

**CORPORATION OF THE
MUNICIPALITY OF SOUTH BRUCE
CONSOLIDATED FINANCIAL REPORT
DECEMBER 31, 2016**

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

DECEMBER 31, 2016

CONTENTS

Management's Responsibility for the Consolidated Financial Report	1
Independent Auditor's Report	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flow	6
Notes to the Consolidated Financial Statements	7
Schedule 1 - Consolidated Schedule of Tangible Capital Assets 2016	22
Schedule 2 - Consolidated Schedule of Tangible Capital Assets 2015	23
Schedule 3 - Consolidated Schedule of Segmented Revenues and Expenses 2016	24
Schedule 4 - Consolidated Schedule of Segmented Revenues and Expenses 2015	26

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

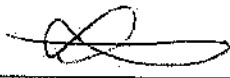
MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL REPORT

The accompanying consolidated financial statements of The Municipality of South Bruce (the "municipality") are the responsibility of the municipality's management and have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 1 to the consolidated financial statements.

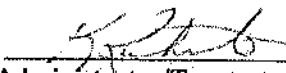
The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded (in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada), and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management. Council meets with management and the external auditor to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

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



Clerk
June 14, 2017



Administrator/Treasurer
June 14, 2017

COLLINS BARROW SGB LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Municipality of South Bruce, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Municipality of South Bruce as at December 31, 2016, and the results of its consolidated operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Collins Barrow SGB LLP
Licensed Public Accountants
Walkerton, Ontario
June 14, 2017

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	2016	2015
	\$	\$
		Restated (Note 20)
Financial assets		
Cash (Note 2)	3,511,849	3,171,570
Portfolio investments (Note 3)	675,131	1,075,359
Taxes receivable	668,677	682,257
Accounts receivable	1,153,170	1,015,882
Long-term receivables (Note 4)	4,148,563	4,827,835
Long-term investments (Note 5)	962,610	962,610
	11,120,000	11,735,513
Liabilities		
Accounts payable and accruals	1,260,759	1,581,762
Deferred revenue - obligatory reserve funds (Note 6)	340,571	343,759
Deferred revenue - other (Note 6)	540,937	610,807
Landfill closure and post-closure liability (Note 7)	313,796	302,299
Long-term liabilities (Note 8)	6,417,817	7,157,967
	8,873,880	9,996,594
Net financial assets	2,246,120	1,738,919
Non-financial assets		
Tangible capital assets (Schedule 1, 2 and Note 10)	63,955,824	65,163,792
Prepaid expenses	215,652	230,439
	64,171,476	65,394,231
Accumulated surplus (Note 11)	66,417,596	67,133,150

Approved _____ Mayor
 _____ Date

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31

	Budget 2016	Actual 2016	Actual 2015
	\$ (Note 12)	\$	\$ Restated (Note 20)
Revenues			
Net property taxation (Note 14)	4,030,253	3,964,538	3,637,916
Taxation from other governments	25,800	25,813	25,647
User charges and fees	3,183,518	3,712,714	3,202,553
Government transfers	1,267,350	1,287,709	1,521,109
Donations and sale of goods	108,100	115,527	110,787
Investment income (Note 5)	71,700	95,815	78,465
Penalties and interest on property taxation	96,400	220,489	233,579
Other	-	-	66,015
	8,783,121	9,422,605	8,876,071
Expenses			
General government	613,085	611,605	601,891
Protection services	1,566,176	1,656,732	1,741,865
Transportation services	2,120,128	4,145,582	3,784,668
Environmental services	1,808,761	2,748,668	2,708,535
Health services	77,225	112,190	110,809
Recreation and cultural services	911,543	1,072,229	1,070,940
Planning and development	86,675	97,373	76,675
	7,183,593	10,444,379	10,095,383
Net revenues (expenses)	1,599,528	(1,021,774)	(1,219,312)
Other			
Grants and transfers related to capital			
Government transfers	481,075	418,767	247,975
Capital cost recoveries	10,000	-	-
Donations	171,039	143,129	55,167
Capital contribution	28,800	-	12,291
Other municipalities	462,200	-	524,849
Other grants	-	-	42,698
Loss on disposal of tangible capital assets	-	(255,676)	(19,845)
	1,153,114	306,220	863,135
Annual surplus (deficit)	2,752,642	(715,554)	(356,177)
Accumulated surplus, beginning of year		67,133,150	67,489,327
Accumulated surplus, end of year (Note 11)		66,417,596	67,133,150

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

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

	Budget 2016	Actual 2016	Actual 2015
	\$ (Note 12)	\$	\$ Restated (Note 20)
Annual surplus (deficit)	2,752,642	(715,554)	(356,177)
Acquisition of tangible capital assets	(2,904,800)	(1,662,615)	(2,108,122)
Amortization of tangible capital assets	-	2,600,413	2,535,069
Loss on disposal of tangible capital assets	-	255,676	19,845
Proceeds on disposal of tangible capital assets	-	14,494	57,725
Acquisition of prepaid expenses	-	-	(72,883)
Use of prepaid expense	-	14,787	-
Change in net financial assets	(152,158)	507,201	75,457
Net financial assets, beginning of year		1,738,919	1,663,462
Net financial assets, end of year		2,246,120	1,738,919

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

	2016	2015
	\$	\$
		Restated (Note 20)
Cash flows from (for):		
Operating activities:		
Annual surplus	(715,554)	(356,177)
Non-cash items:		
Amortization of tangible capital assets	2,600,413	2,535,069
Loss on disposal of tangible capital assets	255,676	19,845
Landfill closure and post-closure liability	11,497	(12,731)
	<u>2,152,032</u>	<u>2,186,006</u>
Changes in:		
Portfolio investments	400,228	(408,865)
Taxes receivable	13,580	(46,755)
Accounts receivable	(137,288)	890,747
Prepaid expenses	14,787	(72,883)
Accounts payable and accruals	(321,003)	362,745
Net change in cash from operations	<u>2,122,336</u>	<u>2,910,995</u>
Capital activities		
Acquisition of tangible capital assets	(1,662,615)	(2,108,122)
Proceeds on disposal of tangible capital assets	14,494	57,725
Net change in cash from capital	<u>(1,648,121)</u>	<u>(2,050,397)</u>
Financing activities		
Temporary borrowings	-	(543,689)
Long-term liabilities repaid	(740,150)	(720,511)
Deferred revenue - obligatory reserve funds and other	(73,058)	403,409
Long-term receivables	679,272	662,882
Net change in cash from financing	<u>(133,936)</u>	<u>(197,909)</u>
Net change in cash position	<u>340,279</u>	<u>662,689</u>
Cash position, beginning of year	3,171,570	2,508,881
Cash position, end of year	<u>3,511,849</u>	<u>3,171,570</u>

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

Nature of operations

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

1. Summary of significant accounting policies

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

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

(a) Basis of consolidation

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

Teeswater-Culross Cemetery Board
Formosa Community Centre Board

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

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

Bruce Area Solid Waste Recycling	3.39%
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All interfund assets and liabilities and sources of financing and expenses have been eliminated.

(b) Basis of accounting

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

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

1. Summary of significant accounting policies (continued)

(c) Cash and cash equivalents

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

(d) Portfolio investments

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

(e) Deferred revenue

Revenue restricted by legislation, regulation, or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose.

(f) Non-financial assets

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

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	- 15 to 25 years
Buildings	- 25 to 50 years
Vehicles, machinery and equipment	- 4 to 50 years
Information technology assets	- 3 to 10 years
Roads	- 8 to 100 years
Water & Sewers	- 75 years
Furniture and fixtures	- 20 years

(ii) Contribution of tangible capital assets

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

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

1. Summary of significant accounting policies (continued)

(iii) Leases

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

(iv) Intangible assets

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

(g) Revenue recognition

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

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

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

(h) Taxation and related revenues

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

Assessments and the related property taxes are subject to appeal. Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of allowance for anticipated uncollectable amounts.

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

(i) County and school boards

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

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

1. Summary of significant accounting policies (continued)

(j) Government transfers

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

(k) Use of estimates

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

(l) Pension plan

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

2. Cash

Cash consists of the following:

	2016	2015
	\$	\$
Unrestricted	2,630,341	2,217,004
Restricted (Note 6)	881,508	954,566
	3,511,849	3,171,570

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

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

3. Portfolio investments

The municipality has unrestricted investments in The One Investment Program of \$675,131 (2015 - \$671,600). During the year, portfolio investments earned income of \$3,529 (2015 - \$5,107). In 2015, the municipality also held a cashable GIC with BMO for \$403,759 with a 0.9% interest rate, maturing May 1, 2018, which was cashed during 2016.

The One Investment Program is designed specifically for the municipal and broader Ontario public sector. The investments held within the Program are at their purchase cost. The investments include a money market portfolio with a cost of \$675,131 (2015 - \$671,600).

	2016	2015
	\$	\$
Carrying value	675,131	1,075,359
Market value	654,213	1,054,702

4. Long-term receivables

Long-term receivables consist of the following:

	2016	2015
	\$	\$
Sewer loan receivable, industry contributions, 0% interest annual repayments, due 2020 and 2023	862,000	1,028,000
Sewer loan receivable, 2.1% interest rate, quarterly repayments, due 2018	605,565	894,918
Sewer loan receivable, 3.6% interest rate, quarterly repayments, due 2028	1,888,600	2,045,302
Sewer loan receivable, 4.1% interest rate, quarterly repayments, due 2038	722,248	753,815
Septage loan receivable, 0% interest rate, annual repayment, due 2018	70,150	105,800
	4,148,563	4,827,835

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

5. Long-term investments

	2016	2015
	\$	\$
Note receivable, Westario Power Inc., 4.12%, interest only receivable quarterly	292,498	292,498
366.8 Common shares, Westario Power Inc.	670,112	670,112
	962,610	962,610

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

Interest earned on the notes receivable during the year was \$12,084 (2015 - \$12,051). This amount has been included in investment income on the consolidated statement of operations.

The municipality owns 3.7% of the outstanding common shares of Westario Power Inc. The shares are generally not exposed to interest rate risk. The fair value of these shares is not determinable at this time. Dividends of \$29,344 (2015 - \$27,510) were received on these shares during the year and is also included in investment income.

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

6. Deferred revenue - obligatory reserve funds and other

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

The balance of deferred revenue is made up as follows:

	2016	2015
	\$	\$
Obligatory reserve funds		
Community Well Being	332,571	343,759
Parkland Levies	8,000	-
	340,571	343,759
Other		
Government grant funding	468,047	518,798
Planning deposits	38,673	37,969
Other	34,217	54,040
	540,937	610,807
	881,508	954,566

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

	2016	2015
	\$	\$
Balance, beginning of year	343,759	-
Interest earned	1,774	3,759
Restricted funds received	8,000	400,000
Revenue recognized	(12,962)	(60,000)
Balance, end of year	340,571	343,759

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

	2016	2015
	\$	\$
Balance, beginning of year	610,807	551,157
Restricted funds received	82,250	140,100
Revenue recognized	(152,120)	(80,450)
Balance, end of year	540,937	610,807

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

7. Landfill closure and post-closure liability

Solid waste landfill closure and post-closure care requirements are defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates and ongoing environmental monitoring, site inspection and maintenance. These costs will be incurred as each landfill site stops accepting waste, with the post-closure care expected to continue for an additional 20 years. The total future closure and post-closure care costs are estimated to be \$549,000 (2015 - \$549,000).

Carrick Mildmay landfill site

As at December 31, 2016, the municipality has recognized in the financial statements a funded liability of \$182,744 (2015 - \$180,935). This liability represents 74% of the present value of the estimated costs and is based on a total capacity of 137,400 cubic meters and a discount rate of 2.00%. The balance of the liability of \$65,811 will be accrued as the remaining capacity of 36,380 cubic meters is utilized, which is expected to be over the next 18 years.

Teeswater Culross landfill site

As at December 31, 2016, the municipality has recognized in the financial statements a funded liability of \$131,052 (2015 - \$121,365). This liability represents 53% of the present value of the estimated costs and is based on a total capacity of 83,370 cubic meters and a discount rate of 2.00%. The balance of the liability of \$114,600 will be accrued as the remaining capacity of 38,893 cubic meters is utilized, which is expected to be over the next 25 years.

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

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

8. Long-term liabilities

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

	2016	2015
	\$	\$
Ontario Infrastructure loan payable, 2.1% interest, payable \$118,782 quarterly principal and interest, due February, 2019.	1,041,506	1,488,874
Ontario Infrastructure loan payable, 3.11% interest, payable \$19,262 quarterly principal and interest, due February, 2024.	498,378	558,749
Ontario Infrastructure loan payable, 3.6% interest, payable \$49,886 quarterly principal and interest, due February, 2029.	1,969,580	2,095,374
Ontario Infrastructure loan payable, 3.9% interest, payable \$43,345 quarterly principal and interest, due February, 2033.	2,169,594	2,256,237
Ontario Infrastructure loan payable, 4.1% interest, payable \$12,694 quarterly principal and interest, due February, 2039.	738,759	758,733
	6,417,817	7,157,967

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

	Principal	Interest
	\$	\$
2017	760,370	215,505
2018	781,186	194,688
2019	444,400	175,128
2020	338,227	162,520
2021	350,658	150,089
Thereafter	3,742,976	1,021,256

The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs. Total interest charges on long-term liabilities for the year reported on the consolidated statement of operations are \$235,723 (2015 - \$255,364).

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

9. Pension agreements

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

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The most recent actuarial valuation of the Plan was conducted at December 31, 2016.

The amount contributed to OMERS for the current year was \$125,474 (2015 - \$126,844) for current service.

10. Tangible capital assets

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

(a) Work in progress

Work in progress with a value of \$271,037 (2015 - \$976,288) has not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$NIL (2015 - \$NIL).

(c) Tangible capital assets disclosed at nominal values

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

(d) Works of art and historical treasures

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

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

11. Accumulated surplus

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

	2016	2015
	\$	\$
		Restated (Note 20)
Investment in tangible capital assets:		
Invested in tangible capital assets	63,955,824	65,163,792
Tangible capital assets financed by long-term liabilities and to be funded in future years	(2,535,046)	(2,631,574)
Total investment in tangible capital assets	61,420,778	62,532,218
Surplus:		
General area taxation	246,678	120,252
Teeswater-Culross Cemetery Board	117,464	120,146
Formosa Community Centre	19,487	17,955
Bruce Area Solid Waste Recycling	-	666
Total surplus	383,629	259,019
Reserves set aside for specific purposes by Council		
Current purposes	209,966	209,966
Capital purposes	4,403,223	4,131,947
Total reserves	4,613,189	4,341,913
Total accumulated surplus	66,417,596	67,133,150

12. Budget amounts

The operating budget approved by Council for 2016 is reflected on the consolidated statements of operations and change in net financial assets. The budgets established for capital investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with the current year's actual expenditure amounts.

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

13. Government partnerships

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

	Bruce Area Solid Waste Recycling 2016
	\$
Financial assets	2,524,184
Liabilities	125,953
Net financial assets	2,398,231
Non-financial assets	1,746,705
Accumulated surplus	4,144,936
General surplus	-
Invested in tangible capital assets	1,743,553
Reserves and reserve funds	2,401,383
	4,144,936
Revenues	2,960,015
Expenses	2,801,970
Annual surplus	158,045

14. Net property taxation

Net property taxation consists of:

	2016	2015
	\$	\$
Taxation revenue	7,271,609	6,832,449
Amount levied and remitted to School Boards	(1,269,165)	(1,244,131)
Amount levied and remitted to the County of Bruce	(2,037,906)	(1,950,402)
Net property taxation	3,964,538	3,637,916

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

15. Commitments

- (a) Contractual capital commitments of approximately \$114,350 (2015 - \$553,936) are not reflected in the consolidated financial statements. This amount, for which funding is in place, represents incomplete contracts as at December 31, 2016.
- (b) On December 1, 2016, the municipality entered into an operating agreement with Veolia Water Canada Inc. for the operation and maintenance of the municipality's water and wastewater facilities. The term of the agreement ends January 31, 2020. The first year annual fee for the contract is \$637,000 plus HST. Each subsequent year the fee will be negotiated between the parties, if no agreement is reached the prior year fee plus the yearly change in the Consumer Price Index will apply.
- (c) The municipality entered into an agreement for curbside garbage collection. The annual fee for 2017 is \$39,520, increasing 4% in 2018 to \$41,100. The term of the agreement ends in 2018.

16. Contingencies

- (a) In the ordinary course of business, various claims and lawsuits are brought against the municipality. It is the opinion of management that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued. No provision has been made for pending expropriations of land beyond the payments already made to affected property owners. Any payment made by the municipality pursuant to claims, lawsuits or expropriations will be charged in the year of settlement.
- (b) Appeals of the current value assessment of properties in the municipality may be in process. The impact on taxation revenue as a result of settlement of these appeals is not determinable at this time. The effect on taxation of the settlement of these appeals will be recorded in the fiscal year in which they can be determined.
- (c) The municipality is contingently liable to the Province of Ontario for long-term liabilities outstanding for tile drainage loans in the amount of \$190,982 (2015 - \$191,660).
- (d) Applications for property tax rebates for vacant commercial and industrial buildings may be in process. The impact on taxation revenue as a result of these rebates is not determinable at this time. The effect on taxation of these rebates will be recorded in the fiscal year in which they can be determined.

17. Trust funds

The trust funds administered by the municipality amounting to \$86,706 (2015 - \$93,959) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations. The trust funds are comprised of the following:

	2016	2015
	\$	\$
Ontario Home Renewal Program	19,348	32,821
Cemetery Perpetual Care and Maintenance	67,358	61,138

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

18. Segmented information

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

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

General government

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

Protection services

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

Transportation services

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

Environmental services

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

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

Health services

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

Recreation and cultural services

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

CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

18. Segmented information (continued)

Planning and development

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

19. Future accounting pronouncements

The PSAB issued Section PS 3450, "Financial Instruments", which establishes recognition, measurement, presentation and disclosure standards relating to financial instruments such as receivables, payables, and equity instruments. The section is effective for governments for fiscal years beginning on or after April 1, 2019; the municipality is required to adopt this section for its fiscal year beginning January 1, 2020. Earlier adoption is allowed. At this time, we are unable to determine if this accounting pronouncement would have a material impact.

The PSAB issued Section PS 3041, "Portfolio Investments", which replaces Section PS 3040. The new section establishes recognition, measurement, presentation and disclosure standards relating to investments in organization that do not form part of the government reporting entity. This section must be implemented upon the adoption of Section PS 3450. At this time, we are unable to determine if this accounting pronouncement would have a material impact.

The PSAB issued Section PS 1201, "Financial Statement Preparation", which replaces Section 1200. The new section establishes reporting principles and standards for the disclosure of information in government financial statements. This section establishes the requirement of the municipality's financial statements to include a statement of financial position, statement of operations, statement of remeasurement gains and losses, a statement of change in net debt and a statement of cash flow. This section must be implemented upon the adoption of Section PS 3450. This pronouncement is not expected to have a material impact.

20. Restatement of prior period

During the year, it was noted that an amount included in work in progress in 2015 for a shared project between municipalities did not satisfy the definition of a municipal asset owned by the municipality. The prior year has been restated to adjust work in progress to actual. As a result, tangible capital assets were reduced by \$469,048 and capital revenue from other municipalities was reduced by \$469,048.

**CORPORATION OF THE
MUNICIPALITY OF SOUTH BRUCE**

**SCHEDULE 1
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Land	Land		Buildings	Vehicles, Machinery and Equipment		Information Technology Assets	Roads	Water & Sewers	Furniture and Fixtures	Work in Progress	Total
		Improvements	\$		\$	\$						
Cost												
Balance, beginning of year	1,397,359	3,490,322	20,387,751	8,066,190	301,010	47,211,971	20,051,761	152,653	976,288	102,035,305		
Additions	-	43,705	16,632	369,539	18,630	461,588	54,860	-	697,661	1,662,615		
Disposals	-	-	-	(176,140)	(6,089)	(519,927)	-	-	-	(702,156)		
Transfers	-	-	138,585	28,812	-	1,235,515	-	-	(1,402,912)	-		
Balance, end of year	1,397,359	3,534,027	20,542,968	8,288,401	313,551	48,389,147	20,106,621	152,653	271,037	102,995,764		
Accumulated amortization												
Balance, beginning of year	64,307	955,563	7,501,346	3,499,014	190,818	21,943,727	2,657,503	59,235	-	36,871,513		
Amortization	897	98,732	464,755	424,531	25,954	1,309,787	268,220	7,537	-	2,600,413		
Disposals	-	-	-	(174,740)	(3,927)	(253,319)	-	-	-	(431,986)		
Balance, end of year	65,204	1,054,295	7,966,101	3,748,805	212,845	23,000,195	2,925,723	66,772	-	39,039,940		
Net book value, end of year	1,332,155	2,479,732	12,576,867	4,539,596	100,706	25,388,952	17,180,898	85,881	271,037	63,955,824		

The accompanying notes are an integral part of these financial statements

**CORPORATION OF THE
MUNICIPALITY OF SOUTH BRUCE**

**SCHEDULE 2
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Cost	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles, Information Technology Assets	Roads	Water & Sewers	Furniture and Fixtures	Work in Progress	Total
Balance, beginning of year	1,397,359	3,351,828	20,287,857	7,565,834	291,878	47,177,297	20,027,252	146,404	474,408	100,720,117
Additions	-	466,630	86,913	570,177	9,132	235,153	20,369	6,249	713,499	2,108,122
Disposals	-	(328,136)	-	(262,645)	-	(200,479)	(1,674)	-	-	(792,934)
Transfers	-	-	12,981	192,824	-	-	5,814	-	(211,619)	-
All assets, end of year	1,397,359	3,490,322	20,387,751	8,066,190	301,010	47,211,971	20,051,761	152,653	976,288	102,035,305
Accumulated amortization										
Balance, beginning of year	63,410	1,121,656	7,040,096	3,338,963	162,903	20,881,981	2,390,327	52,471	-	35,051,807
Amortization	897	98,280	461,250	409,861	27,915	1,262,225	267,877	6,764	-	2,535,069
Disposals	-	(264,373)	-	(249,810)	-	(200,479)	(701)	-	-	(715,363)
Balance, end of year	64,307	955,563	7,501,346	3,499,014	190,818	21,943,727	2,657,503	59,235	-	36,871,513
Net book value, end of year	1,333,052	2,534,759	12,886,405	4,567,176	110,192	25,268,244	17,394,258	93,418	976,288	65,163,792

The accompanying notes are an integral part of these financial statements

**CORPORATION OF THE
MUNICIPALITY OF SOUTH BRUCE**

**SCHEDULE 3
CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENSES
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Net property taxation	3,964,538	-	-	-	-	-	-	3,964,538
Taxation from other governments	25,813	-	-	-	-	-	-	25,813
User charges and fees	38,979	216,329	933,095	2,006,835	62,803	450,151	4,522	3,712,714
Government transfers	1,186,300	237	39,059	60,537	-	1,576	-	1,287,709
Donations and sale of goods	42,423	14,288	19,161	-	5,116	28,878	5,661	115,527
Investment income	95,815	-	-	-	-	-	-	95,815
Penalties and interest on property taxation	87,606	-	-	132,883	-	-	-	220,489
	5,441,474	230,854	991,315	2,200,255	67,919	480,605	10,183	9,422,605
Expenses								
Salaries, wages and benefits	381,243	502,004	1,400,501	374,476	21,662	489,250	68,633	3,237,769
Interest on long-term liabilities	-	-	86,736	148,987	-	-	-	235,723
Materials and supplies	144,524	182,025	765,495	485,510	55,142	412,127	12,750	2,057,573
Contracted services	54,711	825,921	336,072	965,343	3,221	20,037	7,057	2,212,362
Rents, financial expenses and external transfers	4,964	76,527	540	1,140	13,475	1,093	2,800	100,539
Amortization expense	26,163	70,255	1,556,238	773,212	18,690	149,722	6,133	2,600,413
	611,605	1,656,732	4,145,582	2,748,668	112,190	1,072,229	97,373	10,444,379
Net revenues (expenses)	4,829,869	(1,425,878)	(3,154,267)	(548,413)	(44,271)	(591,624)	(87,190)	(1,021,774)

The accompanying notes are an integral part of
these financial statements

**CORPORATION OF THE
MUNICIPALITY OF SOUTH BRUCE**

**SCHEDULE 3
CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENSES
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Other								
Grants and transfers related to capital	-	-	398,850	19,636	-	281	-	418,767
Government transfers	-	37,921	28,636	-	300	75,829	1,043	143,129
Donations	(2,162)	2,839	(256,479)	126	-	-	-	(255,676)
Gain (loss) on disposal of tangible capital assets	(2,162)	40,160	171,007	19,762	300	76,110	1,043	306,220
Annual surplus (deficit)	4,827,707	(1,385,718)	(2,983,260)	(528,651)	(43,971)	(515,514)	(86,147)	(715,554)

The accompanying notes are an integral part of these financial statements

**CORPORATION OF THE
MUNICIPALITY OF SOUTH BRUCE**

**SCHEDULE 4
CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENSES
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Net property taxation	3,637,916	-	-	-	-	-	-	3,637,916
Taxation from other governments	25,647	-	-	-	-	-	-	25,647
User charges and fees	36,733	186,241	590,739	1,849,431	76,836	458,370	4,203	3,202,553
Government transfers	1,436,200	2,757	27,527	32,435	-	5,190	17,000	1,521,109
Donations and sale of goods	24,052	20,287	16,584	-	5,705	41,059	3,100	110,787
Investment income	78,465	-	-	-	-	-	-	78,465
Penalties and interest on property taxation	96,009	-	-	137,570	-	-	-	233,579
Other	-	66,015	-	-	-	-	-	66,015
	5,335,022	275,300	634,850	2,019,436	82,541	504,619	24,303	8,876,071
Expenses								
Salaries, wages and benefits	392,905	503,801	854,587	316,718	18,676	446,342	40,187	2,573,216
Interest on long-term liabilities	-	-	90,035	165,329	-	-	-	255,364
Materials and supplies	149,606	234,799	683,281	519,920	29,557	431,863	16,681	2,065,707
Contracted services	57,427	829,200	349,024	902,744	7,932	10,341	2,334	2,159,002
Rents, financial expenses and external transfers	1,953	78,177	302,010	47,586	35,940	29,480	11,879	597,025
Amortization expense	-	95,888	1,505,731	756,238	18,704	152,914	5,594	2,535,069
	601,891	1,741,865	3,784,668	2,708,535	110,809	1,070,940	76,675	10,095,383
Net revenues (expenses)	4,733,131	(1,466,565)	(3,149,818)	(689,099)	(28,268)	(566,321)	(52,372)	(1,219,312)

The accompanying notes are an integral part of
these financial statements

**CORPORATION OF THE
MUNICIPALITY OF SOUTH BRUCE**

SCHEDULE 4
CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENSES
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2015

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Other								
Grants and transfers related to capital								
Government transfers	15,000	-	229,731	-	-	3,244	-	247,975
Donations	-	150	7,378	-	-	28,893	11,746	48,167
Capital contribution	-	-	-	12,291	-	-	-	12,291
Other municipalities	-	-	524,849	-	-	-	-	524,849
Other grants	-	-	42,698	-	-	7,000	-	49,698
Gain (loss) on disposal of tangible capital assets	-	-	(20,307)	(38)	-	500	-	(19,845)
	15,000	150	784,349	12,253	-	39,637	11,746	863,135
Annual surplus (deficit)	4,748,131	(1,466,415)	(2,365,469)	(676,846)	(28,268)	(526,684)	(40,626)	(356,177)

The accompanying notes are an integral part of these financial statements