 (2018 - \$193,999). This liability represents 77% of the present value of the estimated costs and is based on a total capacity of 137,400 cubic meters and a discount rate of 2.00%. The balance of the liability of \$58,961 will be accrued as the remaining capacity of 31,100 cubic meters is utilized, which is expected to be over the next 21 years.

Teeswater Culross landfill site

As at December 31, 2019, the Municipality has recognized in the financial statements a funded liability of \$153,629 (2018 - \$151,504). This liability represents 62% of the present value of the estimated costs and is based on a total capacity of 83,370 cubic meters and a discount rate of 2.00%. The balance of the liability of \$103,421 will be accrued as the remaining capacity of 31,403 cubic meters is utilized, which is expected to be over the next 16 years.

Carlsruhe landfill site

As at December 31, 2019, the Municipality has recognized in the financial statements a funded liability of \$40,538 (2018 - \$NIL). This liability represents 100% of the present value of the estimated costs and is based on a total capacity of 18,800 cubic meters and a discount rate of 2.00%. This landfill is closed and therefore has annual post-closure estimated for the next 5 years.

Management's estimate for site closure and post-closure care liability is subject to measurement uncertainty. The estimate is based on assumptions contained in engineer's reports as to capacity, site life expectancy and usage. Actual results could differ significantly from these estimates because of the uncertainty related to future cost estimates, and future use of the landfill site.

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

8. Long-term liabilities

(a) Long-term liabilities consist of the following:

	2019	2018
	\$	\$
Ontario Infrastructure loan payable, 2.1% interest, payable \$118,782 quarterly principal and interest, due February, 2019.	-	118,161
Ontario Infrastructure loan payable, 3.11% interest, payable \$19,262 quarterly principal and interest, due February, 2024.	305,627	371,878
Ontario Infrastructure loan payable, 3.6% interest, payable \$49,886 quarterly principal and interest, due February, 2029.	1,563,979	1,704,053
Ontario Infrastructure loan payable, 3.9% interest, payable \$43,345 quarterly principal and interest, due February, 2033.	1,888,547	1,985,888
Ontario Infrastructure loan payable, 4.1% interest, payable \$12,694 quarterly principal and interest, due February, 2039.	673,709	696,283
	4,431,862	4,876,263

(b) Payments anticipated for the next 5 years and thereafter are as follows:

	Principal	Interest
	\$	\$
2020	338,227	162,520
2021	350,658	150,089
2022	363,550	137,197
2023	376,919	123,828
2024	332,546	110,415
Thereafter	2,669,962	399,495

The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs. Total interest charges on long-term liabilities for the year reported on the consolidated statement of operations are \$173,442 (2018 - \$190,469).

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

9. Pension agreements

The employees of the Corporation of the Municipality of South Bruce participate in the Ontario Municipal Employees Retirement Saving Plan ("OMERS"). Although the plan has a defined retirement benefit for employees, the related obligation of the Municipality cannot be identified. The Municipality has applied defined contribution plan accounting as it has insufficient information to apply defined benefit plan accounting.

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 most recent actuarial valuation of the Plan was conducted at December 31, 2019.

The amount contributed to OMERS for the current year was \$128,812 (2018 - \$133,115) for current service.

10. Tangible capital assets

Schedules 1 and 2 provide information on the tangible capital assets of the Municipality by major asset class as well as accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets:

(a) Work in progress

Work in progress with a value of \$538,009 (2018 - \$531,119) has not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$NIL (2018 - \$NIL).

(c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and historical treasures

No works of art nor historical treasures are held by the Municipality.

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

11. Accumulated surplus

Accumulated surplus consists of individual fund surplus, reserves and reserve funds as follows:

	2019	2018
	\$	\$
Investment in tangible capital assets:		
Invested in tangible capital assets	64,811,629	64,449,734
Tangible capital assets financed by long-term liabilities and to be funded in future years	(2,165,298)	(2,261,417)
Total investment in tangible capital assets	62,646,331	62,188,317
Surplus:		
General area taxation	271,881	461,996
Teeswater-Culross Cemetery Board	132,737	118,035
Formosa Community Centre	20,059	20,077
Total surplus	424,677	600,108
Reserves set aside for specific purposes by Council		
Current purposes	209,966	209,966
Capital purposes	6,216,362	5,620,840
Total reserves	6,426,328	5,830,806
Total accumulated surplus	69,497,336	68,619,231

12. Budget amounts

The operating budget approved by Council for 2019 is reflected on the consolidated statements of operations and change in net financial assets. The budgets established for capital investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with the current year's actual expenditure amounts. The budgeted figures as presented for comparison purposes are unaudited.

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

13. Government partnerships

The following summarizes the financial position and operations of the municipal joint board, Bruce Area Solid Waste Recycling. The Municipality of South Bruce's pro-rata share of these amounts has been reported in the financial statements using the proportionate consolidation method:

	Bruce Area Solid Waste Recycling 2019
	\$
Financial assets	2,661,641
Liabilities	217,468
Net financial assets	2,444,173
Non-financial assets	1,401,282
Accumulated surplus	3,845,455
General surplus	(59,663)
Invested in tangible capital assets	1,398,139
Reserves and reserve funds	2,506,979
	3,845,455
Revenues	2,817,898
Expenses	3,248,211
Annual surplus	(430,313)

14. Net property taxation

Net property taxation consists of:

	2019	2018
	\$	\$
Taxation revenue	8,543,308	8,233,023
Amount levied and remitted to School Boards	(1,266,244)	(1,271,719)
Amount levied and remitted to the County of Bruce	(2,499,227)	(2,343,106)
Net property taxation	4,777,837	4,618,198

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

15. Commitments

- (a) Contractual capital commitments of approximately \$17,550 (2018 - \$666,880) are not reflected in the consolidated financial statements. This amount, for which funding is in place, represents incomplete contracts as at December 31, 2019.
- (b) On December 1, 2019, the Municipality entered into an operating agreement with Veolia Water Canada Inc. for the operation and maintenance of the Municipality's water and wastewater facilities. The term of the agreement ends January 31, 2022. The first year annual fee for the contract is \$680,871 plus HST. Each subsequent year the fee will be negotiated between the parties, and if no agreement is reached the prior year fee plus the yearly change in the Consumer Price Index will apply.
- (c) The Municipality entered into an agreement for part of the Municipality's curbside garbage collection. The annual fee for 2020 is \$50,233. The term of the agreement ends in 2020.
- (d) The minimum annual payments for operating agreements for the next five years are as follows:
- | | |
|------|-------------|
| 2020 | \$1,027,874 |
| 2021 | \$706,252 |
| 2022 | \$706,401 |
| 2023 | \$7,728 |
| 2024 | \$7,883 |

16. Contingencies

- (a) In the ordinary course of business, various claims and lawsuits are brought against the Municipality. It is the opinion of management that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued. No provision has been made for pending expropriations of land beyond the payments already made to affected property owners. Any payment made by the Municipality pursuant to claims, lawsuits or expropriations will be charged in the year of settlement.
- (b) Appeals of the current value assessment of properties in the Municipality may be in process. The impact on taxation revenue as a result of settlement of these appeals is not determinable at this time. The effect on taxation of the settlement of these appeals will be recorded in the fiscal year in which they can be determined.
- (c) The Municipality is contingently liable to the Province of Ontario for long-term liabilities outstanding for tile drainage loans in the amount of \$208,544 (2018 - \$165,065).
- (d) Applications for property tax rebates for vacant commercial and industrial buildings may be in process. The impact on taxation revenue as a result of these rebates is not determinable at this time. The effect on taxation of these rebates will be recorded in the fiscal year in which they can be determined.

17. Trust funds

The trust funds administered by the Municipality amounting to \$85,056 (2018 - \$80,930) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations. The trust funds are comprised of the following:

	2019	2018
	\$	\$
Ontario Home Renewal Program	10,512	10,512
Cemetery Perpetual Care and Maintenance	74,544	70,418

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

18. Segmented information

The Municipality of South Bruce is a diversified municipal government organization that provides a wide range of services to its citizens such as police, fire, roadways, water, sewer, waste, and recreation and cultural services. Distinguishable functional segments have been separately disclosed in the segmented information. Schedules 3 and 4 provide information on the segmented information of the municipality.

Property taxation revenue is prorated to each segment based on budgeted expenses. The Ontario Municipal Partnership Fund grant is allocated to general government. The nature of the segments and the activities that they encompass are as follows:

General government

This segment includes the revenues and expenses that relate to the operations of the Municipality itself and unallocated items that cannot be directly attributed to any specific segment. General administration, council activities and maintenance of municipal buildings are included in the functions of general government.

Protection services

Protection services are comprised of police services, fire protection, emergency plan, building inspections, and animal control.

Transportation services

Transportation services are comprised of the Municipality's roadways, storm sewers, sidewalks, street lighting, and winter control.

Environmental services

Environmental services are comprised of water and sewer services. It represents costs for the Municipality to treat and distribute the Municipality's drinking water and ensures that it meets all provincial standards. It also includes the collection and treatment of waste water.

Environmental also consists of providing waste and recycling collection and the operation of the two landfill sites.

Health services

Health services are comprised of support to the medical clinic operations and a cemetery.

Recreation and cultural services

This area provides services meant to improve the health and development of the Municipality's citizens. The Municipality operates and maintains parks, arenas, swimming pools, and community centres. The Municipality also provides library services and recreational programs.

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

18. Segmented information (continued)

Planning and development

This segment is responsible for planning and zoning including the Official plan for residential and commercial, review of property development plans, and economic development services for the Municipality.

19. Subsequent events

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects with the Municipality's environment and in the global markets, possible disruption of supply chains, and measures introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Municipality's operations. The extent of the impact of this outbreak and related containment measures on the Municipality's operations cannot be made reliably at this time.

20. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in current year.

Management reallocated tangible capital assets from land improvement to roads, and buildings to water and sewer to improve asset tracking. No change of policy has been made. Schedule 1 has changes to the beginning balance for the year.

**CORPORATION OF THE
MUNICIPALITY OF SOUTH BRUCE**

**SCHEDULE 1
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Land	Land Improvements	Buildings	Vehicles, Machinery and Equipment				Roads	Water & Sewers	Work in Progress	Total
				\$	\$	\$	\$				
Cost											
Balance, beginning of year	1,233,591	1,151,651	21,301,183	9,018,932	52,885,647	21,527,415	531,119	(Note 20) 107,649,538			
Additions	-	31,155	113,933	1,017,767	1,442,211	482,183	98,078	3,185,327			
Disposals	-	(6,661)	-	(436,225)	(151,009)	(37,414)	-	(631,309)			
Transfers	-	-	-	14,447	16,925	43,518	(91,188)	(16,268)			
Balance, end of year	1,233,591	1,176,145	21,415,116	9,614,921	54,193,804	22,015,702	538,009	110,187,288			
Accumulated amortization											
Balance, beginning of year	66,998	644,078	8,602,974	4,055,501	25,805,807	4,024,446	-	43,199,804			
Amortization	895	36,901	484,453	540,979	1,394,562	287,174	-	2,744,764			
Disposals	-	(3,175)	-	(411,135)	(137,694)	(16,905)	-	(568,909)			
Balance, end of year	67,893	677,804	9,087,427	4,185,345	27,062,475	4,294,715	-	45,375,659			
Net book value, end of year	1,165,698	498,341	12,327,689	5,429,576	27,131,329	17,720,987	538,009	64,811,629			

The accompanying notes are an integral part of these financial statements

**CORPORATION OF THE
MUNICIPALITY OF SOUTH BRUCE**

**SCHEDULE 2
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Land	Land Improvements	Buildings	Vehicles, Information					Water & Sewers	Furniture and Fixtures	Work in Progress	Total
				Machinery and Equipment	Technology Assets	Roads						
Cost	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Balance, beginning of year	1,233,591	3,543,898	20,715,731	8,495,894	472,761	48,900,830	20,311,869	152,653	1,396,851	105,224,078		
Additions	-	109,463	69,668	871,709	-	859,914	15,490	8,088	1,131,526	3,065,858		
Disposals	-	(5,702)	-	(461,719)	(31,754)	(136,079)	-	(4,033)	-	(639,287)		
Transfers	-	-	1,075,987	157,137	-	764,134	-	-	(1,997,238)	-		
All assets, end of year	1,233,591	3,647,659	21,861,386	9,063,021	441,007	50,388,799	20,327,359	156,708	531,119	107,650,649		
Accumulated amortization												
Balance, beginning of year	66,101	1,153,767	8,430,361	3,957,742	242,763	23,973,125	3,189,395	74,309	-	41,087,563		
Amortization	897	100,351	486,817	489,054	17,275	1,306,983	271,648	6,522	-	2,679,547		
Disposals	-	(5,702)	-	(445,576)	(31,754)	(79,130)	-	(4,033)	-	(566,195)		
Balance, end of year	66,998	1,248,416	8,917,178	4,001,220	228,284	25,200,978	3,461,043	76,798	-	43,200,915		
Net book value, end of year	1,166,593	2,399,243	12,944,208	5,061,801	212,723	25,187,821	16,866,316	79,910	531,119	64,449,734		

The accompanying notes are an integral part of these financial statements

**CORPORATION OF THE
MUNICIPALITY OF SOUTH BRUCE**

**SCHEDULE 3
CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENSES
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Net property taxation	570,003	971,944	1,507,670	1,058,945	57,970	544,260	67,045	4,777,837
Taxation from other governments	25,698	-	-	-	-	-	-	25,698
User charges and fees	42,868	225,180	1,101,622	2,281,620	91,707	464,785	9,374	4,217,156
Government transfers	1,427,723	15,385	55,824	19,266	-	3,658	17,335	1,539,191
Donations and sale of goods	340,408	20,716	16,419	5,100	49,033	16,810	15,903	464,389
Investment income	113,562	-	(513)	40,790	-	-	-	153,839
Penalties and interest on property taxation	81,370	-	-	83,832	-	-	-	165,202
	2,601,632	1,233,225	2,681,022	3,489,553	198,710	1,029,513	109,657	11,343,312
Expenses								
Salaries, wages and benefits	698,340	454,959	704,860	189,986	22,954	494,370	38,094	2,603,563
Interest on long-term liabilities	-	-	75,657	97,734	-	-	-	173,391
Materials and supplies	303,016	169,778	758,976	413,278	40,756	445,611	23,074	2,154,489
Contracted services	112,605	916,726	241,819	1,199,513	1,124	35,867	20,534	2,528,188
Rents, financial expenses and external transfers	1,901	96,340	856,279	116,031	44,293	36,480	37,149	1,188,473
Amortization expense	26,809	93,590	1,610,849	805,868	18,861	185,548	8,426	2,749,951
Interfunctional charges	(199,200)	26,250	26,600	76,850	9,100	29,350	22,000	(9,050)
	943,471	1,757,643	4,275,040	2,899,260	137,088	1,227,236	149,277	11,389,005
Net revenues (expenses)	1,658,161	(524,418)	(1,594,018)	590,293	61,622	(197,713)	(39,620)	(45,693)

The accompanying notes are an integral part of
these financial statements

**CORPORATION OF THE
MUNICIPALITY OF SOUTH BRUCE**

**SCHEDULE 3
CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENSES
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Other								
Grants and transfers related to capital	-	-	693,676	-	-	7,696	-	701,372
Government transfers	41,838	29,680	46,797	-	76,115	-	-	194,430
Donations	-	-	-	7,621	-	-	-	7,621
Capital contribution	-	-	56,980	(22,770)	(3,486)	-	(10,349)	20,375
Gain (loss) on disposal of tangible capital assets	41,838	29,680	797,453	(15,149)	72,629	7,696	(10,349)	923,798
Annual surplus (deficit)	1,699,999	(494,738)	(796,565)	575,144	134,251	(190,017)	(49,969)	878,105

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

**CORPORATION OF THE
MUNICIPALITY OF SOUTH BRUCE**

**SCHEDULE 4
CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENSES
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Net property taxation	486,374	976,864	1,435,047	1,065,600	48,997	549,049	56,267	4,618,198
Taxation from other governments	25,664	-	-	-	-	-	-	25,664
User charges and fees	33,557	254,016	1,094,483	2,106,893	79,804	439,455	9,587	4,017,795
Government transfers	920,630	-	51,807	49,038	-	7,319	-	1,028,794
Donations and sale of goods	151,358	21,514	12,719	45,451	-	24,059	11,703	266,804
Investment income	73,436	-	(1,225)	36,522	-	-	-	108,733
Penalties and interest on property taxation	82,850	-	-	103,980	-	-	-	186,830
	1,773,869	1,252,394	2,592,831	3,407,484	128,801	1,019,882	77,557	10,252,818
Expenses								
Salaries, wages and benefits	639,793	477,793	674,869	208,360	21,367	478,976	29,143	2,530,301
Interest on long-term liabilities	-	-	78,672	111,796	-	-	-	190,468
Materials and supplies	159,594	199,298	730,375	340,410	46,673	425,739	26,007	1,928,096
Contracted services	50,534	890,582	272,257	873,963	1,936	22,979	1,522	2,113,773
Rents, financial expenses and external transfers	5,714	87,941	831,614	207,318	68,866	39,165	30,207	1,270,825
Amortization expense	27,018	89,200	1,562,280	797,772	18,661	176,565	7,471	2,678,967
Interfunctional charges	(196,250)	26,850	26,100	75,150	8,950	26,600	21,600	(11,000)
	686,403	1,771,664	4,176,167	2,614,769	166,453	1,170,024	115,950	10,701,430
Net revenues (expenses)	1,087,466	(519,270)	(1,583,336)	792,715	(37,652)	(150,142)	(38,393)	(448,612)

The accompanying notes are an integral part of
these financial statements

**CORPORATION OF THE
MUNICIPALITY OF SOUTH BRUCE**

**SCHEDULE 4
CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENSES
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Other								
Grants and transfers related to capital								
Government transfers	-	-	889,753	-	-	40,500	-	930,253
Donations	-	60,601	158,972	15,490	292,556	-	-	527,619
Capital contribution	-	-	-	88,292	-	-	-	88,292
Gain (loss) on disposal of tangible capital assets	1,425	22,423	15,804	(123)	-	-	(61,915)	(22,386)
	1,425	83,024	1,064,529	103,659	292,556	40,500	(61,915)	1,523,778
Annual surplus (deficit)	1,088,891	(436,246)	(518,807)	896,374	254,904	(109,642)	(100,308)	1,075,166

The accompanying notes are an integral part of these financial statements