



CITY OF OWEN SOUND

AUDIT FINAL REPORT TO THE CORPORATE SERVICES COMMITTEE

July 22, 2021



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SUMMARY

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Corporate Services Committee in fulfilling its responsibilities. This report has been prepared solely for the use of the Corporate Services Committee and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.



Status of the Audit

As of the date of this report, we have substantially completed our audit of the 2020 financial statements, pending completion of the following items:

- ▶ Approval of financial statements by the Corporate Services Committee
- ▶ Receipt of signed management representation letter dated as of the final report date
- ▶ Subsequent events review through to financial statement approval date
- ▶ Receipt of outstanding insurance and legal confirmations

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. See Appendix A for our Independent Auditor's Report.

The scope of the work performed was substantially the same as that described in our Planning Report to the Corporate Services Committee dated April 6, 2021.



Materiality

As communicated to you in our Planning Report to the Corporate Services Committee, preliminary materiality was \$1,500,000. Final materiality remained unchanged from our preliminary assessment.



Audit Risks

Our audit strategy and procedures focused on the risks specific to your organization and key accounts as outlined in our Planning Report to the Members of the Corporate Services Committee. The significant risks of material misstatement identified during our planning included the following items:

- ▶ Control Environment
- ▶ Unauthorized Adjustments to Ratepayers
- ▶ Government Transfers

There were no changes to our planned procedures and no issues were identified in our testing performed. No additional risks were identified during the audit.

Audit findings are discussed in more detail on Pages 4 and 5.



Internal Control Matters

We are required to report to you in writing, any significant deficiencies in internal control that we have identified. The specifics of this communication are included on Page 7.



Independence

Our annual letter confirming our independence was previously provided to you in our planning correspondence. We know of no circumstances that would cause us to amend the previously provided letter.



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. We encourage management to correct misstatements identified throughout the audit process.

Management has determined that the unadjusted differences are immaterial both individually and in aggregate to the financial statements taken as a whole. Should the Corporate Services Committee agree with this assessment, we do not propose further adjustments.

For purposes of our discussion, a summary of unadjusted differences has been presented in Appendix B.



Management Representations

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

A summary of the representation we have requested from management is set out in the representation letter included in Appendix C.



Fraud Discussion

Through our planning process, and current and prior years' audits, we have developed an understanding of your oversight processes. We are not currently aware of any fraud.

If you are aware of changes to process or are aware of any instances of actual, suspected or alleged fraud affecting the City, we request that you provide us with this information.

Please refer to the Auditor's Responsibilities for Detecting Fraud in the Planning Report to the Corporate Services Committee.

AUDIT FINDINGS

Our audit strategy and procedures focused on the risks specific to your City and key accounts as outlined in our Planning report to the Members of Council. There were no changes to our planning procedures and no issues were identified in our testing performed. No additional risks were identified during the audit.

Significant Risks of Material Misstatement	Audit Findings
Control Environment (Management Override)	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.
Unauthorized Adjustments to Ratepayers	A test was undertaken to review adjustments to water and tax and obtained corroborating evidence from management as to why this adjustments were made. During the course of the audit it was also noted that management implemented additional levels of review to ensure adjustments to ratepayers' accounts are accurate and authorized.
Government Transfers	To address this risk we reviewed agreements and discussed with management. We confirmed cash received and prepared a reconciliation of cash flows and eligible expenditures.

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

Management is responsible for determining the City of Owen Sound's 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 City. 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 policies and have been consistently applied.

A summary of the significant financial statement disclosures policies and significant estimates and judgements are as follows:

Significant Financial Statement Disclosures	Audit Findings
Accumulated Surplus	A breakdown of the City's accumulated surplus is included in Note 8. This includes the amount invested in capital assets, unfunded liabilities, reserves and reserve funds and also the general surplus (deficit) which is required to be carried forward to the next year's budget.
Commitments	Significant commitments related to the construction of the 10th Street bridge replacement, the purchase of an aerial platform fire truck and the East Bayshore Road Sanitary Pump Station and road reconstruction capital project are disclosed in Note 19.
Contingencies/Litigation Proceedings	The City has been named in a number of claims that are in proceedings through their insurance company. The City's liability with respect to these claims is not determinable at this time. Management is of the opinion that the City maintains adequate and appropriate liability and errors and omissions insurance to protect the City against such claims.

Significant Estimates and Judgements	Audit Findings
Post-Employment Benefits	The City provides post-employment health, dental, 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. In order to help estimate the liability for post-employment benefits, the City engaged the services of an actuary.
Unfinanced Capital	The City has \$23,406,539 in unfinanced capital projects as of December 31, 2020. We recommend that the plan to finance these assets be reviewed on a regular basis to determine if any adjustments are appropriate.
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 an examination of building permits issued in the last three years and management knowledge of potential reassessment. During 2020 the Municipal Tax Equity Consultants prepared an "at risk assessment" and management used this to assess the reasonability of their estimates.
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.
Liability for Contaminated Sites	Management compiled a list of all properties owned by the City or where the City has accepted responsibility for the property and assessed whether each property was contaminated. Management is not aware of any contaminated sites not currently in productive use therefore no liability is accrued.

INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the City'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 and purchase 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.

We did not find any deficiencies in the design and implementation of the internal controls that were tested during the audit.

As the purpose of the audit is for us to express an opinion on the City's financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

APPENDIX A: FINANCIAL REPORT

The Corporation of the
City of Owen Sound
Financial Information
For the year ended December 31, 2020

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The Corporation of the City of Owen Sound
Financial Information
December 31, 2020

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the City of Owen Sound

Opinion

We have audited the consolidated financial statements of the Corporation of the City of Owen Sound ("the City"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2020, and its consolidated results of operations, its consolidated changes in net debt, and its 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 City 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 the 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 City'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 City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City'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 City'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 City'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 City 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 City to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
July 22, 2021

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The Corporation of the City of Owen Sound
Consolidated Statement of Financial Position

December 31	2020	2019
Financial assets		
Cash (Note 1)	\$ 8,228,733	\$ 1,905,704
Investments (Note 2)	4,173,848	4,128,848
Taxes receivable	2,626,043	2,042,191
Trade and other receivables	5,155,153	4,704,457
Inventory held for resale	72,570	81,664
Other receivables (Note 3)	755,000	795,000
	<u>21,011,347</u>	<u>13,657,864</u>
Liabilities		
Accounts payable and accrued liabilities	10,213,493	8,251,157
Solid waste landfill closure and post-closure liabilities (Note 5)	2,449,966	2,658,922
Post-employment benefits (Note 16)	5,979,847	5,648,605
Deferred revenue (Page 29)	6,993,708	6,159,093
Long-term liabilities (Note 6)	30,081,739	23,054,176
	<u>55,718,753</u>	<u>45,771,953</u>
Net debt	(34,707,406)	(32,114,089)
Non-financial assets		
Inventory of supplies	735,693	662,238
Prepaid expenses	294,274	242,752
Tangible capital assets (Note 7)	261,980,112	255,285,994
	<u>263,010,079</u>	<u>256,190,984</u>
Accumulated surplus (Note 8)	<u>\$ 228,302,673</u>	<u>\$ 224,076,895</u>

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

The Corporation of the City of Owen Sound
Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	2020 Budget (Note 10)	2020 Actual	2019 Actual
Revenue			
Taxation	\$ 30,620,921	\$30,410,265	\$ 28,972,907
Fees and user charges	15,150,509	13,924,516	14,476,857
Government transfers (Note 15)	8,810,015	9,735,217	8,080,136
Other income (Note 11)	3,528,060	2,628,501	2,978,985
	<u>58,109,505</u>	<u>56,698,499</u>	<u>54,508,885</u>
Expenses			
General government	4,566,231	4,571,246	5,567,628
Protection services	16,268,337	16,800,433	16,173,487
Transportation services	5,811,022	8,519,360	9,300,052
Environmental services	10,559,416	11,679,670	9,143,053
Health services	303,423	398,026	344,414
Recreation and cultural services	6,187,706	9,468,426	9,950,173
Planning and development	867,302	1,035,560	1,022,815
	<u>44,563,437</u>	<u>52,472,721</u>	<u>51,501,622</u>
Annual surplus (Note 10)	13,546,068	4,225,778	3,007,263
Accumulated surplus, beginning of the year	<u>224,076,895</u>	<u>224,076,895</u>	<u>221,069,632</u>
Accumulated surplus, end of the year	<u>\$ 237,622,963</u>	<u>\$ 228,302,673</u>	<u>\$ 224,076,895</u>

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

The Corporation of the City of Owen Sound
Consolidated Statement of Changes in Net Debt

For the year ended December 31	2020 Budget (Note 10)	2020 Actual	2019 Actual
Annual surplus (Page 6)	\$ 13,546,068	\$ 4,225,778	\$ 3,007,263
Acquisition of tangible capital assets	(19,168,440)	(15,419,334)	(10,682,636)
Amortization of tangible capital assets	-	8,626,486	8,356,478
Proceeds on disposal of assets	-	204,970	94,544
Loss (gain) on disposal of assets	-	(106,240)	422,918
	(19,168,440)	(6,694,118)	(1,808,696)
Change in prepaid expenses	-	(51,522)	(43,641)
Change in inventories of supplies	-	(73,455)	(198,853)
	-	(124,977)	(242,494)
(Increase) decrease in net debt	(5,622,372)	(2,593,317)	956,073
Net debt, beginning of the year	(32,114,089)	(32,114,089)	(33,070,162)
Net debt, end of the year	\$ (37,736,461)	\$ (34,707,406)	\$ (32,114,089)

The Corporation of the City of Owen Sound
Consolidated Statement of Cash Flows

For the year ended December 31

2020

2019

Cash provided by (used in)

Operating activities

Annual surplus	\$ 4,225,778	\$ 3,007,263
Items not involving cash		
Amortization	8,626,486	8,356,478
Post-employment benefits	331,242	413,320
Solid waste landfill liability	(208,956)	(90,210)
(Gain) loss on disposal of assets	(106,240)	422,918
Deferred revenue recognized	(2,734,136)	(1,906,923)
Change in inventory of supplies	(73,455)	(198,853)

10,060,719 10,003,993

Changes in non-cash working capital balances

Taxes receivable	(583,852)	(4,268)
Trade and other receivables	(450,696)	2,071,401
Inventory held for resale	9,094	790
Accounts payable and accrued liabilities	1,962,336	(981,624)
Deferred revenue received	3,568,751	3,582,569
Prepaid expenses	(51,522)	(43,641)

14,514,830 14,629,220

Capital transactions

Cash used to acquire capital assets	(15,419,334)	(10,682,636)
Proceeds on sale of capital assets	204,970	94,544

(15,214,364) (10,588,092)

Investing activities

Decrease in other receivables	40,000	43,169
Increase (decrease) in investments	(45,000)	3,056

(5,000) 46,225

Financing activities

Additions to long-term liabilities	9,375,000	-
Repayment of long-term liabilities	(2,347,437)	(2,356,152)
Decrease in temporary borrowings	-	(720,000)

7,027,563 (3,076,152)

Net change in cash and cash equivalents

6,323,029 1,011,201

Cash, beginning of the year

1,905,704 894,503

Cash, end of the year

\$ 8,228,733 \$ 1,905,704

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

The Corporation of the City of Owen Sound

Summary of Significant Accounting Policies

December 31, 2020

Management Responsibility

The management of the Corporation of the City of Owen Sound has prepared and is responsible for the integrity, objectivity and accuracy of the financial information presented in these consolidated financial statements. The Corporate Services Committee reviews and approves the consolidated financial statements before they are submitted to Council.

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 controlled by Council have been consolidated:

Owen Sound and North Grey Union Public Library

Owen Sound Downtown Improvement Area Board of Management

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. 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. Estimates are used when accounting for items such as accrued grant receivables, accrued liabilities, useful lives of capital assets, post-employment benefits liability, solid waste landfill post-closure liabilities and taxes receivable.

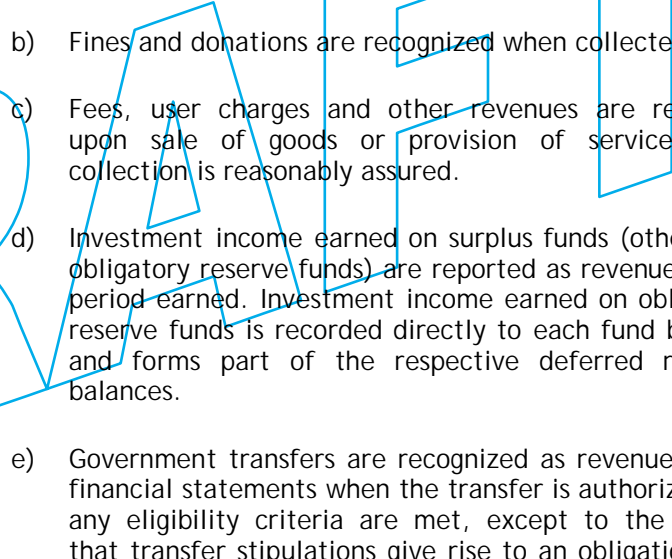
The Corporation of the City of Owen Sound

Summary of Significant Accounting Policies

December 31, 2020

Revenue Recognition

Revenues are recognized as follows:

- 
- a) Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.
 - b) 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.
 - f) Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of financial activities in the year in which it is used for the specified purpose.

Cash and Cash Equivalents

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

The Corporation of the City of Owen Sound

Summary of Significant Accounting Policies

December 31, 2020

Investments	Investments are recorded at cost, unless there has been a decline in the market value which is other than temporary in nature, in which case the investments are written down to market.												
County and School Board	The municipality collects taxation revenue on behalf of the school boards and the County of Grey. The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Grey, are not reflected in these financial statements.												
Inventory	<p>Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.</p> <p>Inventory held for consumption is recorded at the lower of cost and replacement cost.</p>												
Tangible Capital Assets	<p>Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets using the straight-line method. The useful life of the assets is based on estimates made by management. The following useful lives are used:</p> <table><tr><td>Land improvements</td><td>40 - 75 years</td></tr><tr><td>Buildings and structures</td><td>15 - 40 years</td></tr><tr><td>Vehicles, machinery and equipment</td><td>3 - 20 years</td></tr><tr><td>Roads and sidewalks</td><td>10 - 80 years</td></tr><tr><td>Bridges and other structures</td><td>40 - 80 years</td></tr><tr><td>Water and sewer infrastructure</td><td>40 - 90 years</td></tr></table> <p>Tangible capital assets received as contributions are recorded at fair value at the date of receipt.</p>	Land improvements	40 - 75 years	Buildings and structures	15 - 40 years	Vehicles, machinery and equipment	3 - 20 years	Roads and sidewalks	10 - 80 years	Bridges and other structures	40 - 80 years	Water and sewer infrastructure	40 - 90 years
Land improvements	40 - 75 years												
Buildings and structures	15 - 40 years												
Vehicles, machinery and equipment	3 - 20 years												
Roads and sidewalks	10 - 80 years												
Bridges and other structures	40 - 80 years												
Water and sewer infrastructure	40 - 90 years												
Intangible Assets	Intangible assets, art and historic treasures are not recognized in these financial statements.												

The Corporation of the City of Owen Sound

Summary of Significant Accounting Policies

December 31, 2020

Post-Employment Benefits

The municipality provides post-employment health, dental, 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 II 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 II employer status. The cost of the claims are determined using management's best estimate.

The contributions to the Ontario Municipal Employers 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 is not aware of any contaminated sites for which a liability needs to be recognized.

Solid Waste Landfill Closure and Post-Closure Costs

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

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.

The Corporation of the City of Owen Sound

Notes to Financial Statements

December 31, 2020

1. Cash

	2020	2019
Cash and bank	\$ 8,228,733	\$ 1,905,704

The municipality's bank accounts are all held at one financial institution. The Canadian Deposit Insurance Corporation insures deposits up to a maximum of \$100,000 per depositor per financial institution.

Interest is earned at the average monthly prime rate less 1.75%.

2. Investments

	2020	2019
Unrestricted	\$ 4,173,848	\$ 4,128,848

Investments include government bonds, municipal debentures and commercial paper from chartered banks with effective interest rates of 1.32% to 2.85%. Interest is receivable on a semi-annual basis. Investments have a market value of \$4,299,170 (2019 - \$4,182,074) at the end of the year.

3. Other Receivables

	2020	2019
Loan, non-interest bearing, due on demand	\$ 75,000	\$ 75,000
Loan, interest at 2.0%, due August 2022	680,000	720,000
	\$ 755,000	\$ 795,000

The Corporation of the City of Owen Sound

Notes to Financial Statements

December 31, 2020

4. Temporary Borrowings

The City of Owen Sound has a demand operating facility with a financial institution at prime less 0.75%. At December 31, 2020, the City had a \$10,000,000 unused credit facility.

5. Solid Waste Landfill Closure and Post-Closure Liabilities

The landfill was closed May 2005. The liability for the landfill site is recorded at \$2,449,966 (2019 - \$2,658,922) and represents the present value of post-closure costs for the closed site, using the Government of Canada's average long-term borrowing rate of 3.5%. Post closure costs include removal of ground water and leachates and ongoing environmental monitoring, site inspection and maintenance. The total estimated future expenditures for post-closure care are \$2,826,587 leaving an amount to be recognized of \$376,621. Post-closure care is estimated to continue for a period of 25 years from the date of closure.

6. Long-Term Liabilities

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

	2020	2019
Debentures payable, 2.69% to 3.87%, principal and interest payable semi-annually, various maturities	\$34,059,190	\$ 27,661,843
Less: Debentures issued internally	(3,977,451)	(4,607,667)
	<u>\$30,081,739</u>	<u>\$ 23,054,176</u>

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

2021	\$ 2,251,634
2022	1,772,529
2023	1,264,418
2024	1,303,152
2025	1,343,143
Thereafter	<u>22,146,863</u>
	<u>\$ 30,081,739</u>

Interest paid during the year on long-term debt was \$771,724 (2019 - \$848,890).

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31

7. Tangible Capital Assets

								2020
	Land	Land Improvement	Buildings and Structures	Vehicles, Machinery and Equipment	Roads and Sidewalks	Bridges	Water and Sewer Infrastructure	Total
Cost, beginning of the year	\$ 6,911,228	\$ 12,814,991	\$ 136,102,087	\$ 32,039,786	\$ 87,716,955	\$ 13,572,378	\$ 109,385,487	\$ 398,542,912
Additions		229,807	767,860	3,382,662	10,000,724	-	1,038,281	15,419,334
Disposals		-	(146,097)	(903,518)	(17,944)	(2,638)	-	(1,070,197)
Cost, end of the year	6,911,228	13,044,798	136,723,850	34,518,930	97,699,735	13,569,740	110,423,768	412,892,049
Accumulated amortization, beginning of the year	-	5,983,274	33,780,420	16,673,773	36,205,839	2,854,487	47,759,125	143,256,918
Amortization	-	514,252	2,162,318	2,204,325	1,715,058	408,762	1,621,771	8,626,486
Disposals	-	-	(117,271)	(837,402)	(15,541)	-	(1,253)	(971,467)
Accumulated amortization, end of the year	-	6,497,526	35,825,467	18,040,696	37,905,356	3,263,249	49,379,643	150,911,937
Net carrying amount, end of the year	\$ 6,911,228	\$ 6,547,272	\$ 100,898,383	\$ 16,478,234	\$ 59,794,379	\$ 10,306,491	\$ 61,044,125	\$ 261,980,112

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31

7. Tangible Capital Assets - (continued)

								2019
	Land	Land Improvement	Buildings and Structures	Vehicles, Machinery and Equipment	Roads and Sidewalks	Bridges	Water and Sewer Infrastructure	Total
Cost, beginning of the year	\$ 6,911,228	\$ 12,712,545	\$ 135,368,966	\$ 30,518,860	\$ 84,300,982	\$ 11,875,327	\$ 107,864,087	\$ 389,551,995
Additions	-	120,820	733,121	2,690,730	3,455,718	1,697,051	1,985,196	10,682,636
Disposals	-	(18,374)	-	(1,169,804)	(39,745)	-	(463,796)	(1,691,719)
Cost, end of the year	6,911,228	12,814,991	136,102,087	32,039,786	87,716,955	13,572,378	109,385,487	398,542,912
Accumulated amortization, beginning of the year	-	5,629,306	31,693,553	15,804,235	34,894,524	2,685,552	45,367,527	136,074,697
Amortization	-	353,968	2,086,867	1,952,119	1,317,206	168,935	2,477,383	8,356,478
Disposals	-	-	-	(1,082,581)	(5,891)	-	(85,785)	(1,174,257)
Accumulated amortization, end of the year	-	5,983,274	33,780,420	16,673,773	36,205,839	2,854,487	47,759,125	143,256,918
Net carrying amount, end of the year	\$ 6,911,228	\$ 6,831,717	\$ 102,321,667	\$ 15,366,013	\$ 51,511,116	\$ 10,717,891	\$ 61,626,362	\$ 255,285,994

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2020

7. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction is \$3,434,493 (2019 - \$2,676,129).

Interest of \$145,408 (2019 - \$112,008) was capitalized to tangible capital assets during the year.

The municipality holds various works of art and historical treasures. 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.

8. Accumulated Surplus

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

	2020	2019
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$ 261,980,112	\$ 255,285,994
Unfinanced capital assets	(23,406,539)	(24,827,629)
Capital assets financed by long-term liabilities and to be funded in future years (Note 6)	(34,059,190)	(27,661,843)
Total invested in capital assets	204,514,383	202,796,522
Unfunded post-employment benefits	(5,487,667)	(5,648,605)
Unfunded solid waste closure and post-closure costs	(2,449,966)	(2,658,922)
General surplus (Note 10)	27,257	18,363
Unfunded tax adjustments	(79,002)	(79,002)
Library Adult Learning Centre surplus	85,808	80,743
Art Gallery	(307,206)	(357,206)
	196,303,607	194,151,893
Reserves and reserve funds (Note 9)	31,999,066	29,925,002
Accumulated surplus	<u>\$ 228,302,673</u>	<u>\$ 224,076,895</u>

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2020

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

	2020	2019
Reserves		
Working funds	\$ 1,118,278	\$ 704,105
Capital purposes	3,804,516	3,412,629
	<u>4,922,794</u>	<u>4,116,734</u>
Reserve funds		
Sick leave	13,136	12,995
Capital purposes	27,063,136	25,795,273
	<u>27,076,272</u>	<u>25,808,268</u>
Total reserves and reserve funds	<u>\$31,999,066</u>	<u>\$ 29,925,002</u>

10. Budgets

Under Canadian Public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net debt for comparative purposes. The 2020 budget amounts for the City of Owen Sound approved by Council have been reclassified to conform to the presentation of the consolidated statements of operations and accumulated surplus and changes in net debt. The following is a reconciliation of the budget approved by Council.

	2020 Budget	2020 Actual	2019 Actual
Annual surplus (Page 6)	\$ 13,546,068	\$ 4,225,778	\$ 3,007,263
Prior year general surplus	-	18,363	8,811
Net transfers from (to) reserves	3,396,087	(2,074,064)	(1,634,117)
Capital acquisitions and disposals	(19,168,440)	(15,320,604)	(10,165,174)
Amortization	-	8,626,486	8,356,478
Proceeds from long-term debt	5,595,000	9,375,000	-
Debt principal repayments	(3,268,715)	(2,977,653)	(3,056,632)
Change in unfunded liabilities	-	(369,894)	374,877
Change in Art Gallery	(50,000)	(50,000)	(85,000)
Change in other surpluses	-	(5,065)	(10,404)
	<u>50,000</u>	<u>1,448,347</u>	<u>(3,203,898)</u>
Change in capital projects not funded	<u>(50,000)</u>	<u>(1,421,090)</u>	<u>3,222,261</u>
General surplus	<u>\$ -</u>	<u>\$ 27,257</u>	<u>\$ 18,363</u>

The Corporation of the City of Owen Sound

Notes to Financial Statements

December 31, 2020

11. Other Income

	2020	2020	2019
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 350,000	\$ 214,049	\$ 326,357
Other fines and penalties	45,460	51,423	90,576
Investment income	-	437,863	327,054
Licenses and permits	438,250	387,180	438,405
Rents	1,247,964	805,993	1,343,056
Donations	448,500	289,412	565,343
Gain (loss) on disposal of capital assets	-	106,240	(422,918)
Contributions from developers	770,460	153,354	225,498
Contributions from non-consolidated entities	37,500	22,705	30,792
Other and miscellaneous	189,926	160,282	54,822
	<u>\$ 3,528,060</u>	<u>\$ 2,628,501</u>	<u>\$ 2,978,985</u>

12. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 295 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement income to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed to OMERS for 2020 by the City was \$2,193,549 (2019 - \$1,935,068). The contribution rate for 2020 was 9.0% to 15.8% depending on age and income level (2019 - 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 on December 31, 2020. At that time the plan reported a \$3.20 billion actuarial deficit (2019 - \$3.4 billion), based on actuarial liabilities of \$111.8 billion (2019 - \$106.4 billion) and actuarial assets of \$108.6 billion (2019 - \$103 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2020

13. Owen Sound Downtown Improvement Area Board of Management

The following summarizes the financial position and operations of the Owen Sound Downtown Improvement Area, which is controlled by the municipality. The Owen Sound Downtown Improvement Area has been consolidated into these financial statements.

	2020	2019
Financial assets	\$ 173,607	\$ 143,576
Liabilities	11,713	13,578
Net financial assets	161,894	129,998
Non-financial assets	1,715	-
Accumulated surplus	\$ 163,609	\$ 129,998
Revenues	\$ 250,474	\$ 255,466
Expenses	216,863	214,078
Annual surplus	\$ 33,611	\$ 41,388

14. Owen Sound & North Grey Union Public Library

The following summarizes the financial position and operations of the Owen Sound & North Grey Union Public Library, which is controlled by the municipality. The Owen Sound & North Grey Union Public Library has been consolidated into these financial statements.

	2020	2019
Financial assets	\$ 1,352,087	\$ 1,372,695
Liabilities	789,634	700,717
Net financial assets	562,453	671,978
Non-financial assets	957,350	932,205
Accumulated surplus	\$ 1,519,803	\$ 1,604,183
Revenues	\$ 2,606,589	\$ 2,923,423
Expenses	2,690,969	2,779,743
Annual surplus	\$ (84,380)	\$ 143,680

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2020

15. Government Transfers

	2020 Budget	2020 Actual	2019 Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)\$	1,756,000	\$ 1,756,000	\$ 1,409,000
- Other	1,259,789	3,251,910	2,881,421
	3,015,789	5,007,910	4,290,421
Government of Canada			
- Roads	332,250	344,674	415,887
- Other	93,065	147,500	87,286
	425,315	492,174	503,173
Other municipalities			
- Library	-	708,753	728,504
- Police	1,310,411	1,383,995	1,417,631
- Roads	127,500	126,657	264,884
- Other	20,000	20,000	27,048
	1,457,911	2,239,405	2,438,067
Total operating contributions	4,899,015	7,739,489	7,231,661
Capital			
Province of Ontario			
- Roads	3,433,427	1,381,962	589,987
- Other	118,000	376,419	162,295
	3,551,427	1,758,381	752,282
Government of Canada			
- Recreation facility	100,000	-	-
- Roads	259,573	207,347	-
- Sewer and water	-	-	(7,675)
	359,573	207,347	(7,675)
Other municipalities			
- Roads	-	30,000	103,868
Total capital contributions	3,911,000	1,995,728	848,475
Total contributions	\$ 8,810,015	\$ 9,735,217	\$ 8,080,136

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2020

16. Post-Employment Benefits

	2020	2019
Sick leave liability	\$ 5,819	\$ 5,819
Vacation pay liability	1,125,030	1,107,587
Post-employment benefits	4,796,998	4,480,999
WSIB future benefit	52,000	54,200
	<u>\$ 5,979,847</u>	<u>\$ 5,648,605</u>

a) Sick leave liability includes amounts earned by employees as defined by applicable union contract but not taken during the year. This amount is funded through reserves.

b) The vacation liability includes vacation earned. The vacation year for an employee begins either on their "start date" anniversary or the date defined by the applicable union contract. The vacation liability includes all carry-forward amounts from the previous vacation year and vacation earned from the vacation start date to December 31, 2020. Of the balance \$492,180 was funded during the year.

c) The City pays certain life insurance, health and dental benefits on behalf of its retired employees to the age of 65. The City recognizes these post-employment costs in the period in which the employees rendered the services. An actuarial valuation has been performed using the assumption of a 3.4% per year borrowing rate and a 4% per year inflation rate. This amount has not been funded. The post-employment benefit shown above is net of unamortized loss of \$1,447,000 (2019 - \$1,643,100).

	2020	2019
Current period benefit cost	\$ 303,700	\$ 271,700
Amortization of actuarial loss	181,200	187,100
Interest costs	196,100	197,200
Total expense for the year	<u>\$ 681,000</u>	<u>\$ 656,000</u>

d) The City became a Schedule I employer under the Workplace Safety Insurance Act effective January 1, 2010. The City was a Schedule II employer for the years 1998 to 2009 and, as such, the municipality self-insured for WSIB benefits.

The municipality is still liable for events which took place while they were a Schedule II employer. An actuarial valuation has been performed using the projected benefit method. The most recent actuarial report was updated as at December 31, 2019. The total benefits not yet awarded and provision for presumptive cancer legislation for firefighters for the period in which the municipality was a Schedule II employer was determined using a 3.4% per year borrowing rate and a 2.5% per year inflation rate. This amount has not been funded.

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2020

17. Operations of School Boards and the County of Grey

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Grey:

	2020	2019
School boards	\$ 6,624,760	\$ 5,999,674
County of Grey	7,957,017	7,466,548
	<u>\$14,581,777</u>	<u>\$ 13,466,222</u>

18. Trust Funds

The trust funds administered by the City have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At December 31, 2020, the trust fund balances are as follows:

	2020	2019
Cemetery Care and Maintenance Funds	\$ 1,376,604	\$ 1,329,968
Art Collection and Gallery Building Trust	121,687	120,375
	<u>\$ 1,498,291</u>	<u>\$ 1,450,343</u>

19. Contractual Commitments

The Corporation of the City of Owen Sound has awarded construction contracts related to the the construction of the 10th Street bridge replacement, the purchase of an aerial platform fire truck and the East Bayshore Road Sanitary Pump Station and road reconstruction capital projects. At December 31, 2020, \$5,748,500 remains to be spent on these contracts.

20. Contingencies

The City has been named in a number of claims that are in proceedings through their insurance company. The City's liability with respect to these claims is not determinable at this time. Management is of the opinion that the City maintains adequate and appropriate liability and errors and omissions insurance to protect the municipality against such claims.

The Corporation of the City of Owen Sound

Notes to Financial Statements

December 31, 2020

21. Comparative Amounts

Comparative amounts have been reclassified to conform to current year presentation.

22. Impact of COVID-19

As the impacts of COVID-19 continue, there could be further impact on City of Owen Sound (The City) that could impact the timing and amounts realized on the City's assets and future ability to deliver its services. At this time, the full potential impact of COVID-19 on the City is not known. Given the dynamic nature of these circumstances, the related financial impact cannot be fully reasonably determined at this time. The City will continue to focus on its operations in order to maintain its ability to provide essential services.

23. Segmented Information

The Corporation of the City of Owen Sound is a diversified municipal government institution that provides a wide range of services to its citizens such as policing, fire protection, clean water and waste water treatment, waste collection and disposal, recreation and cultural services, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segment and activities they encompass are as follows:

Administration Services

This item relates to the revenues and expenses that are generated and incurred by the governance operations and are not specifically attributed to a specific segment. This item includes City Council, Clerk and Legal Services, Human Resources, Financial Services and Information Technology.

Operation Services

This item includes all revenues and expenditures as they related to the City's Operations departments. Included in this item are Transportation Infrastructure, Water and Waste Water Services, Engineering, Transit, Air Transportation and Street Lighting.

Community Services

This service area encompasses revenues and expenses associated with services provided to the community that are meant to improve the health and development of the municipality's citizens. Included in Community Services are the Building and Planning Departments as well as Recreation Programs and Facilities.

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2020

23. Segmented Information - (continued)

Parks and Cemeteries

This service area encompasses revenues and expenses associated with Greenspaces including Parks, Cemeteries and Playgrounds.

Economic Development

The departments included under the item Economic Development are responsible for Tourism, Small Business Support Services and Downtown Revitalization.

Protection Services

This item includes the services in place to ensure the safety and protection of the citizens and their property. Protection is comprised of police services, fire protection, parking and bylaw enforcement, and animal control.

Cultural Services

This item includes the revenues and expenses generated by both the Art Gallery and the Consolidated Library Board.

Taxation, payments in lieu and penalties and interest as well as the Ontario Municipal Partnership Fund Grant are allocated to each segment based on the funding requirements for total expenses less segment specific revenues. Amortization expenses are not included in determining this allocation.

The Corporation of the City of Owen Sound
Notes to Financial Statements

For the year ended December 31	Administration Services	Operation Services	Community Services	Parks and Cemeteries	Economic Development	Protection Services	Cultural Services	2020 Total
Revenue								
Taxation	\$ 6,690,257	\$ 5,169,745	\$ 1,216,411	\$ 1,824,616	\$ 912,308	\$ 13,380,517	\$ 1,216,411	\$ 30,410,265
Fees and user charges	114,181	12,671,656	537,405	230,906	-	259,021	111,347	13,924,516
Specific grants	900,004	2,922,249	21,339	22,500	184,749	2,171,753	1,756,623	7,979,217
OMPF grant	386,320	298,520	70,240	105,360	52,680	772,640	70,240	1,756,000
Other revenue	705,538	305,877	633,444	102,842	1,101	802,498	77,201	2,628,501
	8,796,300	21,368,047	2,478,839	2,286,224	1,150,838	17,386,429	3,231,822	56,698,499
Expenses								
Salaries and benefits	1,359,371	5,609,399	1,268,325	1,312,170	650,972	14,244,712	1,432,446	25,877,395
Interest on debt	41,072	689,553	27,211	2,847	-	166,845	-	927,528
Materials and supplies	2,231,878	4,298,376	938,896	361,527	219,828	965,234	356,942	9,372,681
Contracted services	563,809	4,275,283	68,964	285,134	100,362	513,887	10,948	5,818,387
Other transfers	73,600	-	-	-	54,271	267,294	1,269,911	1,665,076
Rents and financial expenses	30,048	114,448	10,026	3,991	5,531	16,589	4,535	185,168
Amortization	271,468	5,211,972	1,133,593	991,193	4,596	625,872	387,792	8,626,486
	4,571,246	20,199,031	3,447,015	2,956,862	1,035,560	16,800,433	3,462,574	52,472,721
Annual surplus (deficit)	\$ 4,225,054	\$ 1,169,016	\$ (968,176)	\$ (670,638)	\$ 115,278	\$ 585,996	\$ (230,752)	\$ 4,225,778

The Corporation of the City of Owen Sound
Notes to Financial Statements

For the year ended December 31	Administration Services	Operation Services	Community Services	Parks and Cemeteries	Economic Development	Protection Services	Cultural Services	2019 Total
Revenue								
Taxation	\$ 6,374,040	\$ 4,925,394	\$ 1,158,916	\$ 1,738,374	\$ 869,187	\$ 12,748,079	\$ 1,158,916	\$ 28,972,907
Fees and user charges	133,368	12,935,686	647,443	190,104	2,414	275,501	292,341	14,476,857
Specific grants	689,252	1,944,849	20,000	97,175	-	2,015,923	1,903,937	6,671,136
OMPF grant	309,980	239,530	56,360	84,540	42,270	619,960	56,360	1,409,000
Other revenue	537,522	335,410	1,194,362	119,021	18,322	502,517	271,831	2,978,985
	8,044,162	20,380,869	3,077,081	2,229,214	932,193	16,161,980	3,683,385	54,508,885
Expenses								
Salaries and benefits	2,789,839	4,909,112	1,379,026	1,326,564	516,816	13,774,341	1,329,318	26,025,016
Interest on debt	28,018	635,165	6,883	662	-	178,162	-	848,890
Materials and supplies	1,891,146	9,373,096	1,060,183	798,106	163,759	840,606	457,353	14,584,249
Contracted services	501,707	(1,554,206)	165,239	(66,161)	99,465	481,770	19,104	(353,082)
Other transfers	81,637	-	6,623	-	234,215	262,712	1,299,671	1,884,858
Rents and financial expenses	29,713	59,888	17,855	6,134	5,450	21,517	14,656	155,213
Amortization	245,618	5,020,000	1,168,657	952,969	3,110	614,379	351,745	8,356,478
	5,567,678	18,443,055	3,804,466	3,018,274	1,022,815	16,173,487	3,471,847	51,501,622
Annual surplus (deficit)	\$ 2,476,484	\$ 1,937,814	\$ (727,385)	\$ (789,060)	\$ (90,622)	\$ (11,507)	\$ 211,538	\$ 3,007,263

The Corporation of the City of Owen Sound
Schedule of Deferred Revenue

For the year ended December 31, 2020

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
Federal Gas Tax	\$ 1,147,724	\$ 647,406	\$ 5,567	\$ (552,021)	\$1,248,676
Provincial Transit Gas Tax	241,399	-	2,907	-	244,306
Development charges	1,537,567	259,336	14,746	(329,000)	1,482,649
Building development	431,213	400,000	3,958	-	835,171
Recreational land	165,580	19,524	1,638	(28,354)	158,388
	3,523,483	1,326,266	28,816	(909,375)	3,969,190
Other					
Other deferred revenues	424,811	618,867	-	(424,811)	618,867
Ontario Community Infrastructure Fund	710,799	1,125,294	2,794	(1,399,950)	438,937
Connecting link program	1,500,000	466,714	-	-	1,966,714
	\$ 6,159,093	\$ 3,537,141	\$ 31,610	\$ (2,734,136)	\$ 6,993,708

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APPENDIX B: UNADJUSTED DIFFERENCES

City of Owen Sound
Summary of Unadjusted Misstatements
December 31, 2020

Description of the Misstatement	Identified Misstatement	Projected Misstatement	Estimates	Pre-Tax Proposed Adjustments			
				Assets Dr(Cr)	Liabilities Dr(Cr)	Opening R/E Dr(Cr)	Income Dr(Cr)
Future income taxes amounts payable and recoverable from County and School Boards not recorded.	-	-	917,570	419,553	(917,570)	498,018	-
Unsupported deferred revenue imported from perfect mind account 11-0000-0000-22823	-	-	228,300	-	228,300	-	(228,300)
Likely Aggregate Misstatements Before Effect of Previous Year's Errors and Estimates	-	-	1,145,870	419,553	(689,270)	498,018	(228,300)
Effect of Previous Year's Errors, Net of Tax Effects				-	-	-	-
Tax Effect				-	-	-	-
Likely Aggregate Misstatements				419,553	(689,270)	498,018	(228,300)

Details of why no adjustment has been made to the financial statements for the above items:

Management is of the opinion the adjustments are not material

APPENDIX C: REPRESENTATION LETTER

City of Owen Sound
City of Owen Sound Trust Funds
1717 2nd Ave East
PO Box 397
Owen Sound ON N4K 5P7

July 22, 2021

BDO Canada LLP
Chartered Professional Accountants
1717 2nd Ave. E
PO Box 397
Owen Sound ON N4K 5P7

This representation letter is provided in connection with your audit of the financial statements of the City of Owen Sound and the City of Owen Sound Trust Funds for the year ended December 31, 2020, 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 December 19, 2019, 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.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- We have reviewed and approved all journal entries recommended by the auditors during the audit. A list of the journal entries is attached to the representation letter.

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.
- 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. Since there are no actual, outstanding or possible litigation and claims, no disclosure is required in the financial statements.
- Of the claims that are in proceedings through our insurance company, there is only one claim where the Plaintiff(s) are seeking punitive damages (for \$500,000), which is not covered by insurance. Of all other claims or possible claims proceeding 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 City.
- Evaluated all land owned by the City or where the City 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.
- Advised no contaminated sites are within the scope of PS 3260.
- Capital assets are complete at year end.
- Evaluated all landfill closure and post-closure care costs as applicable in the Scope of PS 3270 Solid Waste Landfill Closure and Post-Closure Liability.
- Advised liability for solid waste landfill closure and post-closure liability are in accordance with Canadian public sector accounting standards.
- To the extent that our normal procedures and controls related to our financial statement close process at any of our locations were adversely impacted by the COVID-19 Outbreak, we took appropriate actions and safeguards to reasonably ensure the fair presentation of the financial statements in accordance with Canadian public sector accounting standards.

Yours truly,

Signature

Position

Signature

Position