

**MUNICIPALITY OF BLUEWATER
FINANCIAL STATEMENTS
DECEMBER 31, 2021**

SEEBACH & COMPANY
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Bluewater

Opinion

We have audited the accompanying financial statements of the Corporation of the Municipality of Bluewater ("the Municipality"), which are comprised of the consolidated statement of financial position as at December 31, 2021 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the 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 Financial Statements

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

INDEPENDENT AUDITOR'S REPORT (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.

Seebach & Company

Chartered Professional Accountants
Licensed Public Accountants

Clinton, Ontario
December 19, 2022

MUNICIPALITY OF BLUEWATER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	2021	2020
FINANCIAL ASSETS		
Cash and short-term investments	22,491,504	18,803,738
Taxes receivable	1,011,361	1,005,643
Accounts receivable	3,111,160	2,582,786
Long-term receivables (note 4)	131,926	157,541
	<u>26,745,951</u>	<u>22,549,708</u>
LIABILITIES		
Accounts payable and accrued liabilities	3,152,512	2,693,933
Deferred revenue - general (note 6)	890,182	976,158
Deferred revenue - obligatory and non-obligatory reserve funds (note 6)	2,830,605	1,852,294
Municipal debt (note 7)	9,545,729	9,970,052
Landfill closure and post-closure liability (note 8)	2,789,754	2,745,010
	<u>19,208,782</u>	<u>18,237,447</u>
NET FINANCIAL ASSETS	\$ 7,537,169	\$ 4,312,261
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 9)	60,983,426	61,940,587
Inventory and prepaid expenses	238,915	171,862
	<u>61,222,341</u>	<u>62,112,449</u>
ACCUMULATED SURPLUS (note 11)	<u>\$ 68,759,510</u>	<u>\$ 66,424,710</u>

The accompanying notes are an integral part of this financial statement

**MUNICIPALITY OF BLUEWATER
CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended December 31	2021 Budget	2021 Actual	2020 Actual
Revenue			
Taxation for municipal purposes	8,647,918	8,633,464	8,283,464
Taxation for water and sewer charges	1,081,204	1,081,204	1,081,204
User fees, licences, permits, and donations	6,177,937	6,454,023	5,288,387
Government transfers - Canada and Ontario	2,305,361	1,521,410	2,263,595
Government transfers - other municipalities	155,000	254,598	36,833
Investment income	119,156	136,196	161,464
Penalties and interest on taxes	133,671	125,810	126,504
	<u>18,620,247</u>	<u>18,206,705</u>	<u>17,241,451</u>
Expenditure			
General government	1,668,889	2,132,080	1,618,504
Protection to persons and property	3,221,568	3,122,150	3,038,145
Transportation services	3,816,236	4,211,818	3,601,337
Environmental services	4,684,427	4,029,306	3,977,158
Health services	30,001	28,793	33,709
Recreation and cultural services	2,450,255	2,078,554	2,059,115
Planning and development	508,074	269,204	452,789
	<u>16,379,450</u>	<u>15,871,905</u>	<u>14,780,757</u>
Annual surplus (deficit)	2,240,797	2,334,800	2,460,694
Accumulated surplus, beginning of year	<u>66,424,710</u>	<u>66,424,710</u>	<u>63,964,016</u>
Accumulated surplus, end of year	<u><u>\$ 68,665,507</u></u>	<u><u>\$ 68,759,510</u></u>	<u><u>\$ 66,424,710</u></u>

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF BLUEWATER
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31	2021 Budget	2021 Actual	2020 Actual
Annual surplus (deficit)	2,240,797	2,334,800	2,460,694
Amortization of tangible capital assets	2,278,254	2,271,780	2,284,727
Net acquisition of tangible capital assets	(5,333,857)	(1,314,619)	(1,780,085)
Decrease (increase) in inventory and prepaid expenses	-	(67,053)	(8,859)
	<u>(814,806)</u>	<u>3,224,908</u>	<u>2,956,477</u>
Net financial assets, beginning of year	<u>4,312,261</u>	<u>4,312,261</u>	<u>1,355,784</u>
Net financial assets, end of year	<u><u>\$ 3,497,455</u></u>	<u><u>\$ 7,537,169</u></u>	<u><u>\$ 4,312,261</u></u>

The accompanying notes are an integral part of this financial statement

**MUNICIPALITY OF BLUEWATER
CONSOLIDATED STATEMENT OF CASH FLOW**

For the year ended December 31	2021	2020
Operating activities		
Annual surplus (deficit)	2,334,800	2,460,694
Amortization expense not requiring cash outlay	2,271,780	2,284,727
Decrease (increase) in taxes receivable	(5,718)	36,078
Decrease (increase) in accounts receivable	(528,374)	934,339
Increase (decrease) in accounts payable and accrued liabilities	458,579	49,587
Increase (decrease) in deferred revenue - general	(85,976)	(323,931)
Increase (decrease) in deferred revenue - obligatory and non-obligatory	978,311	442,409
Increase (decrease) in landfill closure & post-closure liability	44,744	44,033
Decrease (increase) in inventory and prepaid expenses	(67,053)	(8,859)
Cash provided by (used for) operating activities	<u>5,401,093</u>	<u>5,919,077</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	(1,314,619)	(1,780,085)
Cash provided by (used for) capital activities	<u>(1,314,619)</u>	<u>(1,780,085)</u>
Investing activities		
Decrease (increase) in long-term receivables	25,615	(14,647)
Cash provided by (used for) investing activities	<u>25,615</u>	<u>(14,647)</u>
Financing activities		
Proceeds from long-term debt issued	-	45,000
Principal repayments on long-term debt	(424,323)	(411,822)
Cash provided by (used for) financing activities	<u>(424,323)</u>	<u>(366,822)</u>
Increase (decrease) in cash position	3,687,766	3,757,523
Cash (overdraft) beginning of year	18,803,738	15,046,215
Cash (overdraft) end of year	<u>\$ 22,491,504</u>	<u>\$ 18,803,738</u>

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF BLUEWATER
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

1. Accounting policies

The consolidated financial statements of the Corporation of the Municipality of Bluewater are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing for municipalities and their related entities.

Significant aspects of accounting policies adopted by the municipality are as follows:

a) Reporting entity

The consolidated financial statements reflect the financial assets, liabilities, operating revenues and expenditures, Reserves, Reserve Funds, and changes in investment in tangible capital assets of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality. In addition to general government tax-supported operations, they include any water and sewer systems operated by the municipality and the municipality's proportionate share of joint local boards.

These consolidated financial statements include the proportional share of the financial position and operating activities of the following joint boards:

Mid-Huron Landfill Site Board

Inter-departmental and inter-organizational transactions and balances are eliminated.

The statements exclude trust funds that are administered for the benefit of external parties.

b) Accrual basis of accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable, and recognizes expenditures as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

c) Long-term investments

Investments are recorded at cost less amounts written off to reflect a permanent decline in value.

1. Accounting policies (continued)

d) 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 excess of revenues over expenses, provides the change in net financial assets for the year.

- 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:

Category	Amortization Period	Capitalization Threshold
Land	not applicable	\$ 2,000
Land improvements	50 years	2,000
Buildings	25 - 50 years	15,000
Vehicles	5 - 25 years	5,000
Machinery and equipment	5 - 30 years	5,000
Furniture and fixtures	5 years	3,000
Information technology	5 years	3,000
Transportation infrastructure	30 - 80 years	15,000
Watermains infrastructure	40 - 75 years	25,000
Sewer mains infrastructure	75 years	25,000

Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The municipality has a capitalized threshold of \$2,000 - \$25,000 dependent on the category, so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pooled assets are small machinery and equipment, technology and communications, furniture and fixtures.

- Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

- Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of 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.

- Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value.

e) Reserves for future expenditures

Certain amounts, as approved by Council, are set aside in reserves for future operating and capital expenditure. Transfers to or from reserves are reflected as adjustments to the respective appropriated equity.

1. Accounting policies (continued)

f) Government transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates can be made.

g) Deferred revenue

Amounts received and required by legislation, regulation or agreement to be set aside for specific, restricted purposes are reported in the statement of financial position as deferred revenue until the obligation is discharged.

h) Landfill Site Closure and Post-Closure Care

Landfill site closure and post-closure care costs are recognized over the operating life of the landfill site, based on capacity used. The liability is recorded at its discounted value, based on the average long-term borrowing rate of the municipality.

i) Amounts to be recovered in future years

Future years recoveries represent the requirement of the municipality to raise funds in subsequent periods to finance unfunded liabilities. A portion of the amounts to be recovered in future years will be recovered from deferred revenues earned.

j) Pensions

The municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The municipality has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for past employee service.

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, the reported amounts of revenues and expenditures during the period, and the accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Operations of school boards and county

Taxation levied for school board and county purposes are not reflected in the financial statements. The amounts transferred were:

	2021	2020
County of Huron	\$ 8,622,887	\$ 8,441,694
School Boards	3,738,075	3,805,077

3. Trust funds

Trust funds administered by the municipality amounting to \$225,774 (2020 : \$222,183) have not been included in the statement of financial position nor have their operations been included in the consolidated statement of operations.

4. Long-term receivables

	2021	2020
Tile loans, 6% - 8%, principal and interest receivable annually, due 2022 through 2031	<u>\$ 131,926</u>	<u>\$ 157,541</u>

Amounts due in the next five years are as follows:

2022: \$22,900 2023: \$24,200 2024: \$18,900 2025: \$17,100 2026: \$15,300

5. Pension agreements

The municipality makes contributions to a multi-employer pension plan on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed for 2021 was \$231,722 (2020 : \$224,529) for current services and is included as an expenditure on the consolidated statement of operations.

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

6. Deferred revenue

Deferred revenue funds include obligatory and non-obligatory funds. The use of obligatory funds, together with earnings thereon, is restricted by legislation. The use of non-obligatory funds is at the discretion of council. These funds are recognized as revenue in the period they are used for the purpose specified.

7. Municipal debt

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

	2021	2020
Ontario Infrastructure and Lands Corporation, loan payable (Bayfield water), 2.96% interest, \$67,129 semi-annual blended payment, due December 2031	1,154,797	1,252,695
Ontario Infrastructure Projects Corporation (OIPC), loan payable (Hensall water), 5.17% interest, \$108,003 semi-annual blended payment, due March 2029	1,328,903	1,470,684
Ontario Infrastructure Projects Corporation (OIPC), loan payable (Hensall water), 5.52% interest, \$207,921 semi-annual blended payment, due March 2049	5,848,111	5,937,423
Ontario Infrastructure Projects Corporation (OIPC), loan payable (Zurich sewer), 3.86% interest, \$56,753 semi-annual blended payment, due August 2033	1,081,992	1,151,709
Tile drain loans and shoreline debt payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals, 6% - 8%, due 2022 through 2031	<u>131,926</u>	<u>157,541</u>
	<u>\$9,545,729</u>	<u>\$9,970,052</u>

Principal payments recoverable from property owners in the next

five years to finance the bank demand and term loans and municipal debentures are:

2022: \$439,600 2023: \$459,900 2024: \$474,400 2025: \$493,300 2026: \$513,300

8. Landfill closure and post-closure cost liability

PSAB Handbook Section 3270: Solid Waste Landfill Closure and Post-Closure Liability, sets out the standard for anticipated closure and post-closure costs for existing and closed landfill sites. This liability is the estimated cost to date, based on a volumetric basis, of the expenses relating to those activities required when the site or phase stops accepting waste.

The landfill closure costs include final cover and vegetation, completing facilities for drainage control features, leachate monitoring, water quality monitoring, and monitoring and recovery of gas. Post-closure care activities include all activities related to monitoring the site once it can no longer accept waste, including acquisition of any additional land for buffer zones, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage systems, and final cover.

The estimated liability for the care of landfill sites is the present value of future cash flows associated with closure and post-closure costs.

Key assumptions in determining the liability at December 31, 2021 for the landfills are as follows:

Remaining site life	0 - 18 years
Discount rate	1% - 2%
Estimated time required for post-closure care	25 - 50 years

The municipality operates two landfill sites, Hensall and Stanley, and has closed the Hay landfill effective August 2011, for which the total reported liability is \$2,373,216 (2020 : \$2,326,682). A reserve has been established to partially provide for this landfill site closure and post-closure liability. The reserve balance at December 31, 2021 is \$230,044 (2020 : \$206,044) for the landfill sites operated by the municipality. The balance of the future liability is expected to be funded through budget allocations to the landfill reserve.

The municipality's proportionate liability for the Mid-Huron landfill site is \$416,538 (2020 : \$418,328). The Mid-Huron Landfill Site Board has set aside reserves and reserve funds of which the municipality's proportionate share is \$191,698 (2020 : \$191,319). The site was closed in 2018.

9. Tangible capital assets

The municipality's policy on accounting for tangible capital assets is as follows:

- i) Contributed tangible capital assets
The municipality records all tangible capital assets contributed by external parties at fair value.
- ii) Tangible capital assets recognized at nominal value
Certain assets have been assigned a nominal value because of the difficulty of determining a tenable valuation.

For additional information, see the Consolidated Schedule of Tangible Capital Assets information on the tangible capital assets of the municipality by major class and by business segment, as well as for accumulated amortization of the assets controlled.

10. Segmented information

The Municipality of Bluewater is a diversified municipal government institution that provides a wide range of services to its citizens such as recreational and cultural services, planning and development, fire, and transportation services. 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 segment relates to the general operations of the municipality itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

Protection is comprised of fire protection, policing, court services, conservation authorities, protective inspection and control, building permit and inspection services, emergency measures and other protection services.

Transportation Services

Transportation services include road maintenance, winter control services, street light maintenance, parking lots, equipment maintenance and other transportation services.

Environmental Services

Environmental services include the sanitary sewer system, storm sewer system, waterworks, waste collection, waste disposal and recycling.

Health Services

This service area includes cemeteries and other health services.

Recreational and Cultural Services

This service area provides public services that contribute to the provision of recreation and leisure facilities and programs, the maintenance of parks and open spaces, library services, museums and other cultural services.

Planning and Development

This segment includes matters relating to zoning and site plan controls, land acquisition, development initiatives, agriculture and reforestation, municipal drainage and tile drainage.

For additional information, see the schedule of segmented information.

11. Accumulated surplus

The accumulated surplus consists of individual fund surplus/(deficit) amounts and reserve and reserve funds as follows:

	2021	2020
Invested in tangible capital assets	\$ 60,983,426	\$ 61,940,587
General revenue accumulated surplus (deficit)	(3,717,651)	(3,922,407)
Share of Mid-Huron Landfill Site Board general surplus	5,206	5,276
Unfinanced long-term debt	(9,413,803)	(9,812,511)
Unfinanced solid waste landfill closure and post-closure liabilities	(2,789,754)	(2,745,010)
Reserves and reserve funds	<u>23,692,086</u>	<u>20,958,775</u>
	<u>\$ 68,759,510</u>	<u>\$ 66,424,710</u>

For additional information, see the Consolidated Schedule of Continuity of Reserves, Reserve Funds, and Deferred Revenue.

12. Financial instrument risk management

Credit risk

The Municipality is exposed to credit risk through its cash, trade and other receivables, loans receivable, and long-term investments. There is the possibility of non-collection of its trade and other receivables. The majority of the Municipality's receivables are from ratepayers and government entities. For trade and other receivables, the Municipality measures impairment based on how long the amounts have been outstanding. For amounts outstanding considered doubtful or uncollectible, an impairment allowance is setup.

Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its financial obligations as they fall due. The Municipality has a planning and a budgeting process in place to help determine the funds required to support the Municipality's normal operating requirements on an ongoing basis. The Municipality ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain an available line of credit balance as approved by the appropriate borrowing bylaw to meet, at a minimum, expected requirements.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Municipality is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings and long-term liabilities and the value of fixed rate long-term liabilities.

There has been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risks.

13. Contingent liability

The municipality has been notified of liability claims. Because the claims are within the municipality's insurance coverage, no provision has been made for the contingency in the financial statements.

14. Budget amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2021 budget amounts for the Corporation of the Municipality of Bluewater approved by Council are unaudited and have been restated to conform to the basis of presentation of the revenues and expenditures on the consolidated statement of operations. Budget amounts were not available for certain boards consolidated by the municipality.

Approved budget annual surplus (deficit)	\$ -
Acquisition of tangible capital assets	5,333,857
Amortization of tangible capital assets	(2,271,780)
Net reserve, reserve fund, and surplus transfers	(1,192,329)
Debt principal repayments	381,801
Mid-Huron Landfill Site Board net budget deficit	<u>(10,752)</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 2,240,797</u>

15. Financial impact of COVID-19 pandemic

On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic. Subsequently, the Province of Ontario issued a state of emergency limiting the number of people in a gathering and requiring rolling closures and lockdowns of non-essential business for an indeterminate period of time. The dynamic nature of the COVID-19 crisis makes it impossible to predict the impact this will have on the organization's operations, cash flows and financial position. Management will continue to monitor the situation and reflect the impact in the financial statements as appropriate.

MUNICIPALITY OF BLUEWATER
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2021

	Land	Buildings	Machinery & Equipment	Vehicles	Information Technology	Roads, Bridges and Land Improvements	Underground and other Networks	Assets Under Construction	TOTAL Net Book Value 2021	TOTAL Net Book Value 2020
Cost										
Balance, beginning of year	3,160,162	15,624,491	6,541,319	5,360,050	1,478,651	31,697,502	32,372,574	1,173,310	97,408,059	95,849,833
Add: Additions during the year		154,603	333,012	330,796	4,384	851,811	158,576	(36,457)	1,796,725	1,810,501
Less: Disposals during the year	(287,082)			(73,000)		(423,743)			(783,825)	(252,275)
Balance, end of year	<u>2,873,080</u>	<u>15,779,094</u>	<u>6,874,331</u>	<u>5,617,846</u>	<u>1,483,035</u>	<u>32,125,570</u>	<u>32,531,150</u>	<u>1,136,853</u>	<u>98,420,959</u>	<u>97,408,059</u>
Accumulated Amortization										
Balance, beginning of year		6,655,888	2,182,727	3,293,825	1,009,783	13,708,136	8,617,113		35,467,472	33,404,604
Add: Amortization during the year		383,424	233,816	298,095	57,390	735,074	563,981		2,271,780	2,284,727
Less: Accumulated amortization on disposals				(47,450)		(254,269)			(301,719)	(221,859)
Balance, end of year	<u>-</u>	<u>7,039,312</u>	<u>2,416,543</u>	<u>3,544,470</u>	<u>1,067,173</u>	<u>14,188,941</u>	<u>9,181,094</u>	<u>-</u>	<u>37,437,533</u>	<u>35,467,472</u>
Net Book Value of Tangible Capital Assets	<u>2,873,080</u>	<u>8,739,782</u>	<u>4,457,788</u>	<u>2,073,376</u>	<u>415,862</u>	<u>17,936,629</u>	<u>23,350,056</u>	<u>1,136,853</u>	<u>\$ 60,983,426</u>	<u>\$ 61,940,587</u>

MUNICIPALITY OF BLUEWATER
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2021

	General Government	Protection	Transportation	Environmental	Recreation and Cultural	Work in Process	TOTAL Net Book Value 2021	TOTAL Net Book Value 2020
Cost								
Balance, beginning of year	1,967,795	4,858,916	33,676,876	40,232,326	15,498,836	1,173,310	97,408,059	95,849,833
Add: Additions during the year	4,384	105,049	1,359,990	193,344	170,415	(36,457)	1,796,725	1,810,501
Less: Disposals during the year	(287,082)		(423,743)		(73,000)		(783,825)	(252,275)
Balance, end of year	<u>1,685,097</u>	<u>4,963,965</u>	<u>34,613,123</u>	<u>40,425,670</u>	<u>15,596,251</u>	<u>1,136,853</u>	<u>98,420,959</u>	<u>97,408,059</u>
Accumulated Amortization								
Balance, beginning of year	1,244,156	2,795,660	15,964,658	9,805,091	5,657,907		35,467,472	33,404,604
Add: Amortization during the year	89,487	196,860	898,630	725,527	361,276		2,271,780	2,284,727
Less: Accumulated amortization on disposals			(254,269)		(47,450)		(301,719)	(221,859)
Balance, end of year	<u>1,333,643</u>	<u>2,992,520</u>	<u>16,609,019</u>	<u>10,530,618</u>	<u>5,971,733</u>	<u>-</u>	<u>37,437,533</u>	<u>35,467,472</u>
Net Book Value of Tangible Capital Assets	<u>351,454</u>	<u>1,971,445</u>	<u>18,004,104</u>	<u>29,895,052</u>	<u>9,624,518</u>	<u>1,136,853</u>	<u>\$ 60,983,426</u>	<u>\$ 61,940,587</u>

MUNICIPALITY OF BLUEWATER

Consolidated Schedule of Continuity of Reserves, Reserve Funds and Deferred Revenue

For the Year Ended December 31, 2021

	Balance, beginning of year	Revenues and contributions			Transfers out Utilized During Year	Balance, end of year
		Interest	From Operations	Other		
Reserves and reserve funds						
Reserves						
for general government	1,306,479		230,312		(190,736)	1,346,055
for protection services	793,028		231,784		(72,168)	952,644
for transportation services	4,787,141		1,065,854		(1,035,705)	4,817,290
for environmental services	5,477,790		573,318		(57,173)	5,993,935
for health services	22,546		-		-	22,546
for recreation and cultural services	1,106,989		306,436		(41,965)	1,371,460
for planning and development	19,287		10,375		(4,662)	25,000
	<u>13,513,260</u>	<u>-</u>	<u>2,418,079</u>	<u>-</u>	<u>(1,402,409)</u>	<u>14,528,930</u>
Reserve funds						
Hay from sale of Dashwood utility	10,553	59				10,612
Bayfield sewer extensions	940,393	5,223	34,095			979,711
Hensall sewer capital	626	3				629
Zurich sewer capital	14,780	81				14,861
Bluewater sewer	1,308,575	7,892	589,459			1,905,926
Hay water capital	152,456	841				153,297
Bayfield water capital	20,431	112				20,543
Hensall water capital	207,819	1,146				208,965
Stanley water capital	54,974	303				55,277
Bluewater water	3,911,355	22,419	815,698			4,749,472
Northland community fund	490,897	4,252	350,000		(205,624)	639,525
Goshen Wind community fund	34,251	424	52,650		(30,932)	56,393
Varna Wind community fund	107,086	1,346	164,400		(96,585)	176,247
Bluewater - Mid-Huron Landfill 3.8% share	191,319		379			191,698
	<u>7,445,515</u>	<u>44,101</u>	<u>2,006,681</u>	<u>-</u>	<u>(333,141)</u>	<u>9,163,156</u>
Total reserves and reserve funds	<u>20,958,775</u>	<u>44,101</u>	<u>4,424,760</u>	<u>-</u>	<u>(1,735,550)</u>	<u>23,692,086</u>
Deferred revenue funds						
Obligatory deferred revenue funds						
Bluewater Development Charges	696,994	4,225		193,558		894,777
Federal Gas Tax Funds	1,022,381	6,811		443,887		1,473,079
OCIF and other grant funding	-			323,082		323,082
Bluewater Greenlands - subdivider contributions	51,567	300		6,000		57,867
Recreational land / Parklands (the Planning Act)	50,752	280				51,032
	<u>1,821,694</u>	<u>11,616</u>	<u>-</u>	<u>966,527</u>	<u>-</u>	<u>2,799,837</u>
Non-obligatory deferred revenue funds						
Stanley gravel pit restoration	3,021	16				3,037
Bayfield Community Group and Splash Pad	21,706	120				21,826
Hensall Splash Pad	5,873	32				5,905
	<u>30,600</u>	<u>168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,768</u>
Total deferred revenue funds	<u>1,852,294</u>	<u>11,784</u>	<u>-</u>	<u>966,527</u>	<u>-</u>	<u>2,830,605</u>
Total	<u>\$ 22,811,069</u>	<u>55,885</u>	<u>4,424,760</u>	<u>966,527</u>	<u>(1,735,550)</u>	<u>\$ 26,522,691</u>

MUNICIPALITY OF BLUEWATER

Segmented Information

For the Year Ended December 31, 2021

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	Total 2021	Total 2020
Revenue									
Taxation	8,633,464			1,081,204				9,714,668	9,364,668
User charges	1,210,451	415,000	32,558	4,347,291	23,478	341,022	84,223	6,454,023	5,288,387
Government transfers	1,442,790	263,357		25,001		44,860		1,776,008	2,300,428
Interest and penalties	262,006							262,006	287,968
	<u>11,548,711</u>	<u>678,357</u>	<u>32,558</u>	<u>5,453,496</u>	<u>23,478</u>	<u>385,882</u>	<u>84,223</u>	<u>18,206,705</u>	<u>17,241,451</u>
Operating expenditure									
Wages, salaries and benefits	1,133,180	610,115	1,066,031	257,062		780,603	98,739	3,945,730	3,614,524
Contract services	255,137	1,811,597	941,546	1,847,915	6,825	251,805	39,612	5,154,437	4,730,631
Supplies, materials and equipment	654,276	503,578	1,305,611	1,198,802	21,968	684,870	130,853	4,499,958	4,150,875
Amortization	89,487	196,860	898,630	725,527		361,276		2,271,780	2,284,727
	<u>2,132,080</u>	<u>3,122,150</u>	<u>4,211,818</u>	<u>4,029,306</u>	<u>28,793</u>	<u>2,078,554</u>	<u>269,204</u>	<u>15,871,905</u>	<u>14,780,757</u>
Net revenue (expense)	<u>9,416,631</u>	<u>(2,443,793)</u>	<u>(4,179,260)</u>	<u>1,424,190</u>	<u>(5,315)</u>	<u>(1,692,672)</u>	<u>(184,981)</u>	<u>2,334,800</u>	<u>2,460,694</u>

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Bluewater

Opinion

We have audited the accompanying financial statements of the trust funds of the Corporation of the Municipality of Bluewater ("the Municipality"), which are comprised of the consolidated statement of financial position as at December 31, 2021 and the consolidated statements of continuity of trust funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the 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 Financial Statements

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

INDEPENDENT AUDITOR'S REPORT (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.

Seebach & Company

Chartered Professional Accountants
Licensed Public Accountants

Clinton, Ontario
December 19, 2022

**MUNICIPALITY OF BLUEWATER
TRUST FUNDS**

BALANCE SHEET

As at December 31, 2021				
	"Day" Developer	Cemetery Care and Maintenance	2021	2020
Assets				
Cash	-	7,811	7,811	7,767
Investments	-	217,963	217,963	214,416
	<u>\$ 0</u>	<u>\$ 225,774</u>	<u>\$ 225,774</u>	<u>\$ 222,183</u>
Liabilities				
Accounts payable and accrued liabilities	-	-	-	-
Fund balance	<u>-</u>	<u>225,774</u>	<u>225,774</u>	<u>222,183</u>
Trust fund balances	<u><u>\$ 0</u></u>	<u><u>\$ 225,774</u></u>	<u><u>\$ 225,774</u></u>	<u><u>\$ 222,183</u></u>

STATEMENT OF CONTINUITY

For the Year Ended December 31, 2021				
	"Day" Developer	Cemetery Care and Maintenance	2021	2020
Receipts				
Care and maintenance		7,910	7,910	3,340
Investment income	305	6,208	6,513	4,253
	<u>305</u>	<u>14,118</u>	<u>14,423</u>	<u>7,593</u>
Expenditure				
Transfers to general fund	<u>7,037</u>	<u>3,795</u>	<u>10,832</u>	<u>9,523</u>
Excess of receipts over expenditures for the year	(6,732)	10,323	3,591	(1,930)
Fund balance, beginning of year	<u>6,732</u>	<u>215,451</u>	<u>222,183</u>	<u>224,113</u>
Fund balance, end of year	<u><u>\$ 0</u></u>	<u><u>\$ 225,774</u></u>	<u><u>\$ 225,774</u></u>	<u><u>\$ 222,183</u></u>

MUNICIPALITY OF BLUEWATER
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

1. Accounting Policies

Significant aspects of accounting policies adopted by the municipality are as follows:

a) Management responsibility

The financial statements of the Trust Funds are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing for municipalities and their related entities.

b) Basis of consolidation

These trust funds have not been consolidated with the financial statements of the Municipality of Bluewater.

c) 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; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

d) Investments

Investments are recorded at cost less amounts written off to reflect a permanent decline in value.

e) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenditures during the period. Actual results could differ from those estimates.

2. Investments

Trust fund investments have a market value equal to cost of \$217,963 (2020 : \$214,416).