



MUNICIPALITY OF NORTHERN BRUCE PENINSULA

AUDIT FINAL REPORT TO THE MEMBERS OF COUNCIL

June 12, 2023

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.





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To the Members of Council of the Municipality of Northern Bruce Peninsula

We are pleased to provide you with the results of our audit of Municipality of Northern Bruce Peninsula (the "Municipality") financial statements for the year ended December 31, 2022.

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

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

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

Yours truly,

Chartered Professional Accountants, Licensed Public Accountants

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EXECUTIVE SUMMARY

Status of the Audit

As of the date of this report, we have substantially completed our audit of the 2022 financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our final audit report on the financial statements:

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

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

The scope of the work performed is described in our Audit Findings on pages 4 to 6.

Independence

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

Materiality

Preliminary materiality was \$415,000. Final materiality remained unchanged from our preliminary assessment.

Fraud Discussion

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

AUDIT FINDINGS

Our audit strategy and procedures focused on the risks specific to your Municipality and key accounts. No additional risks were identified during the audit.

Significant Risks of Material Misstatement	Audit Findings
Management override of Control	To address this risk, we developed criteria for unusual journal entries, determined the population of unusual journal entries and obtained corroborating evidence of these journal entries from management as to why the journal entries were made. No inappropriate journal entries were noted. No management override of controls noted in the current period.
Revenue Recognition of Government Transfers	To address this risk, we reconciled significant government transfers to their various government funding agreements and letters, reviewed funding agreements for deferred grants and reviewed minutes to ensure grant revenue listed was complete. No issues were noted in regards to grant revenue during our testing.
Payroll	<p>To address this risk, we ensured payroll summaries were reviewed and approved by an individual other than the one preparing and processing payroll. The Treasurer reviews and approves the payroll summaries. One exception was noted upon review of approvals.</p> <p>We also ensured that key finance and management personnel remuneration as these selected individual possess enhance admin rights that can be used to alter payroll inputs. No instances of management override were noted</p>

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

Management is responsible for determining the significant accounting policies. *Significant accounting policies have been disclosed in the financial statements.* The choice between accounting policy alternatives can have a significant effect on the financial position and results of the Municipality. The application of those policies often involves significant estimates and judgments by management. Based on the audit work that we have performed, it is our opinion that the estimates are in accordance with the requirements of Canadian public sector accounting standards and have been consistently applied.

A summary of the key discussion points are as follows:

Significant Financial Statement Disclosures	Audit Findings
Accumulated Surplus	A breakdown of the Municipality's accumulated surplus is included in Note 6. This includes the amount invested in capital assets, unfunded liabilities, reserves and reserve funds. The general surplus for 2022 of \$1,034,450 was transferred to reserve as per by-law.
Contingencies/Litigation Proceedings	We have discussed with management and they have indicated there are outstanding claims against the Municipality. We will also be communicating with the Municipality's legal counsel. These claims are disclosed in Note 17.
Commitments	Significant capital commitments are disclosed in Note 16.

Significant Estimates and Judgements	Audit Findings
Solid waste landfill closure and post-closure liabilities	Amounts have been estimated for closure and post-closure costs. The estimates were calculated based on correspondence with engineers and used the same approach to value the landfill liability as in the prior year.
Taxation revenue estimate	In accordance with PS 3510, amounts have been estimated for taxable events that have occurred but have not yet been assessed. The estimate was based on trend analysis by year for supplemental taxation billings and write-offs for the last 3 years; examination of building permits issued in the last two years; and knowledge of potential reassessments.
Post-Employment Benefits	The Municipality provides post-employment health and life insurance benefits to eligible retired employees. The benefits earned by employees are determined using management's best estimate of expected benefit costs and are expensed as services are rendered. In order to help estimate the liability for post-employment benefits, the Municipality engaged the services of an actuary.
Liability for Contaminated Sites	Management compiled a list of all properties owned by the Municipality or where the Municipality has accepted responsibility for the property and assessed whether each property was contaminated. Management is not aware of any contaminated sites therefore no liability is accrued.
WSIB future benefit and commitment	Previously the Municipality was an employer included under Schedule 2 of the Workplace Safety and Insurance Act, it self-ensured the entire risk of its own WSIB claims and it's individually liable for reimbursing the WSIB for all costs relating to its workers WSIB claims. The cost of the claims are determined using management's best estimate and the services of an actuary.

CHANGES TO ACCOUNTING STANDARDS FOR PUBLIC SECTOR ENTITIES

Key Changes to Financial Reporting

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

PSAS Update 2022

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

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

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

<https://www.bdo.ca/en-ca/insights/assurance-accounting/psas/asset-retirement-3280/>

A Guide to Accounting for Financial Instruments in the Public Sector

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

<https://www.bdo.ca/en-ca/insights/assurance-accounting/psas/a-guide-to-accounting-for-financial-instruments-in-the-public-sector/>

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

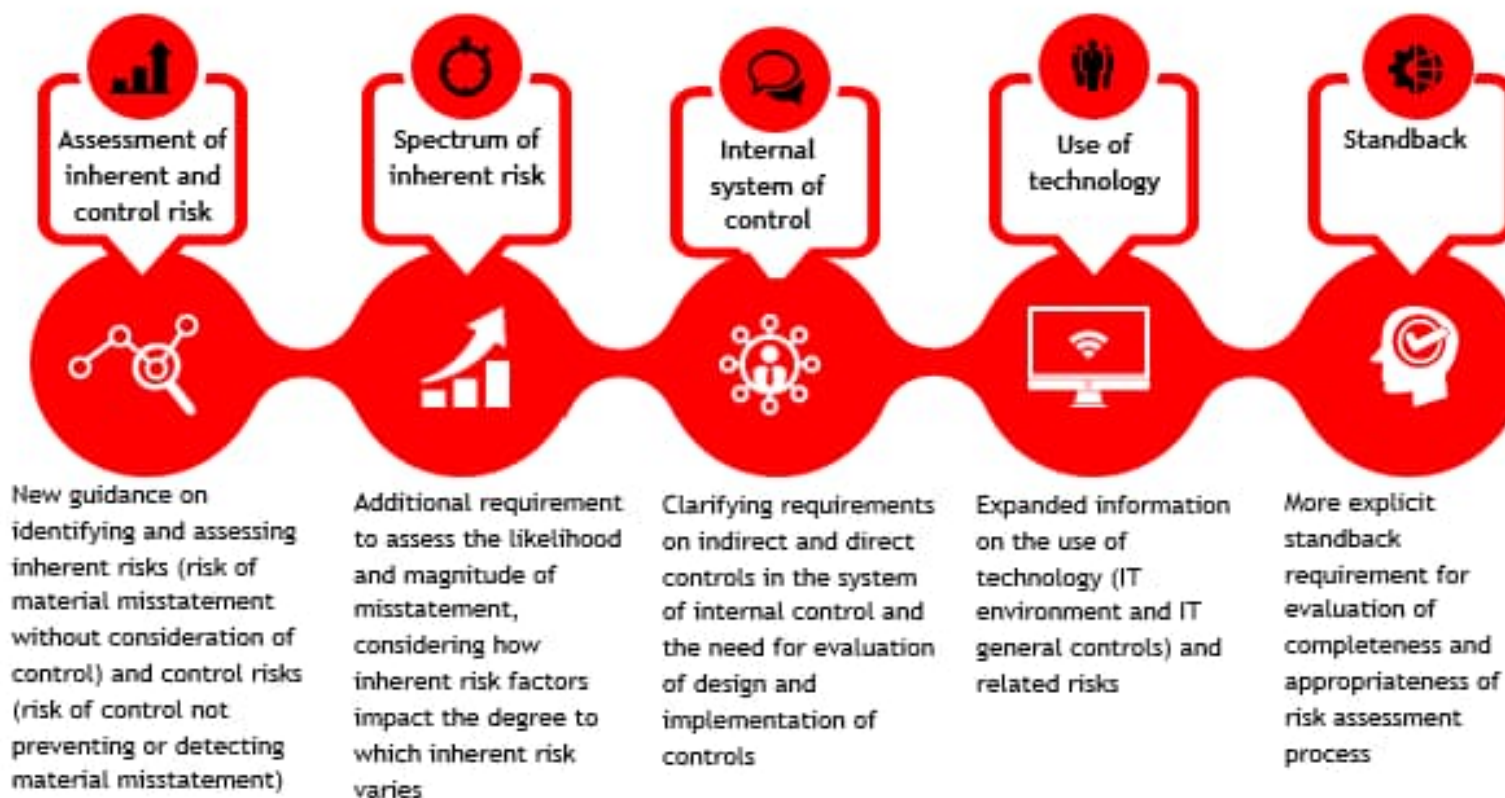
<https://www.bdo.ca/en-ca/services/assurance-and-accounting/a-a-knowledge-centre/psas/>

The BDO Local & Municipal Governments Resource Centre

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

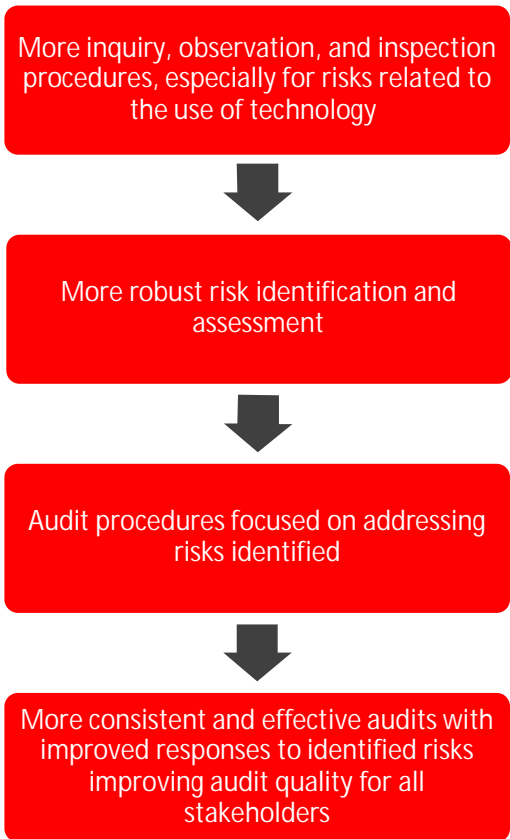
CHANGES TO AUDITING STANDARDS

Canadian Auditing Standard 315, Identifying and Assessing the Risks of Material Misstatement, was significantly revised with a greater focus on more robust risk identification, assessment and response procedures. The new standards affected the December 31, 2022 year-end. Key enhancements include:

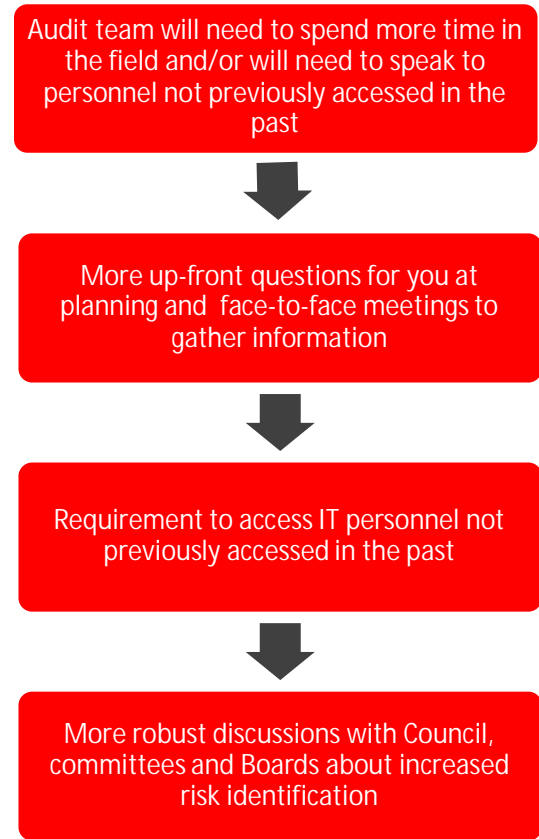


CHANGES TO OUR AUDIT PROCESS: IMPACT ON THE AUDIT

Impact on Auditors



Impact on Clients



INTERNAL CONTROL MATTERS

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

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

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

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

During our testing of payroll controls, we observed one instance where there was no documentation of final overall approval of the payroll summary. We believe this was an isolated instance and additional audit procedures were performed for the payroll periods. No errors were noted and sufficient audit evidence was obtained to support the payroll transactions.

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

ADJUSTED AND UNADJUSTED DIFFERENCES

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

The following is the unadjusted differences identified during our audit

Municipality of Northern Bruce peninsula
Summary of Unadjusted Misstatements
 December 31, 2022

Description of Misstatement	Identified Misstatements	Projections of Identified Misstatements	Estimates	Proposed Adjustments			
				Assets Dr(Cr)	Liabilities Dr(Cr)	Opening R/E Dr(Cr)	Income Dr(Cr)
Taxes receivable - Allowance overly	-	-	27,077	27,077		(18,879)	(8,198)
Doubtful PIL's	-		55,742	(55,742)		55,742	-
Taxes receivable estimate			33,100	33,100	(18,515)		(14,585)
Likely Aggregate Misstatements Before Effect of Previous Year's Errors and Estimates	-	-	115,919	4,435	(18,515)	36,863	(22,783)
Effect of Previous Year's Errors				-	-	-	-
Likely Aggregate Misstatements				4,435	(18,515)	36,863	(22,783)

Details of why no adjustment has been made to the financial statements for the above items:
Amounts are estimates and not material

APPENDIX A: INDEPENDENT AUDITOR'S REPORT

The Corporation of the Municipality of
Northern Bruce Peninsula
Financial Information
For the year ended December 31, 2022

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The Corporation of the Municipality of Northern Bruce Peninsula
Financial Information
For the year ended December 31, 2022

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Northern Bruce Peninsula

Opinion

We have audited the accompanying consolidated financial statements of the Corporation of the Municipality of Northern Bruce Peninsula (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2022, 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
June 12, 2023

The Corporation of the Municipality of Northern Bruce Peninsula
Consolidated Statement of Financial Position

December 31	2022	2021
Financial assets		
Cash (Note 1)	\$16,194,146	\$ 13,937,900
Temporary investments (Note 1)	663,434	657,055
Taxes receivable	882,604	893,968
Trade and other receivables	857,622	879,449
Inventory held for resale	86,092	63,044
Long-term receivables (Note 2)	47,975	53,438
	<u>18,731,873</u>	<u>16,484,854</u>
Liabilities		
Accounts payable and accrued liabilities	1,678,391	1,183,853
Solid waste closure and post-closure liabilities (Note 3)	274,613	252,803
WSIB future benefits cost liabilities (Note 12)	-	4,200
Post-employment benefits liabilities (Note 13)	151,500	153,300
Deferred revenue (Page 27)	504,370	452,523
Long-term liabilities (Note 4)	519,652	616,847
	<u>3,128,526</u>	<u>2,663,526</u>
Net financial assets	15,603,347	13,821,328
Non-financial assets		
Inventory of supplies	207,893	217,117
Tangible capital assets (Note 5)	42,941,999	42,668,492
Accumulated surplus (Note 6)	\$58,753,239	\$ 56,706,937

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The Corporation of the Municipality of Northern Bruce Peninsula
Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	2022 Budget (Note 8)	2022 Actual	2021 Actual
Revenue			
Taxation	\$ 8,014,178	\$ 8,129,861	\$ 7,698,139
Fees and user charges	2,676,356	3,116,853	3,057,368
Government transfers (Note 10)	4,733,273	2,701,995	2,327,906
Other income (Note 9)	1,636,500	2,143,518	1,149,890
	<u>17,060,307</u>	<u>16,092,227</u>	<u>14,233,303</u>
Expenses			
General government	1,845,136	1,826,501	1,508,995
Protection services	2,614,161	2,721,457	2,647,203
Transportation services	2,607,984	4,529,143	4,083,195
Environmental services	1,424,506	1,800,576	1,715,874
Health services	99,930	217,565	107,615
Recreation and cultural services	1,130,765	1,027,522	965,360
Harbour services	968,400	1,201,972	1,158,766
Planning and development	798,072	721,189	402,996
	<u>11,488,954</u>	<u>14,045,925</u>	<u>12,590,004</u>
Annual surplus (Note 8)	5,571,353	2,046,302	1,643,299
Accumulated surplus, beginning of the year	<u>56,706,937</u>	<u>56,706,937</u>	<u>55,063,638</u>
Accumulated surplus, end of the year	<u>\$ 62,278,290</u>	<u>\$ 58,753,239</u>	<u>\$ 56,706,937</u>

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

The Corporation of the Municipality of Northern Bruce Peninsula
Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31	2022 Budget (Note 8)	2022 Actual	2021 Actual
Annual surplus (Page 5)	\$ 5,571,353	\$ 2,046,302	\$ 1,643,299
Acquisition of tangible capital assets	(8,693,310)	(2,988,630)	(2,207,277)
Amortization of tangible capital assets	-	2,635,118	2,524,616
(Gain) loss on sale of tangible capital assets	-	(2,573)	38,299
Proceeds on disposal of capital assets	-	82,578	69,252
	<u>(8,693,310)</u>	<u>(273,507)</u>	<u>424,890</u>
Change in inventories of supplies	-	9,224	(58,241)
Increase (decrease) in net financial assets	(3,121,957)	1,782,019	2,009,948
Net financial assets, beginning of the year	13,821,328	13,821,328	11,811,380
Net financial assets, end of the year	<u>\$ 10,699,371</u>	<u>\$ 15,603,347</u>	<u>\$ 13,821,328</u>

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The Corporation of the Municipality of Northern Bruce Peninsula
Consolidated Statement of Cash Flows

For the year ended December 31	2022	2021
Cash provided by (used in)		
Operating activities		
Annual surplus (Page 5)	\$ 2,046,302	\$ 1,643,299
Items not involving cash		
Change in post-employment benefits and WSIB liabilities	(6,000)	(28,400)
Change in solid waste closure and post-closure liabilities	21,810	16,799
Amortization	2,635,118	2,524,616
Deferred revenue recognized	(644,984)	(143,615)
Changes in inventory of supplies	9,224	(58,241)
(Gain) loss on sale of capital assets	(2,573)	38,299
	<u>4,058,897</u>	<u>3,992,757</u>
Changes in non-cash working capital balances		
Taxes receivable	11,364	(51,365)
Trade and other receivables	21,827	(138,767)
Inventory held for resale	(23,048)	(20,196)
Accounts payable and accrued liabilities	494,538	(48,167)
Deferred revenue received	696,831	298,639
	<u>5,260,409</u>	<u>4,032,901</u>
Capital transactions		
Cash used to acquire capital assets	(2,988,630)	(2,207,277)
Proceeds on sale of capital assets	82,578	69,252
	<u>(2,906,052)</u>	<u>(2,138,025)</u>
Investing activities		
Increase in temporary investments	(6,379)	(4,677)
Increase in long-term receivables	-	(50,000)
Repayment of long-term receivables	5,463	1,574
	<u>(916)</u>	<u>(53,103)</u>
Financing activities		
Additions to long-term liabilities	-	50,000
Repayment of long-term liabilities	(97,195)	(89,023)
	<u>(97,195)</u>	<u>(39,023)</u>
Net change in cash and cash equivalents	2,256,246	1,802,750
Cash, beginning of the year	<u>13,937,900</u>	<u>12,135,150</u>
Cash, end of the year	<u>\$16,194,146</u>	<u>\$ 13,937,900</u>

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

The Corporation of the Municipality of Northern Bruce Peninsula

Summary of Significant Accounting Policies

December 31, 2022

Management Responsibility The management of the Corporation of the Municipality of Northern Bruce Peninsula 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 have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of 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 are controlled by Council and have been consolidated:

Chi-Cheemaun Festival Board	100%
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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, accrued liabilities, useful lives of capital assets, taxation revenue, deferred revenues, post-employment benefits, WSIB liability and solid waste landfill closure and post-closure costs. 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.

Cash and Cash Equivalents Cash and cash equivalents include cash balances and short-term highly liquid investments that are readily converted into cash.

The Corporation of the Municipality of Northern Bruce Peninsula
Summary of Significant Accounting Policies

December 31, 2022

Temporary Investments Temporary investments are recorded at the lower of cost and market value.

County and School Board 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.

Inventory of Supplies Inventory held for consumption is recorded at the lower of cost and replacement cost. Cost is determined on a first-in first out basis.

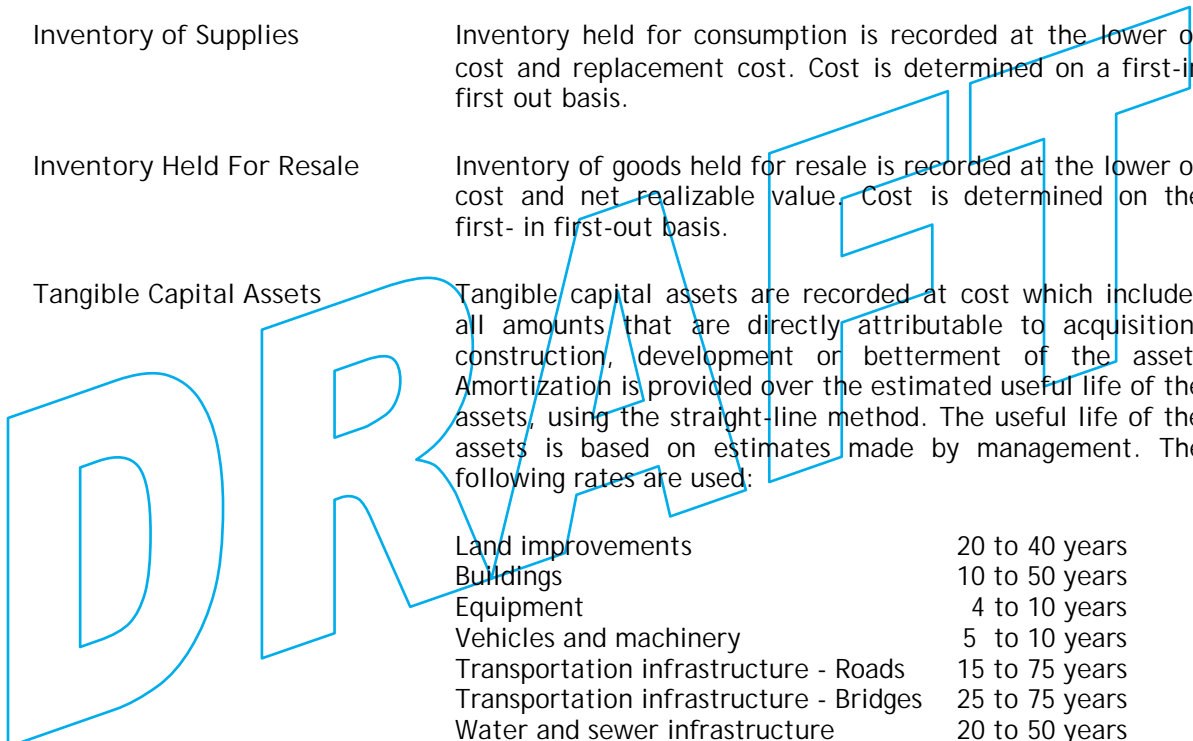
Inventory Held For Resale Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the first- in first-out basis.

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 rates are used:

Land improvements	20 to 40 years
Buildings	10 to 50 years
Equipment	4 to 10 years
Vehicles and machinery	5 to 10 years
Transportation infrastructure - Roads	15 to 75 years
Transportation infrastructure - Bridges	25 to 75 years
Water and sewer infrastructure	20 to 50 years

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

Solid Waste Landfill Closure and Post-Closure Costs Site closure and post-closure care costs are recognized over the operating life of the landfills based on capacity used. The liability is recorded at its discounted value, based on the average long-term borrowing rate of the municipality.



The Corporation of the Municipality of Northern Bruce Peninsula

Summary of Significant Accounting Policies

December 31, 2022

Post-Employment Benefits

The municipality provides post-employment health and life insurance benefits and other benefits to eligible retired employees. The benefits earned by employees are determined using management's best estimate of expected benefit costs and are expensed as services are rendered.

Previously the municipality was an employer included under Schedule 2 of the Workplace Safety and Insurance Act. It self-insured the entire risk of its own WSIB claims and was individually liable for reimbursing the WSIB for all costs relating to its workers' WSIB claims. The municipality is still liable for claims relating to Schedule 2 employer status prior to January 1, 2010. The cost of the claims are determined using management's best estimate.

The contributions to the Ontario Municipal Employee's Retirement System ("OMERS"), a multi-employer defined benefit plan, are expensed when contributions are due.

Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries. Management has not identified any contaminated sites for which a liability needs to be recognized.

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.

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The Corporation of the Municipality of Northern Bruce Peninsula
Summary of Significant Accounting Policies

December 31, 2022

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 uncollectable amounts.
- b) Fines and donations are recognized when collected.
- c) Fees, user charges and other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- d) 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.
- e) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

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The Corporation of the Municipality of Northern Bruce Peninsula
Notes to Consolidated Financial Statements

December 31, 2022

1. Cash and Temporary Investments

	2022	2021
Cash	\$16,194,146	\$ 13,937,900
Temporary investments	663,434	657,055
	\$16,857,580	\$ 14,594,955

Temporary investments are comprised of a non-redeemable guaranteed investment certificate with an interest rate of 4.70% and a maturity date of December 2023. This investment has a market value of \$663,434 at the end of the year (2021 - \$657,055).

Interest is earned at the average monthly prime rate less 1.85%. For the general bank account balance of \$4,000,000 and greater, interest is earned at the average monthly prime rate less 1.75%.

On December 31, 2022, the municipality had deposits of \$16,428,486 in a Canadian Chartered bank and guaranteed investment certificates of \$663,434 in a different Canadian Chartered bank. The Canadian Deposit Insurance Corporation insures deposits up to a maximum of \$100,000 per financial institution per depositor.

2. Long-Term Receivables

	2022	2021
Tile drainage loans, 6%, due 2031	\$ 47,975	\$ 53,438

3. 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 landfill site is recorded at \$274,613 and represents the present value of closure and post-closure costs for 35% of the three current site's opened cells, using the Government of Canada's average long-term borrowing rate of 2.84%. The liability is recorded based on the capacity of the landfills open cells used to date. The total estimated future expenses for closure and post-closure care are \$354,919 leaving an amount to be recognized of \$80,306. The estimated remaining capacity of the three site's open cells are approximately 550,085 cubic metres. The three sites open cells will be filled in six, sixteen and ninety nine years. Post-closure care is estimated to continue for a period of 20 years.

The liability is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill. The balance of the landfill reserve fund is \$516,605 as at December 31, 2022.

The Corporation of the Municipality of Northern Bruce Peninsula
Notes to Consolidated Financial Statements

December 31, 2022

4. Long-Term Liabilities

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

	2022	2021
Tile drainage loans payable, 6%, due 2031	\$ 47,975	\$ 53,438
Loan payable, Ontario Strategic Infrastructure Financing Authority, 4.84%, payable in blended semi-annual payments of \$58,952, due 2027	471,677	563,409
	\$ 519,652	\$ 616,847

The gross interest paid during the year relating to the above long-term debt was \$27,794.

The gross interest expensed during the year was \$26,122.

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

2023	\$ 102,015
2024	\$ 105,201
2025	\$ 110,402
2026	\$ 115,860
2027	\$ 62,635
Thereafter	\$ 23,540
	\$ 519,652

The Corporation of the Municipality of Northern Bruce Peninsula
Notes to Consolidated Financial Statements

5. Tangible Capital Assets

2022

	Land	Land Improvements	Buildings	Equipment	Vehicles and Machinery	Transportation Infrastructure	Water and Sewer Infrastructure	Total
Cost, beginning of the year	\$4,221,962	\$ 1,913,262	\$ 18,501,081	\$ 3,553,950	\$ 5,601,003	\$ 50,662,055	\$ 3,786,925	\$ 88,240,238
Additions	-	10,638	177,057	289,794	20,136	2,491,005	-	2,988,630
Disposals	-	-	-	(15,145)	(304,790)	(81,630)	-	(401,565)
Cost, end of the year	4,221,962	1,923,900	18,678,138	3,828,599	5,316,349	53,071,430	3,786,925	90,827,303
Accumulated amortization, beginning of the year	-	1,264,689	7,523,974	2,438,438	2,955,974	29,346,300	2,042,371	45,571,746
Amortization	-	63,781	367,535	181,462	327,915	1,620,059	74,366	2,635,118
Disposals	-	-	-	(8,668)	(244,592)	(68,300)	-	(321,560)
Accumulated amortization, end of the year	-	1,328,470	7,891,509	2,611,232	3,039,297	30,898,059	2,116,737	47,885,304
Net carrying amount, end of the year	\$4,221,962	\$ 595,430	\$ 10,786,629	\$ 1,217,367	\$ 2,277,052	\$ 22,173,371	\$ 1,670,188	\$ 42,941,999

The Corporation of the Municipality of Northern Bruce Peninsula
Notes to Consolidated Financial Statements

5. Tangible Capital Assets - (continued)

								2021
	Land	Land Improvements	Buildings	Equipment	Vehicles and Machinery	Transportation Infrastructure	Water and Sewer Infrastructure	Total
Cost, beginning of the year	\$4,221,962	\$ 1,901,287	\$ 18,338,218	\$ 3,263,778	\$ 5,572,979	\$ 49,088,392	\$ 3,780,360	\$ 86,166,976
Additions	-	11,975	162,863	290,172	162,039	1,573,663	6,565	2,207,277
Disposals	-	-	-	-	(134,015)	-	-	(134,015)
Cost, end of the year	4,221,962	1,913,262	18,501,081	3,553,950	5,601,003	50,662,055	3,786,925	88,240,238
Accumulated amortization, beginning of the year	-	1,201,384	7,159,462	2,272,208	2,647,477	27,824,927	1,968,136	43,073,594
Amortization	-	63,305	364,512	166,230	334,961	1,521,373	74,235	2,524,616
Disposals	-	-	-	-	(26,464)	-	-	(26,464)
Accumulated amortization, end of the year	-	1,264,689	7,523,974	2,438,438	2,955,974	29,346,300	2,042,371	45,571,746
Net carrying amount, end of the year	\$4,221,962	\$ 648,573	\$ 10,977,107	\$ 1,115,512	\$ 2,645,029	\$ 21,315,755	\$ 1,744,554	\$ 42,668,492

The Corporation of the Municipality of Northern Bruce Peninsula
Notes to Consolidated Financial Statements

December 31, 2022

5. Tangible Capital Assets - (continued)

At December 31, 2022, there was \$82,880 work in progress that was not being amortized.

There were no contributed assets recognized in the financial statements during the year.

The municipality holds various works of art and historical treasures pertaining to local history on display at the St. Edmunds Museum. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

6. Accumulated Surplus

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

	2022	2021
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$42,941,999	\$ 42,668,492
Capital assets financed by long-term liabilities and to be funded in future years	(471,677)	(563,409)
Total invested in capital assets	42,470,322	42,105,083
Unfunded post-employment benefits	(151,500)	(153,300)
WSIB future benefit liability	-	(4,200)
Unfunded solid waste closure and post-closure costs	(274,613)	(252,803)
	42,044,209	41,694,780
Reserves and reserve funds (Note 7)	16,709,030	15,012,157
Accumulated surplus	<u>\$58,753,239</u>	<u>\$ 56,706,937</u>

The Corporation of the Municipality of Northern Bruce Peninsula
Notes to Consolidated Financial Statements

December 31, 2022

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

	<u>2022</u>	<u>2021</u>
Reserves		
Working funds	\$ 921,165	\$ 921,165
Current purposes	2,406,219	1,876,958
Capital purposes	<u>12,128,429</u>	<u>11,064,486</u>
	15,455,813	13,862,609
Reserve funds		
Capital purposes	<u>1,253,217</u>	<u>1,149,548</u>
Reserves and reserve funds set aside for specific purpose by Council	<u>\$16,709,030</u>	<u>\$ 15,012,157</u>

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The Corporation of the Municipality of Northern Bruce Peninsula
Notes to Consolidated Financial Statements

December 31, 2022

8. 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 financial assets for comparative purposes. The 2022 budget amounts for the Corporation of the Municipality of Northern Bruce Peninsula approved by Council have been reclassified 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.

	2022 Budget	2022 Actual	2021 Actual
Annual surplus (Page 5)	\$ 5,571,353	\$ 2,046,302	\$ 1,643,299
Amortization	-	2,635,118	2,524,616
	5,571,353	4,681,420	4,167,915
Net transfers to reserves and reserve funds	(899,630)	(1,263,395)	(1,803,718)
Transfers from reserves for capital	4,138,087	600,972	306,954
Capital acquisitions, disposals and write-down	(8,693,310)	(2,908,625)	(2,099,726)
Debt principal repayments	(116,500)	(91,732)	(87,449)
Change in unfunded liabilities	-	15,810	(11,601)
Surplus	-	1,034,450	472,375
Surplus transfer to reserve per resolution	-	(1,034,450)	(472,375)
	\$ -	\$ -	\$ -

9. Other Income

	2022 Budget	2022 Actual	2021 Actual
Penalties and interest on taxation	\$ 205,000	\$ 223,400	\$ 202,804
Other fines and penalties	205,000	167,960	225,541
Investment income	86,000	422,306	104,837
Licenses, permits and rents	286,000	413,740	464,594
Donations	24,500	189,112	82,767
Sale of publications, non-capital items, etc.	23,000	6,370	44,728
Gain (loss) on disposition of capital assets	-	2,573	(38,299)
Short term accommodation fees	795,000	421,380	-
Insurance recoveries	12,000	296,677	62,918
	\$ 1,636,500	\$ 2,143,518	\$ 1,149,890

The Corporation of the Municipality of Northern Bruce Peninsula
Notes to Consolidated Financial Statements

December 31, 2022

10. Government Transfers

	2022 Budget	2022 Actual	2021 Actual
Operating Transfers			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,581,900	\$ 1,581,900	\$ 1,556,800
Roads	25,000	26,694	22,063
Sewer and water	36,000	35,250	35,250
Other	185,200	232,001	227,140
	<u>1,828,100</u>	<u>1,875,845</u>	<u>1,841,253</u>
Government of Canada			
Roads	18,800	19,364	18,800
Sewer and water	30,000	42,495	59,735
Other	2,850	937	7,825
	<u>51,650</u>	<u>62,796</u>	<u>86,360</u>
Other Municipalities			
Sewer and water	37,500	32,712	32,310
Other	48,300	9,438	48,966
	<u>85,800</u>	<u>42,150</u>	<u>81,276</u>
Total operating transfers	<u>1,965,550</u>	<u>1,980,791</u>	<u>2,008,889</u>
Capital Transfers			
Province of Ontario			
Roads	200,000	207,991	181,355
Sewer and water	200,000	25,510	-
Other	959,013	100,132	5,052
	<u>1,359,013</u>	<u>333,633</u>	<u>186,407</u>
Government of Canada			
Roads	350,000	350,000	120,000
Other	1,058,710	37,571	12,610
	<u>1,408,710</u>	<u>387,571</u>	<u>132,610</u>
Total capital transfers	<u>2,767,723</u>	<u>721,204</u>	<u>319,017</u>
Total contributions	<u>\$ 4,733,273</u>	<u>\$ 2,701,995</u>	<u>\$ 2,327,906</u>

The Corporation of the Municipality of Northern Bruce Peninsula

Notes to Consolidated Financial Statements

December 31, 2022

11. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 41 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement entitlement to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The employer amount contributed to OMERS for 2022 by the Municipality of Northern Bruce Peninsula was \$229,176 (2021 - \$206,661). The contribution rate for 2022 was 9.0% to 15.8% depending on age and income level (2021 - 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, 2022. At that time the plan reported a \$6.7 billion actuarial deficit (2020 - \$3.1 billion), based on actuarial liabilities of \$128.8 billion (2021 - \$119.3 billion) and actuarial assets of \$122.1 billion (2021 - \$116.2 billion). Ongoing adequacy of the current contribution rates will need to be monitored as declines in the financial markets may lead to increased future funding requirements.

12. Workplace Safety and Insurance Board (WSIB)

Effective January 1, 2010 the Municipality of Northern Bruce Peninsula elected to be a Schedule 1 employer. Previously, under the provisions of the Workplace Safety and Insurance Board Act, the Municipality of Northern Bruce Peninsula had elected to be treated as a Schedule 2 employer and remit payments to the WSIB as required to fund disability payments. The municipality is still liable for events which took place while they were a Schedule 2 employer.

An Actuarial valuation for accounting purposes was performed using the projected benefit method. The actuarial report was prepared as at December 31, 2020.

The Corporation of the Municipality of Northern Bruce Peninsula
Notes to Consolidated Financial Statements

December 31, 2022

13. Retirement and Post-Employment Benefit

The Municipality of Northern Bruce Peninsula provides certain benefits, including retirement benefits and other post-employment benefits, to its employees. Payments for these benefits totalled \$8,900 (2021 - \$8,700). The post-employment benefit at December 31 includes the following components:

	2022	2021
Retirement benefits	\$ 131,900	\$ 124,700
Unamortized actuarial gain	19,600	28,600
	\$ 151,500	\$ 153,300

Actuarial valuations are performed using the projected benefit method, pro-rated on services. The most recent actuarial report was prepared as at December 31, 2020.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, medical inflation rates, wage increases, employee turnover and mortality rates.

The assumptions used reflect management's best estimates. The expected inflation rate is 2%. The employee salaries are expected to increase 3% per year. The post-employment benefit liability was determined using a discount rate of 2.2% (2021 - 2.2%). For extended health care costs, a 6.36% annual rate of increase was assumed for 2022, decreasing to an ultimate rate of 4% per year for 2041. For dental costs, a 4% annual rate of increase was assumed.

	2022	2021
Current period benefit cost	\$ 8,900	\$ 8,700
Interest costs	2,900	2,800
Benefit payments	(4,600)	(6,300)
Retirement benefit expense	7,200	5,200
Amortization of actuarial gain	(9,000)	(9,000)
Total expense for the year	\$ (1,800)	\$ (3,800)

The Corporation of the Municipality of Northern Bruce Peninsula
Notes to Consolidated Financial Statements

December 31, 2022

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:

	2022	2021
School boards	\$ 2,804,839	\$ 2,770,199
County of Bruce	7,681,971	7,156,989
	<u>\$10,486,810</u>	<u>\$ 9,927,188</u>

15. Trust Funds

The trust funds administered by the municipality amounting to \$246,999 (2021 - \$232,169) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations and accumulated surplus.

16. Contractual Commitments

The Corporation of the Municipality of Northern Bruce Peninsula has entered into a contract for the reconstruction of Isthmus Bay Road - Phase 3 for \$552,085. Cost incurred to December 31, 2022 were \$130,817 with estimated costs of completion of \$421,268.

The Corporation of the Municipality of Northern Bruce Peninsula has entered into a contract for a water and wastewater master servicing plan for \$212,058. Cost incurred to December 31, 2022 were \$10,500 with estimated costs of completion of \$201,558.

In November 2022, Council approved the purchase of 20 new SCBA tanks for a total of \$270,000. These tanks were ordered but not received prior to the year end.

Subsequent to the year end, Council approved the commencement of the design and construction of the Lion's Head Arena Project and that the construction costs be capped at \$10,000,000 excluding HST and architectural fees.

The Corporation of the Municipality of Northern Bruce Peninsula

Notes to Consolidated Financial Statements

December 31, 2022

17. Contingencies

- i) Several lower tier municipalities in the Bruce Peninsula, have been named as defendants in a land claim action filed by the Chippewas of Nawash and Saugeen, for damages alleged to total \$92,000,000,000. Also joined as defendants in the action are the County of Bruce, the Province of Ontario and the Dominion of Canada. No breakdown as to each municipality's relative share of the \$92,000,000,000 has been provided. The likelihood of the success of this action is undeterminable at this time.
- ii) The municipality has a few claims that are in proceedings through their insurance company. The municipality's liability with respect to these claims is not determinable at this time. Management is of the opinion that the municipality maintains adequate and appropriate liability and errors and omissions insurance to protect the municipality against such claims.

18. Segmented Information

The Corporation of the Municipality of Northern Bruce Peninsula is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, sewer, water, waste collection and disposal, health services, recreation 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 related to the 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, emergency measures 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, parking areas and streetlighting. Transportation also includes the provision of air transportation through the airport in Tobermory.

The Corporation of the Municipality of Northern Bruce Peninsula
Notes to Consolidated Financial Statements

December 31, 2022

18. Segmented Information - (continued)

Environmental

Environmental services consists of providing waste collection, disposal and recycling to the municipality's citizens. It also consists of providing the municipality's drinking water and processing and cleaning sewage. The municipality ensures water and sewage systems meet all provincial standards.

Health

Health services includes the operations of local cemeteries.

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 parks, marinas, arenas, community centres, campgrounds and a museum. The municipality also provides library services and recreational programs.

Planning and Development

This department is responsible for planning and zoning including the official plan. This service area also includes tourist information and promotion and 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

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 Northern Bruce Peninsula
Notes to Consolidated Financial Statements

For the year ended December 31, 2022	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2022 Total
Revenue								
Taxation	\$ 243,896	\$ 1,788,569	\$ 3,251,944	\$ 650,389	\$ 81,299	\$ 1,056,882	\$ 1,056,882	\$ 8,129,861
Fees and user charges	20,008	910,409	13,755	760,664	76,428	1,310,431	25,158	3,116,853
Specific grants	84,320	5,500	604,049	316,388	-	85,009	24,829	1,120,095
OMPF grant	47,457	348,018	632,760	126,552	15,819	205,647	205,647	1,581,900
Other revenue	632,422	508,284	12,475	13,151	216,019	333,417	427,750	2,143,518
	<u>1,028,103</u>	<u>3,560,780</u>	<u>4,514,983</u>	<u>1,867,144</u>	<u>389,565</u>	<u>2,991,386</u>	<u>1,740,266</u>	<u>16,092,227</u>
Expenses								
Salaries and benefits	1,023,841	600,903	1,014,158	162,487	-	666,019	104,434	3,571,842
Interest on debt	-	-	-	24,494	-	-	3,300	27,794
Materials and supplies	512,197	536,899	1,440,882	473,113	124,231	1,173,770	447,002	4,708,094
Contracted services	251,435	1,423,870	200,822	866,969	59,624	2,276	-	2,804,996
Other transfers	-	-	-	-	-	-	166,453	166,453
Rents and financial expenses	-	-	1,002	2,206	509	127,911	-	131,628
Amortization	39,028	159,785	1,872,279	271,307	33,201	259,518	-	2,635,118
	<u>1,826,501</u>	<u>2,721,457</u>	<u>4,529,143</u>	<u>1,800,576</u>	<u>217,565</u>	<u>2,229,494</u>	<u>721,189</u>	<u>14,045,925</u>
Annual surplus (deficit)	\$ (798,398)	\$ 839,323	\$ (14,160)	\$ 66,568	\$ 172,000	\$ 761,892	\$ 1,019,077	\$ 2,046,302

The Corporation of the Municipality of Northern Bruce Peninsula
Notes to Consolidated Financial Statements

For the year ended December 31, 2021	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2021 Total
Revenue								
Taxation	\$ 615,851	\$ 1,847,553	\$ 3,156,237	\$ 692,833	\$ 76,981	\$ 923,777	\$ 384,907	\$ 7,698,139
Fees and user charges	19,156	819,949	33,130	786,051	52,255	1,340,059	6,768	3,057,368
Specific grants	15,804	10,500	342,218	203,952	-	99,490	99,142	771,106
OMPF grant	124,544	373,632	638,288	140,112	15,568	186,816	77,840	1,556,800
Other revenue	330,200	610,430	(17,119)	2,749	105,180	73,722	44,728	1,149,890
	<u>1,105,555</u>	<u>3,662,064</u>	<u>4,152,754</u>	<u>1,825,697</u>	<u>249,984</u>	<u>2,623,864</u>	<u>613,385</u>	<u>14,233,303</u>
Expenses								
Salaries and benefits	891,554	735,131	903,104	161,549	-	638,484	-	3,329,822
Interest on debt	-	-	-	28,856	-	-	301	29,157
Materials and supplies	560,320	388,868	1,269,869	436,346	11,934	1,091,420	352,732	4,111,489
Contracted services	29,538	1,370,591	127,345	812,658	62,639	2,269	-	2,405,040
Other transfers	-	-	-	-	-	-	49,963	49,963
Rents and financial expenses	-	-	878	-	-	139,039	-	139,917
Amortization	27,583	152,613	1,781,999	276,465	33,042	252,914	-	2,524,616
	<u>1,508,995</u>	<u>2,647,203</u>	<u>4,083,195</u>	<u>1,715,874</u>	<u>107,615</u>	<u>2,124,126</u>	<u>402,996</u>	<u>12,590,004</u>
Annual surplus	\$ (403,440)	\$ 1,014,861	\$ 69,559	\$ 109,823	\$ 142,369	\$ 499,738	\$ 210,389	\$ 1,643,299

The Corporation of the Municipality of Northern Bruce Peninsula
Schedule of Deferred Revenue

For the year ended December 31, 2022

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
Canada Community- Building Fund	\$ 264,231	\$ 126,829	\$ 6,240	\$ (350,000)	\$ 47,300
Recreational land	83,551	31,550	1,621	-	116,722
	347,782	158,379	7,861	(350,000)	164,022
Other					
Source Protection Municipal Implementation Fund	13,977	-	-	-	13,977
Community Collaborations Grant	5,718	3,000	-	(8,718)	-
Other	85,046	54,000	-	(34,372)	104,674
Museum Trillium Grant	-	65,600	-	(18,393)	47,207
OCIF Funding	-	407,991	-	(233,501)	174,490
	\$ 452,523	\$ 688,970	\$ 7,861	\$ (644,984)	\$ 504,370

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The Corporation of the Municipality of
Northern Bruce Peninsula
Trust Funds
Financial Information
For the year ended December 31, 2022

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The Corporation of the Municipality of Northern Bruce Peninsula
Trust Funds
For the year ended December 31, 2022

The Corporation of the Municipality of Northern Bruce Peninsula Trust Funds

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Northern Bruce Peninsula

Opinion

We have audited the accompanying financial information for the Corporation of the Municipality of Northern Bruce Peninsula Trust Funds (Trust Funds), which comprise the balance sheet as at December 31, 2022, the statement of continuity for the year then ended, and notes to the financial information including a summary of significant accounting policies.

In our opinion, the financial information presents fairly, in all material respects, the balance sheet for the Trust Funds as at December 31, 2022 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
June 12, 2023

The Corporation of the Municipality of Northern Bruce Peninsula
Trust Funds
Balance Sheet

December 31, 2022

		Cemetery Perpetual Care and Maintenance
Assets		<u> </u>
Cash		\$ 236,743
Due from general account		<u>10,256</u>
		<u>\$ 246,999</u>
Liabilities		
Fund balance		<u>\$ 246,999</u>

Statement of Continuity

For the year ended December 31, 2022

		Cemetery Perpetual Care and Maintenance
Balance, beginning of the year		<u>\$ 232,169</u>
Receipts		
Bank interest		4,575
Care and maintenance		<u>14,830</u>
		<u>19,405</u>
Expenses		
Transfer to municipality		<u>4,575</u>
Balance, end of the year		<u>\$ 246,999</u>

The Corporation of the Municipality of Northern Bruce Peninsula
Trust Funds
Notes to Financial Information

December 31, 2022

1. Summary of Significant Accounting Policies

Management Responsibility The management of the Corporation of the Municipality of Northern Bruce Peninsula has prepared and is responsible for the integrity, objectivity and accuracy of the financial information. Council reviews and approves the financial information.

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

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Basis of Consolidation These trust funds have not been consolidated with the financial statements of the Corporation of the Municipality of Northern Bruce Peninsula.

Use of Estimates The preparation of financial information 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 information, 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.

APPENDIX B: INDEPENDENCE UPDATE



June 12, 2023

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

Members of Council
The Corporation of the Municipality of Northern Bruce Peninsula

Dear Members of Council:

We have been engaged to audit the financial statements of the Municipality of Northern Bruce Peninsula (the "Municipality") for the year ended December 31, 2022.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the Municipality and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, the standards require us to consider independence rules and interpretations of the CPA profession and relevant legislation.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since May 24, 2022, the date of our last letter.

We are aware of the following relationships between the Municipality and us that, in our professional judgment, may reasonably be thought to have influenced our independence. The following relationships represent matters that have occurred from May 24, 2022 to June 12, 2023.

- We have provided advice and comments to management regarding several financial statement measurement, presentation and disclosure matters.
- We have provided assistance in the preparation of the financial statements, including adjusting journal entries and/or bookkeeping services. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the presented fairly, in all material respects, the financial position, results of operations and cash flows in accordance with Canadian public sector accounting standards.
- We, therefore, required that the following safeguards be put in place related to the above:
 - Management provided us with a trial balance prior to completion of our audit.
 - Management created the source data for all the accounting entries.
 - Management developed any underlying assumptions required with respect to the accounting treatment and measurement of the entries.
 - Management reviewed advice and comments provided and undertook their own analysis considering the Municipality's circumstances and generally accepted accounting principles.
 - Management reviewed and approved all journal entries prepared by us, as well as changes to financial statement presentation and disclosure.
 - Someone other than the preparer reviewed the proposed journal entries and financial statements.



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

Yours truly,

Chartered Professional Accountants, Licensed Public Accountants

TS:mh

APPENDIX C: REPRESENTATION LETTER

Municipality of Northern Bruce Peninsula
Municipality of Northern Bruce Peninsula Trust Funds
R.R. #2
56 Lindsay Road 5
Lion's Head ON NOH 1W0

June 12, 2023

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

This representation letter is provided in connection with your audit of the financial statements of Municipality of Northern Bruce Peninsula for the year ended December 31, 2022, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian Public Sector Accounting Standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated January 29, 2021, for the preparation of the financial statements in accordance with Canadian Public Sector Accounting Standards; in particular, the financial statements are fairly presented in accordance therewith.

- The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and/or disclosure that are reasonable in accordance with Canadian Public Sector Accounting Standards.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian Public Sector Accounting Standards.
- All events subsequent to the date of the financial statements and for which Canadian Public Sector Accounting Standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.

Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.

- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

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

General Representations

- Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements or has otherwise been disclosed to you.
- We have provided you with significant assumptions that in our opinion are reasonable and appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity when relevant to the use of fair value measurements or disclosures in the financial statements.
- We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the financial statements.
- Except as disclosed in the financial statements, there have been no changes to title, control over assets, liens or assets pledged as security for liabilities or collateral.
- The entity has complied with all provisions in its agreements related to debt and there were no defaults in principal or interest, or in the covenants and conditions contained in such agreements.
- There have been no plans or intentions that may materially affect the recognition, measurement, presentation or disclosure of assets and liabilities (actual and contingent).
- The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the entity, except as disclosed in the financial statements.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. When applicable, these litigation and claims have been accounted for and disclosed in the financial statements.
- Of the claims that are in proceedings through our insurance company, there are no claims or possible claims that would exceed or not be covered by the insurance coverage currently carried by the municipality.
- Evaluated all land owned by the municipality or where the municipality has accepted responsibility for the land as to whether there are sites in the Scope of PS 3260 Liability for Contaminated Sites.
- Made available to you all financial records and related data relevant to the assessment of the liability for contaminated sites.
- There are no contaminated sites within the Scope of PS 3260

Yours truly,

Signature

Position

Signature

Position