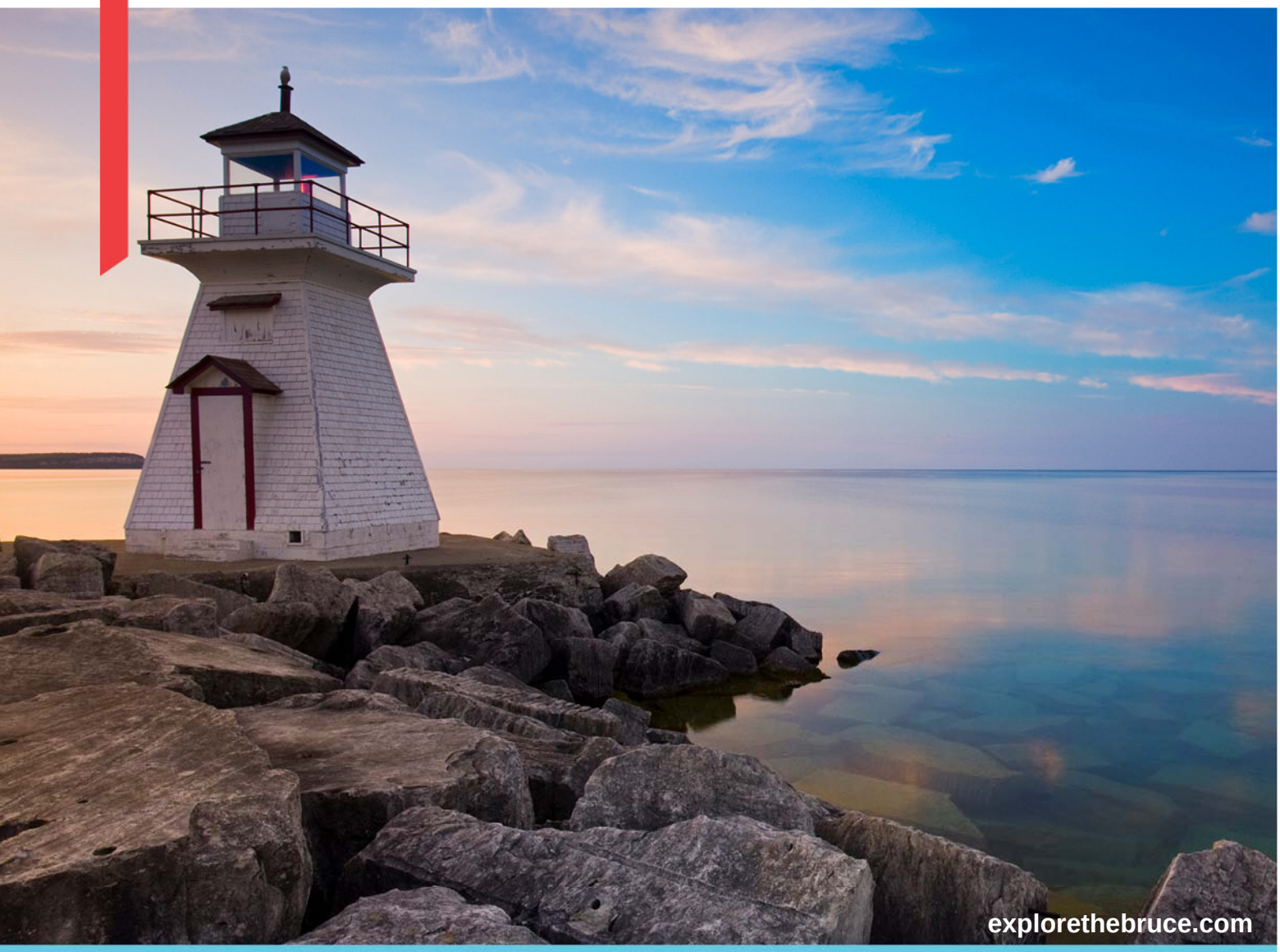

County of Bruce

Report to Members of the Corporate Services Committee

May 5, 2016

BDO

Tel: 519 376 6110
Fax: 519 376 4741
www.bdo.ca

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

May 5, 2016

Members of the Corporate Services Committee
County of Bruce
30 Park Street
Walkerton, Ontario
N0G 2V0

Dear Sir/Madam:

We are pleased to present the results of our audit of the consolidated financial statements of the County of Bruce for the year ended December 31, 2015. The purpose of our report is to summarize certain aspects of the audit that we believe to be of interest to Council and should be read in conjunction with the consolidated financial statements and our audit report which is included as Appendix A.

Our audit, and therefore this report, will not necessarily identify all matters that may be of interest to the Council in fulfilling its responsibilities.

This report has been prepared solely for the use of the Council and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We wish to express our appreciation for the co-operation we received during the audit from the County's management and staff who have assisted us in carrying out our work. We look forward to meeting with you to discuss the contents of this report and any other matters that you consider appropriate.

Yours truly,

Traci Smith, CPA, CGA, LPA
Partner
BDO & Company LLP*

*BDO & Company LLP provides accounting, assurance, tax and other professional advisory services to BDO Canada LLP, Chartered Professional Accountants, Licensed Public Accountants

TS:sb

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Approval of the Financial Statements	Consolidated financial statements were approved by the Director of Corporate Services, as a delegate of Those Charged with Governance, on April 20, 2016.
Purpose of the Audit	Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance as to whether the financial statements are free of material misstatement. The conclusion of our audit is set out in our auditor's report in Appendix A. A detailed description of our audit results has been included on page 5.
Audit Risks	Our overall audit strategy, including risks identified relating to the County of Bruce and our planned procedures to address those risks, were outlined in our planning letter dated November 17, 2015. There were no changes to our planned audit procedures, and there were no additional procedures added to our audit plan.
Independence	At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards require us to communicate to Council at least annually, all relationships between BDO Canada LLP and its related entities and the County and its related entities, that, in our professional judgment, may reasonably be thought to bear on our independence with respect to the audit of the County. Our annual letter confirming our independence is provided in Appendix B. We know of no circumstances that would cause us to amend our previous communication to you in our planning letter.
Materiality	Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements. For the audit of the County of Bruce for the year ended December 31, 2015, final materiality was $1,650,000, based on 2% of average total revenues.

AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the County's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. A summary of the key discussion points are as follows:

Significant financial statement disclosures

Significant financial statement disclosures include:

Accumulated Surplus

A breakdown of the County's accumulated surplus is included in Note 5. This includes the amount invested in capital assets, unfunded liabilities, reserves and reserve funds and also the general surplus (deficit) which is required to be carried forward to the next year's budget.

Contingencies/Litigation Proceedings

We have discussed with the County's management and they have indicated that there are claims outstanding against the County. We have also communicated with the County's legal counsel and insurance company. These claims are disclosed in Note 10.

Commitments

Significant commitments as part of the Provincial Local Services Realignment Program are disclosed in Note 14. In addition, the County's commitment to complete multiple capital projects are disclosed in Note 14.

Significant accounting policies, estimates and judgments

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

Significant accounting estimates include:

Post-employment benefits

The County provides post-employment health, dental, life insurance benefits and other benefits to eligible retired employees. The benefits earned by employees are determined using management's best estimate of expected benefit costs and are expensed as services are rendered. In order to help estimate the liability for post-employment benefits, the County engaged the services of an actuary.

WSIB future benefit and commitment

As the County is an employer included under Schedule 2 of the Workplace Safety and Insurance Act, it self-ensures the entire risk of its own WSIB claims and it's individually liable for reimbursing the WSIB for all costs relating to its workers WSIB claims. In order to help estimate the liability for WSIB future benefits, the County engaged the services of an actuary.

Taxation revenue estimate

In accordance with PS 3510, amounts have been estimated for taxable events that have occurred but have not yet been assessed. The estimate was based on trend analysis by year for supplemental taxation billings and write-offs for the last 3 years; examination of building permits issued in the last two years; and knowledge of potential reassessments.

Liability for Contaminated Sites

Effective January 1, 2015, the County adopted, on a prospective basis, the new accounting standard for PS 3260 Liability for Contaminated Sites. Management compiled a list of all properties owned by the County or where the County has accepted responsibility for the property and assessed whether each property was contaminated. Management is not aware of any contaminated sites.

ADJUSTED AND UNADJUSTED DIFFERENCES

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

At the end of the year there were no unadjusted differences to the consolidated financial statements.

MANAGEMENT REPRESENTATIONS

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

A copy of the management representation letter which summarizes the representations we have requested from management has been presented in Appendix C.

INTERNAL CONTROL MATTERS

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

- Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- Discussed and considered potential audit risks with management.
- Test the operating effectiveness of controls in the payroll, purchases, amortization and social services transaction streams.

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

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

During the course of our audit, we did not become aware of any significant weaknesses in the design or implementation of internal controls. Since an audit is not designed to detect all weaknesses in internal controls, there may be weaknesses which our procedures did not detect.

FRAUD DISCUSSION

Canadian generally accepted auditing standards require us to discuss fraud risk with the Members of Council on an annual basis. As an update to the letter sent to the Members of Council during the planning of our audit, we have prepared the following comments:

Required Discussion	BDO Response	Council Response
Knowledge of actual, suspected or alleged fraud.	Currently, we are not aware of any actual, suspected or alleged fraud.	If you aware of any instances of actual, suspected or alleged fraud affecting the County, please contact us directly.

AUDITORS' RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schedules designed to conceal it.

The scope of the work performed was substantially the same as that described in our Planning Letter to Council dated November 17, 2015.

BDO PUBLICATIONS

The County applies Public Sector Accounting Standards. We have included in Appendix D our PSAB Update publication which will provide you with details on recent changes to Public Sector Standards.

- Public Sector Accounting Standards (PSAS) Update 2015

APPENDIX A
Financial Report

The Corporation of the County of Bruce

Financial Information

For the year ended December 31, 2015

The Corporation of the County of Bruce
Financial Information
For the year ended December 31, 2015

Contents

The Corporation of the County of Bruce

Consolidated Financial Statements

For the year ended December 31, 2015

The Corporation of the County of Bruce
Consolidated Financial Statements
For the year ended December 31, 2015

Contents

The Corporation of the County of Bruce

Tel: 519 376 6110
Fax: 519 376 4741
www.bdo.ca

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

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the County of Bruce

We have audited the accompanying consolidated financial statements of the Corporation of the County of Bruce, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows 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 entity'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 entity'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 financial position of the Corporation of the County of Bruce as at December 31, 2015 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
April 20, 2016

The Corporation of the County of Bruce
Consolidated Statement of Financial Position

December 31	2015	2014
Financial assets		
Cash and temporary investments (Note 2)	**$ 25,933,451**	$ 24,412,735
Accounts receivable	**2,180,162**	2,221,094
Inventory held for resale	**21,741**	30,065
	28,135,354	26,663,894
Liabilities		
Accounts payable and accrued liabilities	**8,083,489**	8,514,993
WSIB future benefits (Note 12)	**1,936,947**	1,436,536
Post-employment benefits (Note 11)	**1,120,992**	1,134,427
Deferred revenue	**87,527**	63,777
Long-term liabilities (Note 3)	**26,735,021**	29,067,312
	37,963,976	40,217,045
Net debt	**(9,828,622)**	(13,553,151)
Non-financial assets		
Tangible capital assets (Note 4)	**161,979,264**	160,799,234
Other	**1,052,102**	1,211,276
	163,031,366	162,010,510
Accumulated surplus (Note 5)	**$ 153,202,744**	$ 148,457,359

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

The Corporation of the County of Bruce
Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	2015 Budget (Note 8)	**2015 Actual**	2014 Actual
Revenue			
Taxation	$ 41,376,993	**$41,353,315**	$ 39,673,534
Fees and user charges	10,026,675	**10,301,374**	9,948,844
Government transfers (Note 7)	32,648,889	**32,385,821**	31,299,901
Investment income	101,308	**305,867**	343,319
Gain (loss) on disposal of tangible capital assets	70,000	**(312,290)**	(203,066)
Donations and fundraising	82,150	**184,289**	735,027
Other income	768,292	**849,781**	254,384
	85,074,307	**85,068,157**	82,051,943
Expenses			
General government	6,215,472	**6,252,476**	5,804,797
Protection services	81,540	**84,478**	65,007
Transportation services	6,678,885	**11,062,800**	11,713,674
Environmental services	350,000	**350,615**	178,628
Land ambulance	9,441,275	**9,986,715**	9,671,123
Health Unit	1,390,221	**1,389,085**	1,289,094
Social and family services	38,332,362	**40,741,501**	40,291,471
Recreation and cultural services	5,010,074	**5,969,257**	5,806,899
Planning and development	3,289,975	**2,900,108**	2,810,719
Interest on long-term debt	1,621,402	**1,585,737**	1,709,252
	72,411,206	**80,322,772**	79,340,664
Annual surplus (Note 8)	12,663,101	**4,745,385**	2,711,279
Accumulated surplus, beginning of the year	148,457,359	**148,457,359**	145,746,080
Accumulated surplus, end of the year	$161,120,460	**$ 153,202,744**	$148,457,359

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

The Corporation of the County of Bruce
Consolidated Statement of Changes in Net Debt

For the year ended December 31	2015 Budget (Note 8)	**2015 Actual**	2014 Actual
Annual surplus (Page 5)	$ 12,663,101	**$ 4,745,385**	$ 2,711,279
Acquisition of tangible capital assets	(16,783,498)	**(11,265,935)**	(11,409,792)
Amortization of tangible capital assets	-	**9,673,522**	9,773,782
(Gain) loss on disposal of tangible capital assets	(70,000)	**312,290**	203,066
Proceeds on disposal of capital assets	-	**100,093**	253,067
Acquisition of a consolidated entity tangible capital assets	-	**-**	(1,685,242)
	(16,853,498)	**(1,180,030)**	(2,865,119)
Change in other assets	-	**159,174**	(755,969)
(Increase) decrease in net debt	(4,190,397)	**3,724,529**	(909,809)
Net debt, beginning of the year	(13,553,151)	**(13,553,151)**	(12,643,342)
Net debt, end of the year	$(17,743,548)	**$(9,828,622)**	$ (13,553,151)

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

The Corporation of the County of Bruce
Consolidated Statement of Cash Flows

For the year ended December 31	2015	2014
Cash provided by (used in)		
Operating activities		
Annual surplus (Page 5)	**$ 4,745,385**	$ 2,711,279
Items not involving cash		
WSIB future benefits	**500,411**	81,502
Post-employment benefits	**(13,435)**	(10,832)
Amortization	**9,673,522**	9,773,782
Donation of capital assets	**(2,891)**	(102,000)
Loss on disposal of capital assets	**312,290**	203,066
	15,215,282	12,656,797
Changes in non-cash working capital balances		
Accounts receivable	**40,932**	157,038
Inventory held for resale	**8,324**	14,966
Accounts payable and accrued liabilities	**(431,504)**	614,945
Deferred revenue	**23,750**	33,673
Other non-financial assets	**159,174**	(755,063)
	(199,324)	65,559
	15,015,958	12,722,356
Capital transactions		
Cash used to acquire capital assets	**(11,263,044)**	(11,307,792)
Proceeds on disposal of capital assets	**100,093**	253,067
	(11,162,951)	(11,054,725)
Investing activities		
Cash acquired upon consolidating an entity	**-**	350,090
Financing activities		
Repayment of long-term liabilities	**(2,332,291)**	(2,101,699)
Net change in cash and cash equivalents	**1,520,716**	(83,978)
Cash and cash equivalents, beginning of the year	**24,412,735**	24,496,713
Cash and cash equivalents, end of the year	**$25,933,451**	$ 24,412,735

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

1. Summary of Significant Accounting Polices

Management Responsibility

The management of the Corporation of the County of Bruce is responsible for the integrity, objectivity and accuracy of the financial information presented in these consolidated financial statements. Management reviews and approves the consolidated financial statements before they are submitted to Council.

Basis of Accounting

The consolidated financial statements of the Corporation of the County of Bruce have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing.

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

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future. Estimates are used when accounting for items such as accrued liabilities, useful lives of capital assets, post-employment and WSIB future benefit liabilities and taxation revenue.

Basis of Consolidation

The consolidated statements reflect the assets, liabilities, revenues and expenses of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenses have been eliminated on consolidation.

The following boards and municipal enterprises owned or controlled by Council have been consolidated:

Bruce County Library Board
Bruce County Housing Corporation
Port Elgin Rotary Non-Profit Accommodations

1. Summary of Significant Accounting Polices - (continued)

Cash and Cash Equivalents

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

Temporary Investments

Temporary 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.

Inventory

Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.

Inventory held for consumption is recorded at the lower of cost and replacement cost.

Non-Financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the organization because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the organization unless they are sold.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by management. The following rates are used:

Buildings	10 to 50 years
Equipment	5 to 10 years
Technology	4 to 5 years
Vehicles and machinery	5 to 10 years
Furniture and fixtures	5 years
Roads	8 to 75 years
Bridges	25 to 75 years
Other infrastructure	10 to 50 years

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

Trust Funds

Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of receipts and disbursements and statement of financial position.

1. Summary of Significant Accounting Polices - (continued)

Post-Employment Benefits

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

The County is an employer included under Schedule 2 of the Workplace Safety and Insurance Act It self-ensures the entire risk of its own WSIB claims and is individually liable for reimbursing the WSIB for all costs relating to its workers' WSIB claims. The cost of the claims are determined using management's best estimate and are expensed as incidents occur.

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

Revenue Recognition

Revenues are reported on the accrual basis of accounting. Revenues are recognized as follows:

a) Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is entitled to be levied. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.

b) Fines and donations are recognized when collected.

c) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.

d) 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 and accumulated surplus in the year in which it is used for the specified purpose.

e) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

1. Summary of Significant Accounting Polices - (continued)

Provincial Subsidies

Subsidies from the Province of Ontario are subject to review of year-end settlement forms and adjustments by the Province. Adjustments to funding, if any, are recorded in the year in which they occur.

Liability for Contaminated Sites

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

2. Cash and Temporary Investments

	2015	2014
Unrestricted	**$25,933,451**	$ 24,412,735

A cash balance of $22,913,015 is being held in bank accounts at one Canadian chartered bank as part of a centralized cash control service. The Canadian Deposit Insurance Corporation insures deposits up to a maximum of $100,000 per depositor.

Temporary investments of $4,109,276 (2014 - $3,967,927) consist of investments in Canadian short-term bond funds and a non-redeemable guaranteed investment certificate with interest at 2.05% due June 2017.

The cash balance includes $143 (2014 - $143) denominated in U.S. dollars.

The County of Bruce has a demand operating facility agreement with a financial institution. At December 31, 2015, the County of Bruce had undrawn credit capacity of $3,000,000. Interest is calculated at bank prime rate minus 0.5%.

3. Long-Term Liabilities

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

	2015	2014
Bruce County Housing Corporation		
Mortgage payable, Canada Mortgage & Housing Company, 4.37%, repayable in blended monthly instalments of $2,631, due February 2018	**$ 65,190**	$ 93,279
Mortgage payable, Canada Mortgage & Housing Company, 3.65%, repayable in blended monthly instalments of $3,448, due May 2018	**95,609**	132,790
Mortgage payable, Canada Mortgage & Housing Company, 3.54%, repayable in blended monthly instalments of $7,958, due July 2018	**235,495**	321,075
Mortgage payable, Canada Mortgage & Housing Company, 1.39%, repayable in blended monthly instalments of $6,566, due February 2020	**318,832**	-
Mortgage payable, Canada Mortgage & Housing Company, 4.39%, repayable in blended monthly instalments of $7,032, due June 2015	-	389,837
Mortgage payable, Canada Mortgage & Housing Company, 4.32%, repayable in blended monthly instalments of $12,643, due February 2016	**1,650,299**	1,729,508
Mortgage payable, Scotia Bank, 3.938%, repayable in blended monthly instalments of $5,014, due June 2021	**390,600**	434,571
Mortgage payable, TD Canada Trust, 6.117%, repayable in blended monthly instalments of $7,406, due April 2024	**716,780**	760,901
Mortgage payable, People's Trust, 2.66%, repayable in blended monthly instalments of $6,133, due September 2024	**710,944**	764,962
Mortgage payable, People's Trust, 1.79%, repayable in blended monthly instalments of $6,734, due May 2020	**861,593**	-
	$ 5,045,342	$ 4,626,923

3. Long-Term Liabilities - (continued**)**

	2015	2014
Bruce County Housing Corporation - brought forward	**$ 5,045,342**	$ 4,626,923
Mortgage payable, TD Canada Trust, 3.953%, repayable in blended monthly instalments of $7,523, due May 2015	-	923,170
Mortgage payable, Canada Mortgage & Housing Company, 2.66%, repayable in blended monthly instalments of 6,134, due September 2024	**1,910,414**	2,032,395
Total Bruce County Housing Corporation	**$ 6,955,756**	$ 7,582,488
County of Bruce		
Debenture payable, 6.73%, repayable in blended quarterly instalments of $597,315, due July 2022	**12,921,256**	14,379,082
Loan payable, OSIFA, 5.32%, repayable in blended semi-annual payments of $311,399, due October 2032	**6,858,009**	7,105,742
Total County of Bruce	**19,779,265**	21,484,824
	$26,735,021	$ 29,067,312

All mortgages are secured by real property.

The gross interest paid relating to the above long-term debt was $1,585,841 (2014 - $1,702,085).

The gross interest expensed during the year was $1,585,737 (2014 - $1,709,252).

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

2016	$ 2,447,475
2017	2,588,625
2018	2,647,514
2019	2,723,254
2020	2,820,195
Thereafter	13,507,958
	$ 26,735,021

4. Tangible Capital Assets

2015

	Land	Buildings	Equipment	Technology	Vehicles and Machinery	Furniture and Fixtures	Roads, Bridges and Other Infrastructure	Work in Progress	Total
Cost, beginning of the year	$ 8,988,333	$ 84,066,021	$ 5,508,176	$ 4,621,573	$ 8,158,281	$ 1,955,653	$ 148,762,342	$ 3,727,940	$ 265,788,319
Additions	166,469	2,755,332	808,776	397,981	414,045	33,402	2,430,181	4,259,749	11,265,935
Reclassification of assets	-	706,556	(22,870)	(515,929)	316,755	(823,920)	339,408	-	-
Disposals	-	(521,735)	(782,355)	(917,170)	(497,298)	(114,451)	(642,021)	-	(3,475,030)
Reallocation of completed work	28,197	1,364,613	2,387	13,331	126,414	-	478,651	(2,013,593)	-
Cost, end of the year	9,182,999	88,370,787	5,514,114	3,599,786	8,518,197	1,050,684	151,368,561	5,974,096	273,579,224
Accumulated amortization, beginning of the year	-	31,796,960	3,386,419	3,563,403	6,099,376	1,819,866	58,323,061	-	104,989,085
Reclassification of accumulated amortization	-	1,242,405	(247,456)	(502,095)	237,819	(818,756)	88,083	-	-
Amortization	-	2,962,052	644,498	394,178	740,453	26,208	4,906,133	-	9,673,522
Disposals	-	(371,884)	(702,903)	(916,949)	(484,106)	(45,967)	(540,838)	-	(3,062,647)
Accumulated amortization, end of the year	-	35,629,533	3,080,558	2,538,537	6,593,542	981,351	62,776,439	-	111,599,960
Net carrying amount, end of the year	$ 9,182,999	$ 52,741,254	$ 2,433,556	$ 1,061,249	$ 1,924,655	$ 69,333	$ 88,592,122	$ 5,974,096	$ 161,979,264

4. Tangible Capital Assets - (continued)

2014

	Land	Buildings	Equipment	Technology	Vehicles and Machinery	Furniture and Fixtures	Roads, Bridges and Other Infrastructure	Work in Progress	Total
Cost, beginning of the year	$ 8,448,403	$ 81,445,062	$ 5,546,859	$ 4,279,223	$ 8,141,995	$ 1,895,717	$ 143,459,762	$ 1,917,096	$ 255,134,117
Additions	235,597	1,789,137	596,913	527,768	477,320	24,125	4,679,694	3,079,238	11,409,792
Acquired consolidated entity	343,697	1,273,061	-	-	-	68,484	-	-	1,685,242
Disposals	(43,434)	(521,665)	(635,596)	(185,418)	(461,034)	(32,673)	(561,012)	-	(2,440,832)
Reallocation of completed work	4,070	80,426	-	-	-	-	1,183,898	(1,268,394)	-
Cost, end of the year	8,988,333	84,066,021	5,508,176	4,621,573	8,158,281	1,955,653	148,762,342	3,727,940	265,788,319
Accumulated amortization, beginning of the year	-	29,207,763	3,492,878	3,238,178	5,902,412	1,826,791	53,531,980	-	97,200,002
Amortization	-	2,939,209	522,901	508,861	657,998	25,748	5,119,065	-	9,773,782
Disposals	-	(350,012)	(629,360)	(183,636)	(461,034)	(32,673)	(327,984)	-	(1,984,699)
Accumulated amortization, end of the year	-	31,796,960	3,386,419	3,563,403	6,099,376	1,819,866	58,323,061	-	104,989,085
Net carrying amount, end of the year	$ 8,988,333	$ 52,269,061	$ 2,121,757	$ 1,058,170	$ 2,058,905	$ 135,787	$ 90,439,281	$ 3,727,940	$ 160,799,234

4. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction (or development) is $5,974,096 (2014 - $3,727,940).

During the year, $2,891 (2014 - $102,000) in contributed capital assets were recognized in the financial statements.

As part of the County's review of it's tangible capital asset policy, new classifications were added which resulted in reclassification of assets and related accumulated amortization in the current year. Any changes to useful lives have been adjusted on a prospective basis.

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

5. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2015	2014
Invested in tangible capital assets		
Tangible capital assets purchased	**$ 161,979,264**	$ 160,799,234
Unfinanced capital assets	**(2,365,894)**	(2,542,575)
Capital assets financed by long-term liabilities and to be funded in future years	**(26,735,021)**	(29,067,312)
Total invested in capital assets	**132,878,349**	129,189,347
Unfunded post-employment benefits	**(1,120,992)**	(1,134,427)
Unfunded WSIB future benefits	**(1,936,947)**	(1,436,536)
General surplus (deficit) (Note 8)	**862,482**	(55,315)
	130,682,892	126,563,069
Reserve funds (Note 6)	**22,519,852**	21,894,290
Accumulated surplus	**$ 153,202,744**	$ 148,457,359

6. Reserve Funds Set Aside for Specific Purpose by Council

	2015	2014
Reserve funds		
Working funds	**$ 1,981,183**	$ 1,964,481
Tax stabilization - General	**100,327**	240,837
Tax stabilization - Library	**39,074**	33,098
WSIB	**1,745,423**	1,922,093
Current purposes	**250,000**	250,000
Capital purposes	**18,403,845**	17,483,781
Reserves funds set aside for specific purpose by Council	**$22,519,852**	$ 21,894,290

7. Government Transfers

	2015 Budget	**2015 Actual**	2014 Actual
Operating			
Province of Ontario	$ 29,204,259	**$28,761,734**	$ 27,803,193
Government of Canada	867,640	**848,161**	905,858
Other municipalities	425,164	**588,188**	663,906
Total operating transfers	30,497,063	**30,198,083**	29,372,957
Capital			
Province of Ontario	198,226	**216,896**	818
Government of Canada	1,953,600	**1,970,842**	1,926,126
Total capital transfers	2,151,826	**2,187,738**	1,926,944
Total government transfers	$ 32,648,889	**$32,385,821**	$ 31,299,901

8. Budgets

Under Canadian public sector accounting principles, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net debt for comparative purposes. The 2015 budget amounts for the Corporation of the County of Bruce approved by Council have been reclassified to conform to the presentation of the consolidated statements of operations and accumulated surplus and changes in net debt. The following is a reconciliation of the budget approved by Council.

	2015 Budget	**2015 Actual**	2014 Actual
Annual surplus (Page 5)	$ 12,663,101	**$ 4,745,385**	$ 2,711,279
Transfers to reserves	(4,811,232)	**(8,581,431)**	(6,647,241)
Transfers from reserves	11,438,240	**7,900,554**	7,212,391
Transfers of surplus (deficit) to reserves	-	**55,315**	(51,822)
	6,627,008	**(625,562)**	513,328
Capital acquisitions, disposals and write-down	(16,783,498)	**(10,853,552)**	(10,953,659)
Amortization	-	**9,673,522**	9,773,782
Prior year capital projects funded	-	**(176,681)**	(120,838)
	(16,783,498)	**(1,356,711)**	(1,300,715)
Debt principal repayments	(2,506,611)	**(2,332,291)**	(2,101,699)
Change in unfunded liabilities	-	**486,976**	70,670
Change in general surplus in the year	-	**917,797**	(107,137)
Prior year general surplus (deficit)	-	**(55,315)**	51,822
General surplus (deficit) (Note 5)	$ -	**$ 862,482**	$ (55,315)

9. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 563 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed to OMERS by the municipality for 2015 was $2,729,948 (2014 - $2,728,240). The contribution rate for 2015 was 9.0% or 15.8% depending on income level (2014 - 9.0% or 15.9%).

OMERS is a multi-employer plan, therefore, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2015. The plan reported a $7.0 billion actuarial deficit (2014 - $7.1 billion deficit) at that time, based on actuarial liabilities of $81.9 billion (2014 - $76.9 billion) and actuarial assets of $74.9 billion (2014 - $69.8 billion). Ongoing adequacy of the current contribution rates will need to be monitored as fluctuations in the financial markets may lead to increased future funding requirements.

10. Contingencies

(a) The County has been served with statements of claims as a result of motor vehicle accidents, an incident at the Mountain Bike Adventure Park and other claims. The likelihood of the success of these actions is undeterminable at this time. The County is not aware of any possible settlements in excess of its liability insurance coverage.

(b) The Counties of Bruce and Grey, the Province of Ontario and the Dominion of Canada as well as several lower tier municipalities in the Bruce Peninsula have been named as defendants in a land claim action filed by the Chippewas of Nawash and Saugeen, for damages alleged to total $92,000,000,000. No breakdown as to each municipality's relative share of the damages has been provided. The likelihood of the success of this action is undeterminable at this time.

11. Post-Employment Benefits

The County pays certain life insurance, health and dental benefits on behalf of its retired employees. The County also participates in a retirement gift program, based on years of service. The County recognizes these post-retirement costs in the period in which the employees render the services.

	2015	2014
Retirement benefits	**$ 985,026**	$ 985,212
Unamortized actuarial gain	**135,966**	149,215
Post-employment benefits	**$ 1,120,992**	$ 1,134,427

Actuarial valuations for accounting purposes are performed using the projected benefit method. The most recent actuarial report was prepared as at December 31, 2013.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, medical inflation rates, wage increases, employee turnover and remaining service life. The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 4.75%. For extended health care costs, a 5.67% annual rate of increase was assumed for 2014, decreasing to an ultimate rate of 4% per year for 2020. For dental costs, a 4% annual rate of increase was assumed.

	2015	2014
Current period benefit cost	**$ 40,900**	$ 38,279
Amortization of actuarial gain	**(13,250)**	(13,250)
Retirement benefit expense	**27,650**	25,029
Interest costs	**45,708**	45,656
Total expense for the year	**$ 73,358**	$ 70,685

12. WSIB Future Benefit and Commitment

As the County is an employer included under Schedule 2 of the Workplace Safety and Insurance Act, it self-ensures the entire risk of its own WSIB claims and is individually liable for reimbursing the WSIB for all costs relating to its workers' WSIB claims.

	2015	2014
WSIB future benefit	**$ 1,936,947**	$ 1,436,536

Actuarial valuations for accounting purposes are performed using the projected benefit method. The most recent actuarial report was prepared as at December 31, 2014.

The actuarial valuation was based on a number of assumptions such as, discount rates, wage increases, and WSIB payment rates. The assumptions used reflect management's best estimates. The WSIB benefit liability was determined using a discount rate of 4.25%, average lost time injury payment rate of 79%, a WSIB administrative rate of 36% and a average lost time injury count of 14.

	2015	2014
Current period benefit cost	**$ 325,183**	$ 269,618
Interest costs	**78,702**	58,087
Total expense for the year	**$ 403,885**	$ 327,705

At December 31, 2015 the County provided $1,745,423 (2014 -$1,922,093) in a reserve to offset this liability.

In addition to the amounts recorded in the financial statements, the County has a commitment for future benefit costs for injured workers which occurred in the past. This liability is estimated at $297,438. Management believes this liability will be fully funded for by a private insurer and, accordingly, is not recorded in these financial statements.

13. Trust Funds

The trust funds administered by the County amounting to $69,250 (2014 - $60,150) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations and accumulated surplus.

14. Contractual Commitments

(a) As part of the Provincial Local Services Realignment Program, the Ontario Housing Corporation (OHC) remains responsible for the servicing of the debentures used to finance the public housing projects transferred to the Bruce County Housing Corporation under authority of the Social Housing Reform Act, 2000.

Information received from OHC as at December 31, 2015 indicates the following:

Principal payments on debentures during the year	$ 288,005
Interest payments on debentures during the year	170,256
Total	$ 458,261
Debentures outstanding at year-end	$ 2,415,893

The principal and interest repayments are recovered by the Province from Federal Social Housing Funding provided to the Province and the balance is recovered from the Consolidated Municipal Service Manager (Bruce County).

(b) As at December 31, 2015, the County has committed to complete multiple capital projects at an approximate cost of $1,563,000. The County has paid costs totaling approximately $1,233,000 relating to these commitments.

15. Segmented Information

The County of Bruce is a diversified municipal government institution that provides a wide range of services to its citizens such as social services, health, recreational, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

General Government consists of the revenues and expenses that relate to the governance and operations of the County itself and cannot be directly attributed to a specific segment.

Protection Services

Protection Services is comprised of emergency measures programs and services and provincial offenses act revenues.

Transportation Services

Transportation Services is responsible for construction and maintenance of the County's roadways and bridges.

Environmental Services

Environmental Services consists of providing household hazardous waste programs.

Health Services

Health Services includes contributions to support local health units and the operating costs for ambulance services.

Social and Family Services

Social and Family Services provides services that are meant to help the less fortunate in society and includes social assistance through the Ontario Works program and Child Care. Social Housing is provided to help shelter families and elderly in need. The County operates two long-term care facilities, Brucelea Haven and Gateway Haven.

Recreation and Cultural Services

Recreation and Cultural Services provides services to improve the health and development of the County's citizens. The County operates and maintains a museum and provides library services.

15. Segmented Information - (continued)

Planning and Development

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

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation, Payments-in-Lieu and Penalties and Interest

Allocated to those segments that are funded by these amounts based on budgeted amounts.

December 31, 2015

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2015 Total
Revenue									
Taxation	$ 6,310,822	$ 89,127	$ 11,145,733	$ 135,338	$ 6,255,063	$ 9,147,363	$ 5,848,732	$ 2,421,137	$ 41,353,315
Fees and user charges	536,560	-	68,906	-	-	9,289,747	208,259	197,902	10,301,374
Government transfers	921,756	392,062	2,184,513	71,600	5,178,891	22,984,763	500,713	151,523	32,385,821
Investment income	263,262	-	-	-	-	42,605	-	-	305,867
Other revenue	8,313	-	655,390	-	1,280	15,269	40,623	128,906	849,781
Donations	-	-	-	-	11,900	39,765	119,624	13,000	184,289
Gain or loss on disposal of assets	-	-	(101,006)	-	(12,832)	(218,338)	19,886	-	(312,290)
	8,040,713	481,189	13,953,536	206,938	11,434,302	41,301,174	6,737,837	2,912,468	85,068,157
Expenses									
Salaries and benefits	3,342,838	-	2,721,848	111,558	9,770,206	21,581,352	3,643,033	1,797,526	42,968,361
Interest on debt	1,305,777	-	-	-	-	279,960	-	-	1,585,737
Materials and supplies	261,974	3,607	1,721,313	54,456	827,641	5,370,750	756,994	484,334	9,481,069
Contracted services	2,232,332	72,304	633,798	147,897	165,917	3,043,816	161,770	312,408	6,770,242
Other transfers	37,176	-	500,000	-	55,000	8,084,749	323,913	185,486	9,186,324
Rents and financial expenses	(1,611)	-	69,402	5,807	166,482	190,290	135,763	91,384	657,517
Amortization	379,767	8,567	5,416,439	30,897	390,554	2,470,544	947,784	28,970	9,673,522
	7,558,253	84,478	11,062,800	350,615	11,375,800	41,021,461	5,969,257	2,900,108	80,322,772
Annual surplus (deficit)	*$ 482,460*	*$ 396,711*	*$ 2,890,736*	*$ (143,677)*	*$ 58,502*	*$ 279,713*	*$ 768,580*	*$ 12,360*	*$ 4,745,385*

December 31, 2015

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	**2014 Total**
Revenue									
Taxation	$ 6,468,695	$ 70,615	$ 11,462,544	$ 127,084	$ 5,965,532	$ 8,714,862	$ 4,489,826	$ 2,374,376	$ 39,673,534
Fees and user charges	543,735	-	22,350	-	-	8,913,123	225,817	243,819	9,948,844
Government transfers	926,303	344,183	2,101,242	71,544	4,962,182	22,319,979	368,040	206,428	31,299,901
Investment income	293,347	-	-	-	-	49,972	-	-	343,319
Other revenue	15,874	-	58,044	-	231	39,543	42,133	98,559	254,384
Donations	-	-	1,000	-	720	510,854	196,722	25,731	735,027
Gain or loss on disposal of assets	(675,467)	-	312,281	-	10,780	146,944	2,396	-	(203,066)
	7,572,487	414,798	13,957,461	198,628	10,939,445	40,695,277	5,324,934	2,948,913	82,051,943
Expenses									
Salaries and benefits	3,106,367	-	2,902,252	31,432	9,433,101	21,080,170	3,408,694	1,688,358	41,650,374
Interest on debt	1,413,008	-	-	-	-	296,244	-	-	1,709,252
Materials and supplies	135,617	8,316	2,319,618	15,534	842,582	5,794,142	707,422	487,022	10,310,253
Contracted services	2,041,212	56,691	645,185	131,662	94,586	2,571,741	220,292	291,643	6,053,012
Other transfers	88,414	-	-	-	55,000	8,330,333	329,913	249,642	9,053,302
Rents and financial expenses	235	-	229,050	-	165,095	187,772	143,836	64,701	790,689
Amortization	432,950	-	5,617,569	-	369,853	2,327,315	996,742	29,353	9,773,782
	7,217,803	65,007	11,713,674	178,628	10,960,217	40,587,717	5,806,899	2,810,719	79,340,664
Annual surplus (deficit)	*$ 354,684*	*$ 349,791*	*$ 2,243,787*	*$ 20,000*	*$ (20,772)*	*$ 107,560*	*$ (481,965)*	*$ 138,194*	*$ 2,711,279*

The County of Bruce
Library Board
Financial Statements
For the year ended December 31, 2015

The County of Bruce Library Board
Financial Statements
For the year ended December 31, 2015

Contents

The Bruce County Library

Tel: 519 376 6110
Fax: 519 376 4741
www.bdo.ca

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

Independent Auditor's Report

To the Board Members of the County of Bruce Library

We have audited the accompanying financial statements of the County of Bruce Library Board, which comprise the statement of financial position as at December 31, 2015, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements present fairly, in all material respects, the financial position of the County of Bruce Library Board as at December 31, 2015 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
April 20, 2016

The County of Bruce Library Board
Statement of Financial Position

December 31	2015	2014
Financial assets		
Cash held by the County of Bruce (Note 2)	**$ 613,715**	$ 605,283
Due from County of Bruce	**62,090**	164,513
Due from Canada	**18**	357
Due from Province of Ontario	**789**	5,753
Accounts receivable - other municipalities	**-**	159
Accounts receivable	**9,215**	4,975
	685,827	781,040
Liabilities		
Accounts payable and accrued liabilities	**190,260**	191,119
Net financial assets	**495,567**	589,921
Non-financial assets		
Tangible capital assets (Note 3)	**1,425,374**	1,351,313
Prepaid expenses	**14,473**	14,409
	1,439,847	1,365,722
Accumulated surplus (Note 4)	**$ 1,935,414**	$ 1,955,643

The accompanying notes are an integral part of these financial statements.

The County of Bruce Library Board
Statement of Operations and Accumulated Surplus

For the year ended December 31	2015 Budget (Note 5)	**2015 Actual**	2014 Actual
Revenue			
Grants:			
County of Bruce	$ 3,069,144	**$ 3,075,895**	$ 2,997,760
Province of Ontario	204,487	**241,508**	205,851
Fines and sale of books	22,550	**28,982**	27,352
Donations	4,000	**13,571**	34,471
Rental income and user fees	16,800	**31,291**	24,521
Gain (loss) on disposal of tangible capital assets	-	**20,090**	(726)
	3,316,981	**3,411,337**	3,289,229
Expenses			
Salaries and benefits	2,208,250	**2,313,108**	2,155,613
Contract services	82,400	**74,594**	96,786
Materials	363,019	**367,176**	358,648
External transfers	323,947	**323,913**	323,913
Amortization	-	**352,775**	381,845
	2,977,616	**3,431,566**	3,316,805
Annual surplus (deficit) (Note 5)	339,365	**(20,229)**	(27,576)
Accumulated surplus, beginning of the year	1,955,643	**1,955,643**	1,983,219
Accumulated surplus, end of the year	$ 2,295,008	**$ 1,935,414**	$ 1,955,643

The accompanying notes are an integral part of these financial statements.

The County of Bruce Library Board
Statement of Changes in Net Financial Assets

For the year ended December 31	2015 Budget (Note 5)	2015 Actual	2014 Actual
Annual surplus (deficit) (Page 5)	$ 339,365	**$ (20,229)**	$ (27,576)
Acquisition of tangible capital assets	(506,885)	**(440,027)**	(423,555)
Amortization of tangible capital assets	-	**352,775**	381,845
Gain (loss) on sale of tangible capital assets	-	**(19,886)**	726
Proceeds on disposal of tangible capital assets	-	**33,077**	-
	(506,885)	**(74,061)**	(40,984)
Change in prepaid expenses	-	**(64)**	(7,964)
Decrease in net financial assets	(167,520)	**(94,354)**	(76,524)
Net financial assets, beginning of the year	589,921	**589,921**	666,445
Net financial assets, end of the year	$ 422,401	**$ 495,567**	$ 589,921

The accompanying notes are an integral part of these financial statements.

The County of Bruce Library Board
Consolidated Statement of Cash Flows

December 31, 2015	2015	2014
Cash provided by (used in)		
Operating activities		
Annual surplus (deficit) (Page 5)	$ (20,229)	$ (27,576)
Items not involving cash		
Amortization	352,775	381,845
Gain (loss) on disposal of tangible capital assets	(19,886)	726
	312,660	354,995
Changes in non-cash working capital balances		
Accounts receivable	(4,240)	(2,211)
Accounts payable and accrued liabilities	(859)	(3,278)
Due from Canada	339	(249)
Due from Province of Ontario	4,964	2,199
Due from other municipalities	159	-
Due from County of Bruce	102,423	28,154
Prepaid expenses	(64)	(7,964)
	102,722	16,651
	415,382	371,646
Capital transaction		
Cash used to acquire tangible capital assets	(440,027)	(423,555)
Proceeds on disposal of tangible capital assets	33,077	-
	(406,950)	(423,555)
Net change in cash	8,432	(51,909)
Cash, beginning of the year	605,283	657,192
Cash, end of the year	$ 613,715	$ 605,283

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

Management Responsibility

The management of the County of Bruce is responsible for the integrity, objectivity and accuracy of the financial information presented in these consolidated financial statements. Management reviews and approves the financial statements before they are submitted to Council.

Basis of Accounting

The financial statements of the County of Bruce Library Board are the representation of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants of Canada as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

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

Basis of Consolidation

The Library Board has been consolidated within the financial statements of the County of Bruce.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future. Estimates are used when accounting for items such as accrued liabilities and useful life of tangible capital assets.

1. Summary of Significant Accounting Policies - (continued)

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by management. The following rates are used:

Library collections	7 years
Technology and communication	4 to 5 years
Furniture and fixtures	5 years
Vehicle and machinery	5 to 10 years

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

Revenue Recognition

a) Fines and donations are recognized when collected.

b) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.

c) 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 and accumulated surplus in the year in which it is used for the specified purpose.

d) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

2. Cash Held by the County of Bruce

	2015	2014
Restricted	**$ 613,715**	$ 605,283

The cash balance is being held in County of Bruce bank accounts as part of a centralized cash control service. The Canadian Deposit Insurance Corporation insures deposits up to a maximum of $100,000 per depositor.

3. Tangible Capital Assets

	2015		2014	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Library collections	**$ 2,674,394**	**$ 1,482,179**	$ 2,787,301	$ 1,638,155
Technology and communication	**375,932**	**305,493**	561,727	484,038
Vehicle and machinery	**68,404**	**2,280**	56,002	38,633
Furniture and fixtures	**346,368**	**249,772**	347,414	240,305
	$ 3,465,098	**$ 2,039,724**	$ 3,752,444	$ 2,401,131
Net book value		**$ 1,425,374**		$ 1,351,313

4. Accumulated Surplus

The organization segregates its accumulated surplus in the following categories:

	2015	2014
Invested in capital assets	**$ 1,425,374**	$ 1,351,313
General deficit (Note 5)	**(102,720)**	-
	1,322,654	1,351,313
Reserves	**612,760**	604,330
Accumulated surplus	**$ 1,935,414**	$ 1,955,643

5. Budgets

Under Canadian public sector accounting principles, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net financial assets for comparative purposes. The 2015 budget amounts for The County of Bruce Library Board approved by the Board have been reclassified to conform to the presentation of the consolidated statements of operations and accumulated surplus and changes in net financial assets. The following is a reconciliation of the budget approved by the Board.

	2015	**2015**	2014
	Budget	**Actual**	Actual
Annual surplus (deficit) (Page 5)	$ 339,365	**$ (20,229)**	$ (27,576)
Prior year general surplus	-	**-**	16,693
Net transfers (to) from reserves	167,520	**(8,431)**	51,867
Capital acquisitions and disposals	(506,885)	**(426,835)**	(422,829)
Amortization	-	**352,775**	381,845
General deficit (Note 4)	$ -	**$ (102,720)**	$ -

APPENDIX B
Independence Update

Tel: 519 376 6110
Fax: 519 376 4741
www.bdo.ca

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

May 5, 2016

Members of the Corporate Services Committee
County of Bruce
30 Park Street
Walkerton, Ontario
N0G 2V0

Dear Sir/Madam:

We have been engaged to audit the consolidated financial statements of the County of Bruce for the year ended December 31, 2015.

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

We are aware of the following relationships between the County and us that, in our professional judgment, may reasonably be thought to bear on our independence. The following relationships represent matters that have occurred from November 17, 2015 to April 20, 2016.

We provided assistance in the preparation of the financial statements, including adjusting journal entries. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows of the organization in accordance with Canadian Public Sector Accounting Standards.

We, therefore, required that the following safeguards be put in place related to the above:

- Management created the source data for all the accounting entries.
- Management reviewed advice and comments provided and undertook their own analysis considering the County's circumstances and generally accepted accounting principles.
- Management reviewed and approved all journal entries prepared by us, as well as changes to financial statement presentation and disclosure.
- Someone other than the preparer reviewed the proposed journal entries and financial statements.

We hereby confirm that we are independent with respect to the County within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario as of April 20, 2016.

This letter is intended solely for the use of the Council, Management and others within the County, and should not be used for any other purposes.

Yours truly,

Traci Smith, CPA, CGA, LPA
Partner
BDO & Company LLP*

*BDO & Company LLP provides accounting, assurance, tax and other professional advisory services to BDO Canada LLP, Chartered Professional Accountants, Licensed Public Accountants

TS:s

APPENDIX C
Representation Letter

County of Bruce
30 Park Street
Walkerton Ontario N0G 2V0

April 20, 2016

BDO Canada LLP
Chartered Professional Accountants
1717 Second Avenue East, 3rd Floor
P.O. Box 397
Owen Sound, Ontario N4K 5P7

Dear Sir/Madam:

This representation letter is provided in connection with your audit of the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of operations and accumulated surplus, changes in net debt and cash flows for the year then ended of the County of Bruce for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position as at December 31, 2015 and the results of operations and cash flows for those dates in accordance with Canadian public sector accounting standards.

Consolidated Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated November 22, 2013, for the preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards; in particular the consolidated financial statements are fairly presented in accordance therewith.

2. Significant assumptions used by us in making accounting estimates, including those measured at fair value are reasonable.

3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.

4. All events subsequent to the date of the consolidated financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.

5. The consolidated financial statements of the municipality use appropriate accounting policies that have been properly disclosed and consistently applied.

Information Provided

6. We have provided you with:

   - access to all information of which we are aware that is relevant to the preparation of the consolidated financial statements, such as records, documentation and other matters;

   - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

7. We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.

8. The minute books of the municipality are a complete record of all meetings and resolutions of Council and Committees of Council throughout the year and to the present date.

9. We have disclosed to you all significant matters contained in the minutes of all meetings and resolutions of Council and Committees of Council throughout the year and to the present date.

10. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.

11. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing consolidated financial statements.

12. We have identified to you:

    - guarantees;

    - indemnifications against damages, liabilities, costs, charges or expenses suffered or incurred by officers or directors as a result of their service, and/or by any subsidiaries; and

    - non-monetary transactions and transactions for no consideration.

13. We have disclosed to you the identity of the entity's related parties and the related party relationships and transactions of which we are aware.

14. We are aware of the environmental laws and regulations that impact our municipality and we are in compliance. There are no known environmental liabilities or contingencies that have not been accrued for or disclosed in the consolidated financial statements.

Fraud and Error

15. We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.

16. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:

    - management;

    - employees who have significant roles in internal control; or

    - others where the fraud could have a material effect on the consolidated financial statements.

17. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's consolidated financial statements communicated by employees, former employees, analysts, regulators, or others.

18. The effects of unadjusted misstatements are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

Existence, Completeness and Valuation of Specific Financial Statement Balances

19. There are no pledges or assignments of assets as security for liabilities except as disclosed in the consolidated financial statements.

20. All financial instruments have been appropriately recognized and measured in accordance with Canadian public sector accounting standards. Significant assumptions used in arriving at fair value of financial instruments are reasonable and appropriate in the circumstances.

21. Where the value of any asset has been impaired, an appropriate provision has been made in the consolidated financial statements or has otherwise been disclosed to you.

22. The inventories as set out in the consolidated financial statements represent all of the inventories to which the municipality held title as at the balance sheet date. Inventories do not include any goods consigned to the municipality, merchandise billed to customers or any items for which the liability has not been provided in the books. Appropriate provisions have been made for obsolete, slow-moving and defective inventories.

23. The employee future benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with Canadian public sector accounting standards. The source data and plan provisions provided are complete and accurate. The plans included in the valuation are complete. The determination of the discount rate and the use of specific actuarial assumptions are our best estimate assumptions. We feel that the extrapolations are accurate and have properly reflected the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.

General Representations

24. The nature of all material uncertainties have been appropriately measured and disclosed in the consolidated financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the consolidated financial statements.

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

26. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel. When applicable, these claims have been appropriately disclosed in the consolidated financial statements.

27. We confirm that there are no derivatives or off-balance sheet financial instruments held at year-end that have not been properly recorded or disclosed in the consolidated financial statements.

28. We have disclosed to you all significant customers and/or suppliers of the municipality who individually represent a significant volume of business with the municipality. We are of the opinion that the volume of business (sales, services, purchases, borrowing and lending) done by the municipality with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the municipality.

29. There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

30. We confirm that operating segments are appropriately identified and disclosed in accordance with Canadian public sector accounting standards.

31. No significant matters, other than those disclosed in the consolidated financial statements, have arisen that would require a restatement of the comparative consolidated financial statements.

32 We have made the following additional significant representations to you during the course of your audit which we understand that you have relied upon:

Management confirms that to the best of our knowledge and belief, we have:

- Evaluated all land owned by the municipality or where the municipality has accepted responsibility for the land as to whether there are sites in the Scope of PS 3260 Liability for Contaminated Sites.

- Made available to you all financial records and related data relevant to the assessment of the liability for contaminated sites.

- There are no contaminated sites within the Scope of PS 3260.

Yours truly,

Signature

Director of Corporate Services
Position

Signature

Deputy Treasurer
Position

APPENDIX D
BDO Publications

BDO

OCTOBER 2015
WWW.BDO.CA

ASSURANCE AND ACCOUNTING

PUBLIC SECTOR ACCOUNTING STANDARDS (PSAS) UPDATE 2015

Introduction

During 2015, the Public Sector Accounting Board (PSAB or the "Board") made several changes to the CPA Canada Public Sector Accounting Handbook (PSA Handbook) including the issuance of six new Handbook Sections. The Board also undertook new projects and advanced the progress of existing projects that propose future changes to the PSA Handbook. These current and proposed changes will be discussed in this publication.

Standards Effective April 1, 2014

Liability for Contaminated Sites

Section PS 3260, *Liability for Contaminated Sites*, became effective for years beginning on or after April 1, 2014. That means entities with December 31, 2015 year ends will be applying it for the first time to their upcoming year end financial statements. This standard provides guidance on what is considered contamination, when an entity becomes responsible for contamination, when environmental obligations meet the definition of a liability, how environmental liabilities should be measured given the uncertainties and the disclosures required for the financial statements. Previous PSAS Update publications have discussed this standard so it will not be covered again here in detail. However, for a comprehensive look at the requirements of this standard and how to apply it, please refer to our publication "*Contaminated Sites — A Practical Approach to Section PS 3260*."

Standards Effective January 1, 2017

Amendments to the Introduction

The PSA Handbook was originally written primarily to address the financial reporting needs of governments in Canada. However, now that government organizations who previously followed Part V of the CPA Handbook — Accounting have adopted the PSA Handbook, their needs must be considered as well. To address this, the Board began a project to update terminology in the PSA Handbook to clarify standards and guidance that is applicable to public sector entities. As part of this project, the Board amended the Introduction to Public Sector Accounting Standards to clarify the applicability of the PSA Handbook for various public sector entities.

The main amendments to this Section are:

- The introduction of the term "public sector entity", which is defined as a government, government component, government organization or government partnership.
- The introduction of the term "government component", which is defined as an integral part of a government, such as a department, ministry or fund. It is not a separate entity with the power to contract in its own name and that can sue and be sued.
- The definition of a government organization has been amended to state that it is any organization controlled by a government that is a separate entity with the power to contract in its own name and that can sue and be sued.
- Definitions for each type of government organization and government partnership are now included in this Section. Previously these definitions were scattered throughout various Sections of the PSA Handbook.

- The definition of each type of government organization has been amended to clarify that they are separate legal entities that have the power to contract in their own name and that can sue and be sued.
- The definition of a government partnership has also been amended to clarify that it is not a government organization.
- Guidance has been added to explain what GAAP is to be followed by government components and government partnerships as this guidance was not previously provided in the PSA Handbook:
  - Government components follow the guidance for governments in the PSA Handbook.
  - Government partnerships between two or more public sector entities normally follow the standards for governments in the PSA Handbook. However, when these standards do not meet the needs of the users of their financial statements, the government partnership considers following International Financial Reporting Standards (IFRS) in Part I of the CPA Canada Handbook.
  - Government business partnerships between two or more public sector entities follow IFRS.
  - Government partnerships or government business partnerships with one or more private sector partners follow the GAAP that their partners determine is most appropriate for the partnership.

Since the amendments to this Section introduced a definition of government components as well as guidance on what GAAP government partnerships and government business partnerships should be following, this may result in some government components, government partnerships and government business partnerships needing to adopt a different GAAP from what they are currently following. As a result, specific guidance on effective dates and transition has been provided:

- Government components and government partnerships that adopt the PSA Handbook should do so for fiscal periods beginning on or after January 1, 2017. Earlier adoption is permitted. The adoption of these standards should be accounted for by retroactive application with restatement of prior periods in accordance with Section PS 2125, *First-time Adoption*.
- Government partnerships and government business partnerships that determine standards applicable to publicly accountable enterprises (i.e. International Financial Reporting Standards) are most appropriate for their partnership should do so for fiscal periods beginning on or after January 1, 2017. Earlier adoption is permitted.

Government components, government partnerships and government business partnerships that expect to change their basis of accounting should disclose this fact in their financial statements in the periods preceding the period the change becomes effective.

Standards Effective April 1, 2017

Related Party Disclosures

During 2015, the Board issued two new Sections PS 2200, *Related Party Disclosures*, and PS 3420, *Inter-entity Transactions*. Prior the issuance of these two Sections the PSA Handbook did not include a standard dealing with related party transactions. The reason two standards were developed instead of only one is because related party transactions can occur with individuals and entities both inside and outside of a government's reporting entity. However, the Board believes that generally issues of recognition and measurement would not arise for related party transactions that are not part of the same government reporting entity. These types of related party transactions would be recognized at the exchange amount according to their substance and the individual accounting standards applied for reporting purposes. Disclosures about these related party transactions would be sufficient for users to understand the effect of those transactions on an entity's financial position and changes in financial position. So these types of transactions are excluded from new Section PS 3420, which provides recognition and measurement guidance for related party transactions that occur between entities within the government's reporting entity. New Section PS 2200 then provides guidance on disclosure requirements for related party transactions.

Section PS 2200 defines a related party and a related party transaction as follows:

> **Related party** - A related party exists when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel and close family members.
>
> **Related party transaction** - A transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party. These transfers are related party transactions whether or not there is an exchange of considerations or transactions have been given accounting recognition. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

The standard does not require disclosure of key management personnel compensation arrangements, expense allowances or other similar payments routinely paid in exchange for services rendered. Additionally the standard does not require disclosure of all related party transactions. Instead, disclosure is generally only required when:

- A transaction occurs between related parties at a value different from that which would have been arrived at if the parties were unrelated; and
- Transactions and events between related parties have or could have a material financial effect on the financial statements.

Determining which items to disclose is based on an assessment of the terms and conditions underlying the transactions, the financial materiality of the transactions, relevance of the information to the decisions of users, and the need for the information to enable users' understanding of the financial statements and for making comparisons to other entities. When it is determined that information about related party transactions needs to be disclosed in the financial statements, the disclosure would include the following, aggregating items that are similar in nature:

- Information about the nature of the relationship with related parties involved in related party transactions;
- The types of related party transactions that have been recognized;
- The amounts of the transactions recognized classified by financial statement category;
- The basis of measurement used;
- The amount of outstanding balances and the terms and conditions attached to them;
- Contractual obligations with related parties, separate from other contractual obligations;
- Contingent liabilities involving related parties, separate from other contingent liabilities; and
- The types of related party transactions that have occurred for which no amount has been recognized.

Section PS 2200 is effective for fiscal years beginning on or after April 1, 2017, but earlier adoption is permitted. This Section must be applied prospectively.

Inter-entity Transactions

As previously mentioned, related Section PS 3420 provides guidance on how to account for and report transactions between public sector entities that comprise a government's reporting entity from the perspective of both the provider and the recipient.

Under this Section, the transfer of assets or liabilities is recognized by both the provider and the recipient. The provider removes the assets or liabilities from its financial statements and any difference between the net proceeds received and the carrying amounts transferred is accounted for as a revenue or expense in the statement of operations. The recipient recognizes assets or liabilities in its financial statements when the items satisfy the definition and recognition criteria for an asset and liability in Section PS 1000, *Financial Statement Concepts*.

When there is a policy of cost allocation and recovery for the provision of goods and services, the provider reports all revenues and expenses on a gross basis and the recipient reports expenses on a gross basis.

When there is no policy for allocating costs, the recipient may choose to recognize these costs when they would otherwise have been purchased and a reasonable estimate of the amount involved can be made. In this case, the recipient recognizes these items as revenues and expenses.

Under Section PS 3420 transactions are measured at the carrying amount, other than in the following situations:

Situation	Then Measured At:
Transactions are undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length	Exchange amount
Assets or liabilities are transferred for nominal or no consideration	Provider – measures at the carrying amount Recipient – measures at the carrying amount or fair value
Transactions are allocated costs and recoveries	Exchange amount
Transactions are unallocated costs	The carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice

Inter-entity transactions are disclosed in accordance with the requirements of Section PS 2200.

Section PS 3420 is effective for fiscal years beginning on or after April 1, 2017, but earlier adoption is permitted. If application of Section PS 3420 results in a change of accounting policy Section PS 2120, *Accounting Changes*, applies. Per paragraph PS 2120.13, when a change in an accounting policy is made to conform to a new Public Sector Accounting Standard the new standard may be applied retroactively or prospectively.

Assets

Section PS 3210, *Assets*, was issued during 2015 and provides additional guidance on the definition of assets. Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.

This new Section provides additional guidance on what is meant by economic resources, control, past transactions or events, and future economic benefits. This guidance will be helpful in determining whether an item meets the definition of an asset. It may also result in public sector entities reassessing whether items meet the definition of an asset upon adoption of this Section.

Section PS 3210 requires public sector entities to disclose major categories of assets that are not recognized in their financial statements (i.e. intangibles, crown lands, heritage assets, etc.).

This Section is effective for fiscal years beginning on or after April 1, 2017, but earlier adoption is permitted.

Contingent Assets

During 2015, Section PS 3320, *Contingent Assets*, was issued in the PSA Handbook. Prior to this the PSA Handbook included a definition of contingent liabilities, but did not include a definition of contingent assets. This new Section provides a definition of contingent assets as:

> Possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.

Section PS 3320 requires disclosure of contingent assets in the financial statements when the occurrence of a confirming future event is likely.

This new Section may result in public sector entities performing a reassessment of items that meet the definition of a contingent asset and additional information being disclosed upon adoption of this Section.

Section PS 3320 is effective for fiscal years beginning on or after April 1, 2017, but earlier adoption is permitted.

Contractual Rights

Before Section 3380, *Contractual Rights*, was issued in 2015 the PSA Handbook included a definition of contractual obligations, but did not define contractual rights. This new Section provides a definition of contractual rights as:

> Rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

This Section also requires that information about a public sector entity's contractual rights be disclosed in the financial statements. This disclosure would include a description about the nature, extent and timing of the contractual rights. Since an entity may have many contractual rights, professional judgment will be required in determining what to disclose. Factors to consider include, but are not limited to, contractual rights to revenue that is abnormal in relation to the financial position or usual business operations of the entity and contractual rights that will govern the level of a certain type of revenue for a considerable period into the future.

This Section is effective for fiscal years beginning on or after April 1, 2017, but earlier adoption is permitted.

Standards Effective April 1, 2018

Restructurings

Section PS 3430, *Restructuring Transactions*, was issued in 2015. This new Section provides guidance on accounting for restructuring transactions. Previously, no such guidance existed in the PSA Handbook. As public sector entities are entering into these types of transactions more often, guidance was needed to ensure these transactions are accounted for on a consistent basis.

Restructuring activities include, but are not limited to:

- Amalgamations of entities or operations within the government reporting entity;
- The amalgamation of local governments;
- Annexation or boundary alteration between neighbouring local governments;
- Transfers of operations or programs from one entity to another; and
- Shared service arrangements entered into by local governments in a region.

Section PS 3430 provides a definition of a restructuring transaction as:

> A transfer of an integrated set of assets and / or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and liabilities transferred.

The key characteristics of restructuring transactions are:

- Their non-purchase nature;
- Transfers of an integrated set of assets and/or liabilities that are not random or unrelated; and
- Transfers of program or operating responsibilities related to the assets and liabilities transferred.

The key distinction between a restructuring transaction and an acquisition is that a restructuring transaction's non-purchase nature is reflected by the absence of consideration that is primarily based on the fair value of the individual assets and liabilities transferred.

Under Section PS 3430 the individual assets and liabilities transferred in a restructuring transaction would be derecognized by the transferor and recognized by the recipient at their carrying amounts with applicable adjustments. The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors, and transferred to all recipients in a restructuring transaction would be recognized as revenue or as an expense. In addition:

- Any costs incurred related to the restructuring would be expensed when incurred;
- The accounting policies and circumstances of the recipient at the restructuring date would determine the initial classification of the individual assets and liabilities received in the restructuring transaction;
- The net effect of a restructuring transaction is presented as a separate revenue or expense item in the statement of operations;
- Financial position and results of operations prior to the restructuring date would not be restated; and
- A transferor and a recipient need to disclose sufficient information to enable financial statement users to assess the nature and financial effects of a restructuring transaction on their financial position and operations. Disclosure of information about the transferred assets, liabilities and related operations prior to restructuring date is encouraged but not required.

This Section only applies to new restructuring transactions that occur in fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

Standards Effective April 1, 2019

Financial Instruments, Foreign Currency, Financial Statement Presentation and Portfolio Investments

During 2015, the Board delayed the effective date for Sections PS 3450, *Financial Instruments*, and PS 2601, *Foreign Currency Translation*. These Sections are now applicable for fiscal years beginning on or after April 1, 2019, for public sector entities that did not previously apply the CPA Canada Handbook – Accounting prior to adopting the PSA Handbook. Therefore, public sector entities that meet this criteria, such as governments, will apply these Sections for the first time for their March 31, 2020 year ends (for governments with calendar year ends, December 31, 2020 will be the first year end affected). At the same time public sector entities adopt these two Sections, they must also adopt Section PS 1201, *Financial Statement Presentation*, Section PS 3041, *Portfolio Investments*, and the effective interest method outlined in paragraph .25 of Section PS 3050, *Loans Receivable*. For more details on these standards please refer to our publication "***A Guide to Accounting for Financial Instruments in the Public Sector***".

Projects on the Go

The Board currently has a number of projects in progress which propose future changes to the PSA Handbook. The following provides a brief discussion of these projects.

Statement of Principles — Revenue

Currently, the PSA Handbook does not include a standard on overall revenue recognition. As a result, many public sector entities need to consult other sources of GAAP when accounting for types of revenues for which the PSA Handbook does not provide guidance. The Board believes guidance in this area is needed as there is diversity in practice. As a result, a new revenue standard was proposed in a Statement of Principles issued August 2013. This proposed standard would focus on two main areas of revenue:

- Exchange transactions; and
- Unilateral (non-exchange) transactions.

The proposed standard would define exchange transactions as transactions where goods or services are provided for consideration. These transactions create performance obligations for a public sector entity arising directly from a payment or promise of consideration by a payor.

A performance obligation is defined as an enforceable promise to provide goods or services to a payor as a result of exchange transactions.

Revenue from an exchange transaction would be recognized as the public sector entity satisfies the performance obligation. An exchange transaction would be evaluated to identify goods and services that are distinct and would be accounted for as a separate performance obligation. An example of an exchange transaction is a user fee charged by a municipality for providing water services.

According to the proposed definition, unilateral revenues increase the economic resources of a public sector entity without a direct transfer of economic resources to the payor. The right to the economic resources is attributable to legislation grounded on a constitutional authority, or delegated constitutional authority, and an event entitling the public sector entity to recognize revenue.

Unilateral revenues are unique to the public sector as the authority to enact legislation is unique to governments. Unilateral revenues do not necessarily entitle the payor to a specific public service or benefit. Instead, the public sector entity's right to the revenue results from its constitutional powers that allow it to impose the unilateral revenue. A public sector entity would recognize unilateral revenues when it has authority to the revenues and can identify a past event that gives it a right to those revenues. Tax revenue collected by a municipality is an example of unilateral revenue.

As a result of responses received on this Statement of Principles the Board is currently undertaking further research on these issues and the project timeline has been extended. An Exposure Draft is expected to be issued in the third quarter of 2016.

Statement of Principles — Retirement Obligations

The PSA Handbook does not include a standard on retirement obligations, and as a result there are currently inconsistencies in how public sector entities account for these obligations. In August of 2014, the Board issued a Statement of Principles which proposes exposing a new Section on retirement obligations associated with tangible capital assets controlled by a public sector entity.

Under the proposed standard, retirement obligations associated with tangible capital assets can result from legal, constructive and equitable obligations. Retirement obligations associated with tangible capital assets include post-retirement operation, maintenance and monitoring costs.

Recognition of retirement costs would be accomplished by increasing the carrying amount of the related tangible capital asset or a component thereof and then expensing this amount in a rational and systematic manner. A present value technique may be the best method of estimating the liability. Depending on the nature of the re-measurement and whether the asset remains in productive use, subsequent re-measurement of the liability could result in either a change in the carrying amount of the related tangible capital asset or a component thereof, or an expense.

The issuance of this standard would result in complete and consistent reporting of existing retirement obligations associated with controlled tangible capital assets in public sector entities.

The Board is currently deliberating comments received on the Statement of Principles and an Exposure Draft is expected to be issued in the second quarter of 2016.

Statement of Principles — Improvements to Not-for-Profit Standards

The Accounting Standards Board (AcSB) which develops accounting standards for private sector not-for-profit organizations (NPOs) and PSAB which establishes accounting standards for public sector entities, including government NPOs, have been working together to improve not-for-profit standards to better meet the needs of users.

During 2015, the AcSB approved the creation of a "Not-for-profit Organizations Advisory Committee" to assist with its standards improvements initiatives, as well as to provide input on other standard-setting matters of interest to private sector NPOs. In addition, the AcSB approved three projects relating to private sector NPO standards.

During 2015, PSAB approved an Exposure Draft proposing withdrawal of Section PS 4260, *Disclosure of Related Party Transactions by Not-for-Profit Organizations*, and amendments to the transitional provisions in Section PS 2200, *Related Party Disclosures*, for NPOs applying the PSA Handbook including the PS 4200 series of Sections. PSAB also discussed a project plan to improve standards for not-for-profit organizations.

As these projects could have a significant impact on accounting for public sector NPOs we would encourage NPOs to watch them closely. The latest information on these projects can be found on the Financial Reporting and Assurance Standards Canada (FRAS Canada) website or by clicking here.

Exposure Draft — Financial Instruments

The Board released an Exposure Draft in October 2014 that proposed clarifications to the scope and added some new guidance and transitional provisions to Section PS 3450, *Financial Instruments*. The amendments to Section PS 3450 were originally expected to be released in the Handbook in the fall of 2015; however, due to the implementation date for Section PS 3450 being delayed to April 1, 2019 the Board has deferred consideration of the amendments proposed in the Exposure Draft until a later date.

Post Implementation Review — Government Transfers

The Board undertook a post-implementation review of Section PS 3410, *Government Transfers*, in November 2014. The purpose of this review is to the help the Board assess any implementation challenges encountered by stakeholders in applying Section PS 3410 and the nature, extent and cause of any ongoing issues. This is the first post-implementation review undertaken by PSAB. Such reviews consider whether the standard has been implemented and achieved the intended objectives. The Board is currently reviewing the comments received from respondents and plans to release a Feedback Statement in the first quarter of 2016 with the results of their findings.

Project — Employment Benefits

The Board has approved a new project on Employee Benefits. This project was identified as the top priority in PSAB's 2014 Project Priority Survey. The project will review existing Sections PS 3250, *Retirement Benefits*, and PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*. Since these Sections were originally issued many years ago, new types of pension plans have been introduced and there have been changes in the related accounting concepts. The first part of this project will involve looking at issues such as deferral of experience gains and losses, discount rate, shared risk plans, multi-employer defined benefit plans and vested sick leave benefits. Other improvements to existing guidance will also be considered. The next stage will involve determining how to account for new types of pension plans. The Board plans to issue a new comprehensive Handbook Section on employment benefits that will replace the two existing Sections. Currently the Board is putting together a task force of volunteers to undertake this project and it is expected that an Invitation to Comment will be issued in the second quarter of 2016.

Public Sector Accounting Discussion Group

In 2013, the Board established the Public Sector Accounting Discussion Group (PSADG) as a regular public forum at which issues arising on the application of the PSA Handbook can be discussed. The group meets three times a year and consists of members that include preparers, auditors and users of government and government organization financial reports. The group's purpose is to assist the Board regarding issues arising on the application of the PSA Handbook and to gather information to advise the Board on priorities and possible agenda items for its consideration. While the group does not issue any authoritative guidance or interpretations, as only the Board has the ability to do so, the group's meeting summaries provide meaningful insights on the application of the standards that can be used as a resource. These meeting summaries are available on the FRAS Canada website or by clicking here. During 2015, the PSADG discussed topics including:

- Presentation of budget information;
- Shared risk retirement benefit arrangements;
- Statements of recommended practice;
- Standard setting in the public interests;
- The term net debt;
- Remediation obligations;
- Gas tax agreements;
- Contractual obligations;
- Acquisition and development of software associated with cloud computing; and
- Vacation paid in the year of retirement.

We would encourage public sector entities to keep up to date on topics discussed at these meetings.

Conclusion

As we head closer to the end of the year, now is the time to discuss with your BDO advisor how the changes made to the PSA Handbook and the proposed changes affect your organization.