

**CORPORATION OF THE  
MUNICIPALITY OF SOUTH BRUCE  
CONSOLIDATED FINANCIAL REPORT  
DECEMBER 31, 2017**

# CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

DECEMBER 31, 2017

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# **CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE**

## **MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL REPORT**

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

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

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

The consolidated financial statements have been audited by 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.

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**CAO/Clerk**  
July 10, 2018

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**Treasurer**  
July 10, 2018

**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 Consolidated 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, 2017, 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 Consolidated Financial Statements**

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

**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, 2017, 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  
July 10, 2018

# CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	2017	2016
	\$	\$
<b>Financial assets</b>		
Cash (Note 2)	4,388,603	3,511,849
Portfolio investments (Note 3)	679,263	675,131
Taxes receivable	550,968	668,677
Accounts receivable	1,272,928	1,153,170
Long-term receivables (Note 4)	3,496,771	4,148,563
Long-term investments (Note 5)	962,610	962,610
	<b>11,351,143</b>	11,120,000
<b>Liabilities</b>		
Accounts payable and accruals	1,052,376	1,260,759
Deferred revenue - obligatory reserve funds (Note 6)	534,573	340,571
Deferred revenue - other (Note 6)	703,925	540,937
Landfill closure and post-closure liability (Note 7)	319,581	313,796
Long-term liabilities (Note 8)	5,657,448	6,417,817
	<b>8,267,903</b>	8,873,880
Net financial assets	<b>3,083,240</b>	2,246,120
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1, 2 and Note 10)	64,136,515	63,955,824
Prepaid expenses	324,310	215,652
	<b>64,460,825</b>	64,171,476
<b>Accumulated surplus (Note 11)</b>	<b>67,544,065</b>	66,417,596

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 2017	Actual 2017	Actual 2016
	\$ (Note 12)	\$	\$
<b>Revenues</b>			
Net property taxation (Note 14)	4,315,164	<b>4,345,129</b>	3,964,538
Taxation from other governments	24,345	<b>25,570</b>	25,813
User charges and fees	3,469,396	<b>4,039,740</b>	3,712,714
Government transfers	1,115,200	<b>1,114,664</b>	1,287,709
Donations and sale of goods	440,301	<b>267,755</b>	115,527
Investment income (Note 3 and 5)	73,400	<b>99,976</b>	95,815
Penalties and interest on property taxation (Note 4)	89,000	<b>211,507</b>	220,489
	9,526,806	<b>10,104,341</b>	9,422,605
<b>Expenses</b>			
General government	637,366	<b>650,119</b>	611,605
Protection services	1,584,158	<b>1,607,627</b>	1,656,732
Transportation services	2,366,686	<b>4,207,900</b>	4,158,432
Environmental services	1,814,392	<b>2,663,597</b>	2,724,991
Health services	82,970	<b>133,567</b>	123,017
Recreation and cultural services	921,430	<b>1,115,334</b>	1,072,229
Planning and development	101,000	<b>120,808</b>	97,373
	7,508,002	<b>10,498,952</b>	10,444,379
<b>Net revenues (expenses)</b>	2,018,804	<b>(394,611)</b>	(1,021,774)
<b>Other</b>			
Grants and transfers related to capital			
Government transfers	690,583	<b>710,713</b>	418,767
Capital cost recoveries	14,825	-	-
Donations	990,249	<b>708,111</b>	143,129
Capital contribution	93,300	<b>46,396</b>	-
Other municipalities	353,650	-	-
Gain (loss) on disposal of tangible capital assets	-	<b>55,860</b>	(255,676)
	2,142,607	<b>1,521,080</b>	306,220
<b>Annual surplus (deficit)</b>	4,161,411	<b>1,126,469</b>	(715,554)
Accumulated surplus, beginning of year		<b>66,417,596</b>	67,133,150
<b>Accumulated surplus, end of year (Note 11)</b>		<b>67,544,065</b>	66,417,596

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 2017	Actual 2017	Actual 2016
	\$ (Note 12)	\$	\$
<b>Annual surplus (deficit)</b>	4,161,411	<b>1,126,469</b>	(715,554)
Acquisition of tangible capital assets	(2,904,800)	<b>(3,051,651)</b>	(1,662,615)
Amortization of tangible capital assets	-	<b>2,619,188</b>	2,600,413
Loss (gain) on disposal of tangible capital assets	-	<b>(55,860)</b>	255,676
Proceeds on disposal of tangible capital assets	-	<b>307,632</b>	14,494
Acquisition of prepaid expenses	-	<b>(108,658)</b>	-
Use of prepaid expense	-	-	14,787
Change in net financial assets	1,256,611	<b>837,120</b>	507,201
Net financial assets, beginning of year		<b>2,246,120</b>	1,738,919
<b>Net financial assets, end of year</b>		<b>3,083,240</b>	2,246,120

The accompanying notes are an integral part of  
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# CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

	2017	2016
	\$	\$
<b>Cash flows from (for):</b>		
<b>Operating activities</b>		
Annual surplus (deficit)	1,126,469	(715,554)
Non-cash items:		
Amortization of tangible capital assets	2,619,188	2,600,413
Loss (gain) on disposal of tangible capital assets	(55,860)	255,676
Landfill closure and post-closure liability	5,785	11,497
	<b>3,695,582</b>	<b>2,152,032</b>
Changes in:		
Portfolio investments	(4,132)	400,228
Taxes receivable	117,709	13,580
Accounts receivable	(119,758)	(137,288)
Prepaid expenses	(108,658)	14,787
Accounts payable and accruals	(208,384)	(321,003)
<b>Net change in cash from operations</b>	<b>3,372,359</b>	<b>2,122,336</b>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(3,051,651)	(1,662,615)
Proceeds on disposal of tangible capital assets	307,632	14,494
<b>Net change in cash from capital</b>	<b>(2,744,019)</b>	<b>(1,648,121)</b>
<b>Financing activities</b>		
Long-term liabilities repaid	(760,369)	(740,150)
Deferred revenue - obligatory reserve funds and other	356,990	(73,058)
Long-term receivables	651,793	679,272
<b>Net change in cash from financing</b>	<b>248,414</b>	<b>(133,936)</b>
<b>Net change in cash position</b>	<b>876,754</b>	<b>340,279</b>
Cash position, beginning of year	3,511,849	3,171,570
<b>Cash position, end of year</b>	<b>4,388,603</b>	<b>3,511,849</b>

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, 2017

### 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	3.37%
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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, 2017

### 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, 2017

### 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, 2017

### 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:

	2017	2016
	\$	\$
Unrestricted	<b>3,150,105</b>	2,630,341
Restricted (Note 6)	<b>1,238,498</b>	881,508
	<b>4,388,603</b>	3,511,849

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, 2017

### 3. Portfolio investments

The municipality has unrestricted investments in The One Investment Program of \$679,263 (2016 - \$675,131). During the year, portfolio investments earned income of \$4,132 (2016 - \$3,529).

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 \$679,263 (2016 - \$675,131).

	2017	2016
	\$	\$
Carrying value	<b>679,263</b>	675,131
Market value	<b>658,134</b>	654,213

### 4. Long-term receivables

Long-term receivables consist of the following:

	2017	2016
	\$	\$
Sewer loan receivable, industry contributions, 0% interest annual repayments, due 2020 and 2023	<b>712,500</b>	862,000
Sewer loan receivable, 2.1% interest rate, quarterly repayments, due 2018	<b>305,704</b>	605,565
Sewer loan receivable, 3.6% interest rate, quarterly repayments, due 2028	<b>1,742,311</b>	1,888,600
Sewer loan receivable, 4.1% interest rate, quarterly repayments, due 2038	<b>701,556</b>	722,248
Septage loan receivable, 0% interest rate, annual repayment, due 2018	<b>34,700</b>	70,150
	<b>3,496,771</b>	4,148,563

Interest earned on the notes receivable during the year was \$110,245 (2016 - \$132,883). This amount has been included in penalties and interest on property taxation on the consolidated statement of operations.

# CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2017

### 5. Long-term investments

	2017	2016
	\$	\$
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
	<b>962,610</b>	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 \$12,051 (2016 - \$12,084). 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 \$22,008 (2016 - \$29,344) 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, 2017

### 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:

	2017	2016
	\$	\$
<b>Obligatory reserve funds</b>		
Community Well Being	524,273	332,571
Parkland Levies	10,300	8,000
	<b>534,573</b>	340,571
<b>Other</b>		
Government grant funding	588,757	468,047
Planning deposits	63,413	38,673
Other	51,755	34,217
	<b>703,925</b>	540,937
	<b>1,238,498</b>	881,508

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

	2017	2016
	\$	\$
Balance, beginning of year	340,571	343,759
Interest earned	2,998	1,774
Restricted funds received	378,204	8,000
Revenue recognized	(187,200)	(12,962)
Balance, end of year	<b>534,573</b>	340,571

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

	2017	2016
	\$	\$
Balance, beginning of year	540,937	610,807
Restricted funds received	251,430	82,250
Revenue recognized	(88,442)	(152,120)
Balance, end of year	<b>703,925</b>	540,937

# CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2017

### 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 (2016 -\$549,000).

#### **Carrick Mildmay landfill site**

As at December 31, 2017, the municipality has recognized in the financial statements a funded liability of \$187,239 (2016 - \$182,744). This liability represents 75% 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 \$63,801 will be accrued as the remaining capacity of 34,920 cubic meters is utilized, which is expected to be over the next 18 years.

#### **Teeswater Culcross landfill site**

As at December 31, 2017, the municipality has recognized in the financial statements a funded liability of \$132,342 (2016 - \$131,052). 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 \$115,766 will be accrued as the remaining capacity of 38,900 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, 2017

### 8. Long-term liabilities

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

	2017	2016
	\$	\$
Ontario Infrastructure loan payable, 2.1% interest, payable \$118,782 quarterly principal and interest, due February, 2019.	<b>584,668</b>	1,041,506
Ontario Infrastructure loan payable, 3.11% interest, payable \$19,262 quarterly principal and interest, due February, 2024.	<b>436,108</b>	498,378
Ontario Infrastructure loan payable, 3.6% interest, payable \$49,886 quarterly principal and interest, due February, 2029.	<b>1,839,195</b>	1,969,580
Ontario Infrastructure loan payable, 3.9% interest, payable \$43,345 quarterly principal and interest, due February, 2033.	<b>2,079,523</b>	2,169,594
Ontario Infrastructure loan payable, 4.1% interest, payable \$12,694 quarterly principal and interest, due February, 2039.	<b>717,954</b>	738,759
	<b>5,657,448</b>	6,417,817

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

	Principal \$	Interest \$
2018	781,186	194,688
2019	444,400	175,128
2020	338,227	162,520
2021	350,658	150,089
2022	363,550	137,197
Thereafter	3,379,427	684,516

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 \$247,763 (2016 - \$235,723).

# CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2017

### 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, 2017.

The amount contributed to OMERS for the current year was \$126,557 (2016 - \$125,474) 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 \$1,396,851 (2016 - \$271,037) has not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$NIL (2016 - \$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, 2017

### 11. Accumulated surplus

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

	2017	2016
	\$	\$
Investment in tangible capital assets:		
Invested in tangible capital assets	64,136,515	63,955,824
Tangible capital assets financed by long-term liabilities and to be funded in future years	(2,391,019)	(2,535,046)
<b>Total investment in tangible capital assets</b>	<b>61,745,496</b>	<b>61,420,778</b>
Surplus:		
General area taxation	514,669	246,678
Teeswater-Culross Cemetery Board	120,557	117,464
Formosa Community Centre	20,643	19,487
<b>Total surplus</b>	<b>655,869</b>	<b>383,629</b>
Reserves set aside for specific purposes by Council		
Current purposes	209,966	209,966
Capital purposes	4,932,734	4,403,223
<b>Total reserves</b>	<b>5,142,700</b>	<b>4,613,189</b>
<b>Total accumulated surplus</b>	<b>67,544,065</b>	<b>66,417,596</b>

### 12. Budget amounts

The operating budget approved by Council for 2017 is reflected on the consolidated statements of operations and change in net financial assets. The budgets established for capital investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with the current year's actual expenditure amounts. The budgeted figures as presented for comparison purposes and are unaudited.

# CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2017

### 13. Government partnerships

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

	Bruce Area Solid Waste Recycling 2017	
	\$	
Financial assets	2,893,033	
Liabilities	169,417	
Net financial assets	2,723,616	
Non-financial assets	1,585,072	
Accumulated surplus	4,308,688	
General surplus	-	
Invested in tangible capital assets	1,581,868	
Reserves and reserve funds	2,726,820	
	4,308,688	
Revenues	3,047,316	
Expenses	2,883,564	
Annual surplus	163,752	

### 14. Net property taxation

Net property taxation consists of:

	2017	2016
	\$	\$
Taxation revenue	<b>7,825,813</b>	7,271,609
Amount levied and remitted to School Boards	<b>(1,267,635)</b>	(1,269,165)
Amount levied and remitted to the County of Bruce	<b>(2,213,049)</b>	(2,037,906)
	<b>4,345,129</b>	3,964,538

# CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2017

### 15. Commitments

- (a) Contractual capital commitments of approximately \$834,265 (2016 - \$114,350) are not reflected in the consolidated financial statements. This amount, for which funding is in place, represents incomplete contracts as at December 31, 2017.
- (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 part of the municipality's curbside garbage collection. The annual fee for 2018 is \$41,823. The term of the agreement ends in 2018.
- (d) The municipality entered into an agreement for gravel, with a fee of \$159,957 for the 2018 year.
- (e) The municipality entered into an operating agreement for a risk management officer in 2015. This agreement can be terminated with 180 days notice, with payment due each January for the year. The fee is \$12,716 for the 2018 year. The term of the agreement ends in 2020.

### 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 \$190,368 (2016 - \$190,982).
- (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 \$89,766 (2016 - \$86,706) 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:

	2017	2016
	\$	\$
Ontario Home Renewal Program	19,348	19,348
Cemetery Perpetual Care and Maintenance	70,418	67,358

# CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2017

### **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, 2017

### 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.

The PSAB issued Section 3280, "Asset Retirement Obligations", which replaces PS 3270. The new section proposes to enhance comparability of financial statements among public sector entities by establishing uniform criteria for recognition and measurement of assets retirement obligations, including obligations that may not have been previously reported. The section is effective for governments for fiscal years beginning on or after April 1, 2021; the Municipality is required to adopt this section for its fiscal year beginning January 1, 2022. Earlier adoption is allowed. At this time, we are unable to determine if this accounting pronouncement would have a material impact.

# CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

## SCHEDULE 1 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

	Land	Land Improvements	Buildings	Vehicles, Machinery and Equipment	Information Technology Assets	Roads	Water & Sewers	Furniture and Fixtures	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>										
Balance, beginning 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	<b>102,995,764</b>
Additions	-	9,475	172,763	439,390	162,510	865,659	213,982	-	1,187,872	<b>3,051,651</b>
Disposals	(165,062)	-	-	(261,219)	(3,300)	(369,758)	(23,998)	-	-	<b>(823,337)</b>
Transfers	1,294	396	-	29,322	-	15,782	15,264	-	(62,058)	<b>-</b>
Balance, end of year	1,233,591	3,543,898	20,715,731	8,495,894	472,761	48,900,830	20,311,869	152,653	1,396,851	<b>105,224,078</b>
<b>Accumulated amortization</b>										
Balance, beginning of year	65,204	1,054,295	7,966,101	3,748,805	212,845	23,000,195	2,925,723	66,772	-	<b>39,039,940</b>
Amortization	897	99,472	464,260	460,352	33,218	1,284,100	269,352	7,537	-	<b>2,619,188</b>
Disposals	-	-	-	(251,415)	(3,300)	(311,170)	(5,680)	-	-	<b>(571,565)</b>
Balance, end of year	66,101	1,153,767	8,430,361	3,957,742	242,763	23,973,125	3,189,395	74,309	-	<b>41,087,563</b>
Net book value, end of year	1,167,490	2,390,131	12,285,370	4,538,152	229,998	24,927,705	17,122,474	78,344	1,396,851	<b>64,136,515</b>

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, 2016

	Land	Land Improvements	Buildings	Vehicles, Machinery and Equipment	Information Technology Assets	Roads	Water & Sewers	Furniture and Fixtures	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>										
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)	-
<b>All assets, end of year</b>	<b>1,397,359</b>	<b>3,534,027</b>	<b>20,542,968</b>	<b>8,288,401</b>	<b>313,551</b>	<b>48,389,147</b>	<b>20,106,621</b>	<b>152,653</b>	<b>271,037</b>	<b>102,995,764</b>
<b>Accumulated amortization</b>										
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)
<b>Balance, end of year</b>	<b>65,204</b>	<b>1,054,295</b>	<b>7,966,101</b>	<b>3,748,805</b>	<b>212,845</b>	<b>23,000,195</b>	<b>2,925,723</b>	<b>66,772</b>	<b>-</b>	<b>39,039,940</b>
<b>Net book value, end of year</b>	<b>1,332,155</b>	<b>2,479,732</b>	<b>12,576,867</b>	<b>4,539,596</b>	<b>100,706</b>	<b>25,388,952</b>	<b>17,180,898</b>	<b>85,881</b>	<b>271,037</b>	<b>63,955,824</b>

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, 2017

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>								
Net property taxation	4,345,129	-	-	-	-	-	-	4,345,129
Taxation from other governments	25,570	-	-	-	-	-	-	25,570
User charges and fees	40,659	260,726	1,046,194	2,136,642	64,849	482,524	8,146	4,039,740
Government transfers	1,022,600	-	31,947	52,213	-	7,904	-	1,114,664
Donations and sale of goods	169,558	21,319	17,012	-	4,973	43,464	11,429	267,755
Investment income	99,976	-	-	-	-	-	-	99,976
Penalties and interest on property taxation	101,262	-	-	110,245	-	-	-	211,507
	5,804,754	282,045	1,095,153	2,299,100	69,822	533,892	19,575	10,104,341
<b>Expenses</b>								
Salaries, wages and benefits	420,311	446,855	731,500	263,081	29,453	466,736	43,231	2,401,167
Interest on long-term liabilities	-	-	96,261	151,502	-	-	-	247,763
Materials and supplies	149,010	145,583	1,547,495	462,698	50,938	439,476	44,431	2,839,631
Contracted services	49,740	852,711	262,887	946,850	6,436	16,349	6,766	2,141,739
Rents, financial expenses and external transfers	5,664	83,851	-	64,914	28,583	46,205	20,247	249,464
Amortization expense	25,394	78,627	1,569,757	774,552	18,157	146,568	6,133	2,619,188
	650,119	1,607,627	4,207,900	2,663,597	133,567	1,115,334	120,808	10,498,952
<b>Net revenues (expenses)</b>	5,154,635	(1,325,582)	(3,112,747)	(364,497)	(63,745)	(581,442)	(101,233)	(394,611)

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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, 2017

	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	-	-	397,880	75,000	-	237,833	-	710,713
Donations	-	2,100	-	-	-	695,829	10,182	708,111
Capital contribution	-	-	-	46,396	-	-	-	46,396
Gain (loss) on disposal of tangible capital assets	-	-	(49,810)	(18,312)	-	1,082	122,900	55,860
	-	2,100	348,070	103,084	-	934,744	133,082	1,521,080
Annual surplus (deficit)	5,154,635	(1,323,482)	(2,764,677)	(261,413)	(63,745)	353,302	31,849	1,126,469

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# CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

## SCHEDULE 4 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
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>								
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
<b>Expenses</b>								
Salaries, wages and benefits	381,243	502,004	1,400,501	282,430	27,448	489,250	68,633	3,151,509
Interest on long-term liabilities	-	-	86,736	148,987	-	-	-	235,723
Materials and supplies	144,524	182,025	766,069	484,162	58,313	412,127	12,750	2,059,970
Contracted services	54,711	825,921	336,072	963,657	3,221	20,037	7,057	2,210,676
Rents, financial expenses and external transfers	4,964	76,527	540	84,819	15,345	1,093	2,800	186,088
Amortization expense	26,163	70,255	1,568,514	760,936	18,690	149,722	6,133	2,600,413
	611,605	1,656,732	4,158,432	2,724,991	123,017	1,072,229	97,373	10,444,379
<b>Net revenues (expenses)</b>	<b>4,829,869</b>	<b>(1,425,878)</b>	<b>(3,167,117)</b>	<b>(524,736)</b>	<b>(55,098)</b>	<b>(591,624)</b>	<b>(87,190)</b>	<b>(1,021,774)</b>

The accompanying notes are an integral part of  
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# CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE

## SCHEDULE 4 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								
Government transfers	-	-	398,850	19,636	-	281	-	418,767
Donations	-	37,321	28,636	-	300	75,829	1,043	143,129
Gain (loss) on disposal of tangible capital assets	(2,162)	2,839	(256,479)	126	-	-	-	(255,676)
	(2,162)	40,160	171,007	19,762	300	76,110	1,043	306,220
Annual surplus (deficit)	4,827,707	(1,385,718)	(2,996,110)	(504,974)	(54,798)	(515,514)	(86,147)	(715,554)

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these financial statements