

**The Corporation of the  
City of Owen Sound  
Financial Information  
For the year ended December 31, 2015**

**The Corporation of the City of Owen Sound  
Financial Information  
December 31, 2015**

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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the Corporation of the City of Owen Sound, 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 City of Owen Sound 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  
September 6, 2016

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

<b>December 31</b>	<b>2015</b>	<b>2014</b> (restated) (Note 20)
<b>Financial assets</b>		
Cash (Note 1)	\$ 1,243,327	\$ 8,249,204
Temporary investments (Note 2)	4,139,010	4,137,115
Taxes receivable	1,107,897	743,894
Trade and other receivables	9,764,212	7,211,098
Inventory held for resale	77,988	51,966
Other receivables (Note 3)	75,000	75,000
	<b>16,407,434</b>	<b>20,468,277</b>
<b>Liabilities</b>		
Temporary borrowings (Note 4)	5,730,000	-
Accounts payable and accrued liabilities	10,041,163	7,132,997
Solid waste landfill closure and post-closure liabilities (Note 5)	2,770,296	2,490,179
Post-employment benefits (Note 16)	3,644,780	3,310,162
Deferred revenue (Page 30)	2,448,229	5,122,327
Net long-term liabilities (Note 6)	16,185,427	18,475,280
	<b>40,819,895</b>	<b>36,530,945</b>
<b>Net debt</b>	<b>(24,412,461)</b>	<b>(16,062,668)</b>
<b>Non-financial assets</b>		
Inventory of supplies	421,463	414,836
Prepaid expenses	794,378	250,136
Tangible capital assets (Note 7)	215,458,202	189,787,907
<b>Accumulated surplus (Note 8)</b>	<b>\$ 192,261,582</b>	<b>\$ 174,390,211</b>

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

<b>For the year ended December 31</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
	Budget (Note 10)	Actual	Actual (restated) (Note 20)
<b>Revenue</b>			
Taxation	\$ 26,189,870	\$ 25,886,244	\$ 24,785,505
Fees and user charges	13,182,102	13,559,403	13,331,330
Government transfers (Note 14)	22,585,052	21,109,835	7,762,534
Other income (Note 11)	2,101,816	3,596,396	2,953,054
Obligatory reserve fund revenue recognized	2,060,000	2,185,134	711,517
	<u>66,118,840</u>	<u>66,337,012</u>	<u>49,543,940</u>
<b>Expenses</b>			
General government	3,724,990	3,353,317	3,989,117
Protection services	13,591,773	14,973,916	13,866,069
Transportation services	5,416,374	8,603,469	7,739,437
Environmental services	7,541,285	11,065,318	7,945,192
Health services	347,328	389,153	456,232
Recreation and cultural services	6,032,579	8,811,078	8,481,741
Planning and development	530,164	1,104,390	1,248,373
Transfer to obligatory reserve fund	-	165,000	-
	<u>37,184,493</u>	<u>48,465,641</u>	<u>43,726,161</u>
Annual surplus (Note 10)	28,934,347	17,871,371	5,817,779
Accumulated surplus, beginning of the year	174,390,211	174,390,211	168,572,432
<b>Accumulated surplus, end of the year</b>	<u>\$203,324,558</u>	<u>\$ 192,261,582</u>	<u>\$174,390,211</u>

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

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

<b>For the year ended December 31</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
	Budget (Note 10)	Actual	Actual (restated) (Note 20)
<b>Annual surplus (Page 5)</b>	\$ 28,934,347	\$ 17,871,371	\$ 5,817,779
Acquisition of tangible capital assets	(35,515,684)	(31,998,615)	(10,447,210)
Amortization of tangible capital assets	-	6,035,637	5,843,807
Proceeds on disposal of assets	-	167,247	87,431
(Gain) loss on disposal of assets	-	125,436	(31,981)
	<u>(35,515,684)</u>	<u>(25,670,295)</u>	<u>(4,547,953)</u>
Change in prepaid expenses	-	(544,242)	(126,556)
Change in inventories of supplies	-	(6,627)	(6,765)
	-	<u>(550,869)</u>	<u>(133,321)</u>
<b>Decrease (increase) in net debt</b>	(6,581,337)	(8,349,793)	1,136,505
<b>Net debt, beginning of the year</b>	<u>(16,062,668)</u>	<u>(16,062,668)</u>	<u>(17,199,173)</u>
<b>Net debt, end of the year</b>	<u>\$ (22,644,005)</u>	<u>\$ (24,412,461)</u>	<u>\$ (16,062,668)</u>

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

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

<b>For the year ended December 31</b>	<b>2015</b>	<b>2014</b>
		(restated) (Note 20)
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus	\$ 17,871,371	\$ 5,817,779
Items not involving cash		
Amortization	6,035,637	5,843,807
Post-employment benefits	334,618	(12,172)
Solid waste landfill liability	280,117	(352,845)
(Gain) loss on disposal of assets	125,436	(31,981)
Deferred revenue recognized	(4,555,509)	(711,517)
Change in inventory of supplies	(6,627)	(6,765)
	<u>20,085,043</u>	<u>10,546,306</u>
Changes in non-cash working capital balances		
Taxes receivable	(364,003)	1,152,006
Trade and other receivables	(2,553,114)	(1,868,210)
Inventory held for resale	(26,022)	(1,492)
Accounts payable and accrued liabilities	2,908,166	1,796,337
Deferred revenue received	1,881,411	2,558,867
Prepaid expenses	(544,242)	(126,556)
	<u>21,387,239</u>	<u>14,057,258</u>
<b>Capital transactions</b>		
Cash used to acquire capital assets	(31,998,615)	(10,447,210)
Proceeds on sale of capital assets	167,247	87,431
	<u>(31,831,368)</u>	<u>(10,359,779)</u>
<b>Financing activities</b>		
Repayment of long-term liabilities	(2,289,853)	(2,322,358)
Increase in temporary borrowings	5,730,000	-
	<u>3,440,147</u>	<u>(2,322,358)</u>
<b>Net change in cash and cash equivalents</b>	<b>(7,003,982)</b>	<b>1,375,121</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>12,386,319</b>	<b>11,011,198</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 5,382,337</b>	<b>\$ 12,386,319</b>
<b>Cash and cash equivalents are comprised of:</b>		
Cash	\$ 1,243,327	\$ 8,249,204
Temporary investments	4,139,010	4,137,115
	<u>\$ 5,382,337</u>	<u>\$ 12,386,319</u>

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

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## The Corporation of the City of Owen Sound Summary of Significant Accounting Policies

December 31, 2015

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<b>Management Responsibility</b>	The management of the Corporation of the City of Owen Sound is responsible for the integrity, objectivity and accuracy of the financial information presented in these consolidated financial statements. The Financial Advisory Committee reviews and approves the consolidated financial statements before they are submitted to Council.
<b>Basis of Accounting</b>	<p>The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing.</p> <p>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.</p>
<b>Basis of Consolidation</b>	<p>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.</p> <p>The following boards controlled by Council have been consolidated:</p> <p>Owen Sound and North Grey Union Public Library</p> <p>Owen Sound Downtown Improvement Area Board of Management</p>
<b>Use of Estimates</b>	The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future. Estimates are used when accounting for items such as accrued grant receivables, accrued liabilities, useful lives of capital assets, post-employment benefits liability, solid waste landfill post-closure liabilities and taxes receivable.

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## The Corporation of the City of Owen Sound Summary of Significant Accounting Policies

December 31, 2015

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### Revenue Recognition

Revenues are recognized as follows:

- a) Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. 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) Investment income earned on surplus funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is recorded directly to each fund balance.
- e) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.
- f) Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of financial activities in the year in which it is used for the specified purpose

### Cash and Cash Equivalents

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

### 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.



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## The Corporation of the City of Owen Sound Summary of Significant Accounting Policies

**December 31, 2015**

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<b>County and School Board</b>	The municipality collects taxation revenue on behalf of the school boards and the County of Grey. The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Grey, are not reflected in these financial statements.												
<b>Other Receivables</b>	Other receivables are recorded at cost.												
<b>Non-Financial Assets</b>	Tangible capital assets and other non-financial assets are accounted for as assets by the City because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the City unless they are sold.												
<b>Inventory</b>	<p>Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.</p> <p>Inventory held for consumption is recorded at the lower of cost and replacement cost.</p>												
<b>Tangible Capital Assets</b>	<p>Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets using the straight-line method. The useful life of the assets is based on estimates made by management. The following useful lives are used:</p> <table><tr><td>Roads and sidewalks</td><td>10 - 80 years</td></tr><tr><td>Land improvements</td><td>40 - 75 years</td></tr><tr><td>Buildings and structures</td><td>15 - 40 years</td></tr><tr><td>Vehicles, machinery and equipment</td><td>3 - 20 years</td></tr><tr><td>Bridges and other structures</td><td>40 - 80 years</td></tr><tr><td>Water and sewer infrastructure</td><td>40 - 90 years</td></tr></table> <p>Tangible capital assets received as contributions are recorded at fair value at the date of receipt.</p>	Roads and sidewalks	10 - 80 years	Land improvements	40 - 75 years	Buildings and structures	15 - 40 years	Vehicles, machinery and equipment	3 - 20 years	Bridges and other structures	40 - 80 years	Water and sewer infrastructure	40 - 90 years
Roads and sidewalks	10 - 80 years												
Land improvements	40 - 75 years												
Buildings and structures	15 - 40 years												
Vehicles, machinery and equipment	3 - 20 years												
Bridges and other structures	40 - 80 years												
Water and sewer infrastructure	40 - 90 years												
<b>Intangible Assets</b>	Intangible assets, art and historic treasures are not recognized in these financial statements.												

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## The Corporation of the City of Owen Sound Summary of Significant Accounting Policies

**December 31, 2015**

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### **Post-Employment Benefits**

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

Previously the municipality was an employer included under Schedule 2 of the Workplace Safety and Insurance Act. It self-insured the entire risk of its own WSIB claims and was individually liable for reimbursing the WSIB for all costs relating to its workers' WSIB claims. The municipality is still liable for claims relating to Schedule 2 employer status. The cost of the claims are determined using management's best estimate.

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

### **Liability for Contaminated Sites**

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

### **Solid Waste Landfill Closure and Post-Closure Costs**

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

### **Trust Funds**

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

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

**December 31, 2015**

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**1. Cash and Bank Indebtedness**

	<u>2015</u>	<u>2014</u>
Unrestricted	<u>\$ 1,243,327</u>	<u>\$ 8,249,204</u>

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

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**2. Temporary Investments**

	<u>2015</u>	<u>2014</u>
Unrestricted	<u>\$ 4,139,010</u>	<u>\$ 4,137,115</u>

Investments include government bonds, municipal debentures and commercial paper from chartered banks with effective interest rates of 2.17% to 4.875%. Interest is receivable on a semi-annual basis. Investments have a market value of \$4,352,780 (2014 - \$4,356,883) at the end of the year.

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**3. Other Receivables**

	<u>2015</u>	<u>2014</u>
Loan, non-interest bearing, due on demand	<u>\$ 75,000</u>	<u>\$ 75,000</u>

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**4. Temporary Borrowings**

The City of Owen Sound has a demand operating facility with a financial institution at prime less 0.75%. At December 31, 2015, the City had a \$9,300,000 unused credit facility.

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

**December 31, 2015**

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**5. Solid Waste Landfill Closure and Post-Closure Liabilities**

Solid waste landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates and ongoing environmental monitoring, site inspection and maintenance.

The landfill was closed May 2005. The liability for the landfill site is recorded at \$2,770,296 (2014 - \$2,490,179) and represents the present value of post-closure costs for the closed site, using the Government of Canada's average long-term borrowing rate of 3.7%. The total estimated future expenditures for post-closure care are \$3,600,812 leaving an amount to be recognized of \$830,516. Post-closure care is estimated to continue for a period of 23 years.

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**6. Long-Term Liabilities**

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

	<u>2015</u>	<u>2014</u>
Debentures payable, 2.27% - 5.48%, principal and interest payable semi- annually, various maturities	\$ 20,196,061	\$ 20,498,451
Less: Debentures issued to reserve funds	<u>(4,010,634)</u>	<u>(2,023,171)</u>
	<u>\$ 16,185,427</u>	<u>\$ 18,475,280</u>

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

2016	\$ 2,255,518
2017	2,339,082
2018	1,925,624
2019	1,904,728
2020	1,880,420
Thereafter	<u>5,880,055</u>
	<u>\$ 16,185,427</u>

Interest paid during the year on long-term debt was \$711,029 (2014 - \$814,764).

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

December 31

**7. Tangible Capital Assets**

	2015							
	Land	Land Improvement	Buildings and Structures	Vehicles, Machinery and Equipment	Roads and Sidewalks	Bridges	Water and Sewer Infrastructure	Total
Cost, beginning of the year	\$ 6,149,262	\$ 12,474,028	\$ 89,356,090	\$ 25,934,577	\$ 71,057,164	\$ 9,371,941	\$ 91,769,229	\$ 306,112,291
Additions	276,413	37,246	20,526,400	731,772	9,905,642	-	521,142	31,998,615
Disposals	-	-	-	(2,358,683)	-	-	-	(2,358,683)
Cost, end of the year	6,425,675	12,511,274	109,882,490	24,307,666	80,962,806	9,371,941	92,290,371	335,752,223
Accumulated amortization, beginning of the year	-	4,972,256	22,729,798	13,471,639	29,678,846	1,752,036	43,719,809	116,324,384
Amortization	-	282,260	1,745,707	1,559,722	1,306,244	124,485	1,017,219	6,035,637
Disposals	-	-	-	(2,066,000)	-	-	-	(2,066,000)
Accumulated amortization, end of the year	-	5,254,516	24,475,505	12,965,361	30,985,090	1,876,521	44,737,028	120,294,021
Net carrying amount, end of the year	\$ 6,425,675	\$ 7,256,758	\$ 85,406,985	\$ 11,342,305	\$ 49,977,716	\$ 7,495,420	\$ 47,553,343	\$ 215,458,202

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

December 31

7. Tangible Capital Assets - (continued)

	Land	Land Improvement	Land	Buildings and Structures	Vehicles, Machinery and Equipment	Roads and Sidewalks	Bridges	Water and Sewer Infrastructure	Total
Cost, beginning of the year	\$ 6,149,262	\$ 12,458,175	\$ 83,154,568	\$ 24,295,007	\$ 69,409,976	\$ 9,371,941	\$ 91,130,470	\$ 295,969,399	
Additions	-	30,403	6,201,522	1,929,338	1,647,188	-	638,759	10,447,210	
Disposals	-	(14,550)	-	(289,768)	-	-	-	(304,318)	
Cost, end of the year	6,149,262	12,474,028	89,356,090	25,934,577	71,057,164	9,371,941	91,769,229	306,112,291	
Accumulated amortization, beginning of the year	-	4,694,591	20,992,714	12,155,953	28,369,743	1,627,551	42,888,893	110,729,445	
Amortization	-	277,665	1,737,084	1,564,554	1,309,103	124,485	830,916	5,843,807	
Disposals	-	-	-	(248,868)	-	-	-	(248,868)	
Accumulated amortization, end of the year	-	4,972,256	22,729,798	13,471,639	29,678,846	1,752,036	43,719,809	116,324,384	
Net carrying amount, end of the year	\$ 6,149,262	\$ 7,501,772	\$ 66,626,292	\$ 12,462,938	\$ 41,378,318	\$ 7,619,905	\$ 48,049,420	\$ 189,787,907	

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

**December 31, 2015**

**7. Tangible Capital Assets - (continued)**

The net book value of tangible capital assets not being amortized because they are under construction is \$41,671,648 (2014 - \$10,736,060).

Interest of \$278,545 (2014 - \$238,726) was capitalized to tangible capital assets during the year.

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

**8. Accumulated Surplus**

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

	2015	2014
		(restated)
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$ 215,458,202	\$189,787,907
Unfinanced capital assets	(24,493,531)	(17,852,290)
Capital assets financed by long-term liabilities and to be funded in future years (Note 6)	(20,196,061)	(20,498,451)
Total invested in capital assets	170,768,610	151,437,166
Unfunded post-employment benefits	(3,644,780)	(3,310,162)
Unfunded solid waste closure and post-closure costs	(2,770,296)	(2,490,179)
General surplus (Note 10)	79,392	210,594
Unfunded tax adjustments	-	(447,100)
Library Adult Learning Centre surplus	60,980	59,717
	164,493,906	145,460,036
Reserves and reserve funds (Note 9)	27,767,676	28,930,175
Accumulated surplus	\$ 192,261,582	\$174,390,211

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

**December 31, 2015**

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

	<u>2015</u>	<u>2014</u>
<b>Reserves</b>		
Working funds	\$ 1,426,167	\$ 1,361,943
Capital purposes	<u>2,614,435</u>	<u>2,256,751</u>
	<u>4,040,602</u>	<u>3,618,694</u>
 <b>Reserve funds</b>		
Sick leave	46,219	63,896
Capital purposes	<u>23,680,855</u>	<u>25,247,585</u>
	<u>23,727,074</u>	<u>25,311,481</u>
 <b>Total reserves and reserve funds</b>	<u><u>\$27,767,676</u></u>	<u><u>\$ 28,930,175</u></u>

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

**December 31, 2015**

**10. Budgets**

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

	2015	2015	2014
	Budget	Actual	Actual
Annual surplus (Page 5)	\$ 28,934,347	\$ 17,871,371	\$ 5,817,779
Prior year general surplus	-	210,594	330,995
Net budget transfers to reserves	(1,406,163)	1,162,500	(1,666,685)
Capital acquisitions, disposals and write-down	(35,515,684)	(31,705,932)	(10,391,760)
Amortization	-	6,035,637	5,843,807
Proceeds from long-term debt	10,718,368	2,438,932	-
Debt principal repayments	(2,730,868)	(2,741,321)	(2,833,232)
Change in unfunded liabilities	-	167,635	82,083
Change in other surpluses	-	(1,263)	(1,173)
	-	(6,561,847)	(2,818,186)
Capital projects not funded	-	6,641,239	3,028,780
	\$ -	\$ 79,392	\$ 210,594

**11. Other Income**

	2015	2015	2014
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 250,000	\$ 325,454	\$ 285,737
Other fines and penalties	180,000	158,612	133,644
Investment income	108,100	579,067	465,518
Licenses, permits and rents	1,312,441	1,430,679	1,346,966
Donations	209,775	1,120,637	623,153
Gain (loss) on disposal of capital assets	-	(125,436)	31,981
Contributions from non-consolidated entities	25,000	24,584	28,246
Other	16,500	82,799	37,809
	\$ 2,101,816	\$ 3,596,396	\$ 2,953,054

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

**December 31, 2015**

**12. Owen Sound Downtown Improvement Area Board of Management**

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

	2015	2014
Financial assets	\$ 139,708	\$ 116,004
Liabilities	22,158	18,123
Net financial assets	117,550	97,881
Non-financial assets	18,608	30,583
Accumulated surplus	\$ 136,158	\$ 128,464
Revenues	\$ 247,986	\$ 250,785
Expenses	240,292	269,606
Annual surplus (deficit)	\$ 7,694	\$ (18,821)

**13. Owen Sound & North Grey Union Public Library**

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

	2015	2014
Financial assets	\$ 1,170,360	\$ 1,072,363
Liabilities	671,560	633,230
Net financial assets	498,800	439,133
Non-financial assets	838,694	867,691
Accumulated surplus	\$ 1,337,494	\$ 1,306,824
Revenues	\$ 2,315,284	\$ 2,356,499
Expenses	2,284,614	2,372,511
Annual surplus (deficit)	\$ 30,670	\$ (16,012)

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

**December 31, 2015**

**14. Government Contributions**

	2015 Budget	2015 Actual	2014 Actual
<b>Operating</b>			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)\$	769,300	\$ 769,300	\$ 961,600
- Other	1,165,639	1,991,198	1,962,571
	<u>1,934,939</u>	<u>2,760,498</u>	<u>2,924,171</u>
Government of Canada			
- Other	127,765	108,280	121,101
Other municipalities			
- Library	526,118	594,641	578,954
- Police	1,074,196	1,027,677	843,553
- Roads	142,500	134,179	123,185
- Other	5,000	(845)	16,257
	<u>1,747,814</u>	<u>1,755,652</u>	<u>1,561,949</u>
<b>Total operating contributions</b>	<u><b>3,810,518</b></u>	<u><b>4,624,430</b></u>	<u><b>4,607,221</b></u>
<b>Capital</b>			
Province of Ontario			
- Roads	3,100,000	2,992,521	158,804
- Sewer and water	6,466,667	5,926,189	1,422,840
- Other	-	7,137	144,829
	<u>9,566,667</u>	<u>8,925,847</u>	<u>1,726,473</u>
Government of Canada			
- Sewer and water	6,466,667	5,534,494	1,422,840
- Other	41,200	41,210	6,000
	<u>6,507,867</u>	<u>5,575,704</u>	<u>1,428,840</u>
Other municipalities			
- Roads	2,700,000	1,983,854	-
<b>Total capital contributions</b>	<u><b>18,774,534</b></u>	<u><b>16,485,405</b></u>	<u><b>3,155,313</b></u>
<b>Total contributions</b>	<u><b>\$ 22,585,052</b></u>	<u><b>\$ 21,109,835</b></u>	<u><b>\$ 7,762,534</b></u>

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

**December 31, 2015**

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**15. Pension Agreements**

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 278 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement income to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed to OMERS for 2015 by the City was \$1,815,208 (2014 - \$1,751,055). The contribution rate for 2015 was 9.0% to 15.8% depending on age and income level (2014 - 9.0% to 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 on December 31, 2015. At that time the plan reported a \$7.0 billion actuarial deficit (2014 - \$7.1 billion), 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 and may lead to increased future funding requirements.

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

**December 31, 2015**

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**16. Post-Employment Benefits**

	2015	2014
Sick leave liability	\$ 42,037	\$ 54,230
Vacation pay liability	1,203,994	865,856
Post-employment benefits	2,398,749	2,390,076
	\$ 3,644,780	\$ 3,310,162

- a) Sick leave liability includes amounts earned by employees as defined by applicable union contract but not taken during the year. This amount is funded through reserves.
- b) The vacation liability includes vacation earned. The vacation year for an employee begins either on their "start date" anniversary or the date defined by the applicable union contract. The vacation liability includes all carry-forward amounts from the previous vacation year and vacation earned from the vacation start date to December 31, 2015. This amount is not funded.
- c) The City pays certain life insurance, health and dental benefits on behalf of its retired employees to the age of 65. The City recognizes these post-employment costs in the period in which the employees rendered the services. An actuarial valuation has been performed using the assumption of a 4.25% per year borrowing rate and a 2% per year inflation rate. This amount has not been funded.

	2015	2014
Current period benefit cost	\$ 91,740	\$ 103,698
Interest costs	99,645	124,035
Total expense for the year	\$ 191,385	\$ 227,733

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

During 2014, the Government of Ontario expanded regulations to include six additional cancers presumed to be work-related for firefighters under the Workplace Safety and Insurance Act. This change is retroactive to January 1, 1960. As the City was self-insured for the period 1998 to 2009 this change in regulations may give rise to liabilities of the City for work-related cancers incurred by firefighters during this time. The municipality is assessing the impact of this change and is unable to determine whether a liability exists at year-end. Consequently, no provision has been made in these financial statements for any liability that may result.

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

**December 31, 2015**

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**17. Operations of School Boards and the County of Grey**

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

	<u>2015</u>	<u>2014</u>
School boards	\$ 7,426,468	\$ 7,835,968
County of Grey	7,401,255	7,857,188
	<u>\$14,827,723</u>	<u>\$ 15,693,156</u>

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**18. Trust Funds**

The trust funds administered by the City have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At December 31, 2015, the trust fund balances are as follows:

	<u>2015</u>	<u>2014</u>
Cemetery Care and Maintenance Funds	\$ 1,231,194	\$ 1,199,880
Art Collection and Gallery Building Trust	113,326	112,243
	<u>\$ 1,344,520</u>	<u>\$ 1,312,123</u>

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

**December 31, 2015**

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**19. Contractual Commitments**

The Corporation of the City of Owen Sound has entered into an agreement expiring December 2017, for administration of biosolids disposal, reporting and inspection of sanitary sewers.

The Corporation of the City of Owen Sound has entered into a contract expiring September 2021 for the operation of the City's transit system including regular and specialized transit services.

The Corporation of the City of Owen Sound has entered into an agreement, expiring May 2023, for recycling collection, processing and marketing services.

The Corporation of the City of Owen Sound has entered into an agreement, expiring May 2023, for the provision of waste collection and disposal.

The Corporation of the City of Owen Sound has entered into a contract expiring December 2019, for streetlight maintenance.

The Corporation of the City of Owen Sound has entered into a contract expiring December 31, 2017, for parking control services.

The Corporation of the City of Owen Sound has entered into a contract expiring December 2017, for school crossing guard services.

The Corporation of the City of Owen Sound has entered into a contract expiring September 2017, for landfill leachate haulage.

The Corporation of the City of Owen Sound has awarded construction contracts for the purposes of road works and the construction of the waste water treatment plant as well as some other smaller capital projects. At December 31, 2015 \$38,797,590 remains to be spent on these contracts.

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

**December 31, 2015**

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**20. Prior Period Restatement**

Management has determined that stormwater leads and catch basins were excluded from capitalization of tangible assets as part of the adoption of Tangible Capital Asset accounting standards in 2009. The impact of adjusting for these additional items is as follows:

	<u>2014</u>
<b>Consolidated Balance Sheet</b>	
Increase in non-financial assets - tangible capital assets	<u>\$ 4,107,293</u>
Increase in accumulated surplus	<u>\$ 4,107,293</u>

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

December 31, 2015

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### 21. Segmented Information

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

#### **Administration Services**

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

#### **Operation Services**

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

#### **Community Services**

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

#### **Parks and Cemeteries**

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

#### **Economic Development**

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

#### **Protection Services**

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

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

**December 31, 2015**

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**21. Segmented Information - (continued)**

**Cultural Services**

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

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

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

For the year ended December 31	Administration Services	Operation Services	Community Services	Parks and Cemeteries	Economic Development	Protection Services	Cultural Services	2015 Total
<b>Revenue</b>								
Taxation	\$ 1,294,312	\$ 6,989,286	\$ -	\$ 1,553,175	\$ -	\$ 12,943,122	\$ 3,106,349	\$ 25,886,244
Fees and user charges	149,518	12,097,945	544,359	160,704	53,126	236,218	317,533	13,559,403
Specific grants	56,210	16,806,940	(25,000)	2,032	379,583	1,485,729	1,635,041	20,340,535
OMP grant	38,465	207,711	-	46,158	-	384,650	92,316	769,300
Other revenue	907,683	555,160	1,848,563	63,262	-	49,535	172,193	3,596,396
Transfers from obligatory reserve	-	2,185,134	-	-	-	-	-	2,185,134
	<u>2,446,188</u>	<u>38,842,176</u>	<u>2,367,922</u>	<u>1,825,331</u>	<u>432,709</u>	<u>15,099,254</u>	<u>5,323,432</u>	<u>66,337,012</u>
<b>Expenses</b>								
Salaries and benefits	1,500,419	5,227,647	1,159,012	1,177,513	685,801	12,820,497	1,400,884	23,971,773
Interest on debt	78,704	348,929	50,897	1,593	-	230,906	-	711,029
Materials and supplies	1,133,662	7,075,728	1,114,402	546,397	291,719	590,296	509,611	11,261,815
Contracted services	405,834	3,776,838	204,218	50,692	53,015	364,913	17,942	4,873,452
Other transfers	82,977	-	795	-	1,619	234,426	976,897	1,296,714
Rents and financial expenses	31,776	35,298	15,720	19,684	24,399	8,425	14,920	150,222
Amortization	119,945	3,441,495	946,493	731,847	11,975	498,703	285,178	6,035,636
Transfers to obligatory reserve fund	-	-	-	-	165,000	-	-	165,000
	<u>3,353,317</u>	<u>19,905,935</u>	<u>3,491,537</u>	<u>2,527,776</u>	<u>1,233,528</u>	<u>14,748,166</u>	<u>3,205,432</u>	<u>48,465,641</u>
<b>Annual surplus (deficit)</b>	<b>\$ (907,129)</b>	<b>\$18,936,241</b>	<b>\$ (1,123,615)</b>	<b>\$ (702,395)</b>	<b>\$ (800,819)</b>	<b>\$ 351,088</b>	<b>\$ 2,118,000</b>	<b>\$ 17,871,371</b>

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

	<b>For the year ended December 31</b>						<b>2014</b>
	<b>Administration</b>	<b>Operation</b>	<b>Community</b>	<b>Parks and</b>	<b>Economic</b>	<b>Protection</b>	<b>2014</b>
	<b>Services</b>	<b>Services</b>	<b>Services</b>	<b>Cemeteries</b>	<b>Development</b>	<b>Services</b>	<b>Total</b>
<b>Revenue</b>							
Taxation	\$ 1,239,376	\$ 6,692,086	\$ -	\$ 1,487,130	\$ -	\$ 12,392,753	\$ 24,785,606
Fees and user charges	133,460	11,857,072	446,576	125,666	54,095	290,567	13,331,230
Specific grants	33,719	3,364,991	-	-	539,733	1,295,890	6,800,933
OMP grant	48,080	259,632	-	57,696	-	480,800	961,600
Other revenue	763,706	448,518	1,466,479	29,695	3,000	56,706	2,953,054
Transfers from obligatory reserve	-	633,255	78,262	-	-	-	711,517
	<u>2,218,341</u>	<u>23,255,554</u>	<u>1,991,317</u>	<u>1,700,187</u>	<u>596,828</u>	<u>14,516,716</u>	<u>49,543,940</u>
<b>Expenses</b>							
Salaries and benefits	1,762,956	4,989,119	1,195,159	1,166,640	659,670	11,987,685	23,131,013
Interest on debt	493,160	319,706	-	1,898	-	-	814,764
Materials and supplies	1,176,444	6,927,090	1,066,044	561,596	339,073	576,768	11,369,139
Contracted services	375,233	245,792	43,793	(132,311)	161,111	374,457	1,086,294
Other transfers	77,462	-	-	-	3,338	230,716	1,326,071
Rents and financial expenses	14,054	45,015	17,717	16,372	39,911	6,817	155,073
Amortization	89,810	3,391,202	930,181	665,486	10,444	456,330	5,843,807
	<u>3,989,119</u>	<u>15,917,924</u>	<u>3,252,894</u>	<u>2,279,681</u>	<u>1,213,547</u>	<u>13,632,773</u>	<u>43,726,161</u>
<b>Annual surplus (deficit)</b>	<u>\$ (1,770,778)</u>	<u>\$ 7,337,630</u>	<u>\$ (1,261,577)</u>	<u>\$ (579,494)</u>	<u>\$ (616,719)</u>	<u>\$ 883,943</u>	<u>\$ 1,824,774</u>
							<u>\$ 5,817,779</u>

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

**For the year ended December 31, 2015**

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
<b>Obligatory Reserve Funds</b>					
Federal Gas Tax	\$ 1,427,451	\$ 627,985	\$ 7,013	\$(1,917,219)	\$ 145,230
Provincial Transit Gas Tax	392,191	249,510	8,796	(249,510)	400,987
Development charges	1,401,865	68,659	11,536	(15,490)	1,466,570
Building development	-	165,000	-	-	165,000
Recreational land	91,521	17,259	1,398	-	110,178
Parking revenues	2,915	-	-	(2,915)	-
	<b>3,315,943</b>	<b>1,128,413</b>	<b>28,743</b>	<b>(2,185,134)</b>	<b>2,287,965</b>
<b>Other</b>					
Small Rural and Northern Municipal Infrastructure Fund Capital Program - 3rd Avenue East	588,428	-	-	(588,428)	-
Small Rural and Northern Municipal Infrastructure Fund Capital Program - 8th Street East	957,768	-	-	(957,768)	-
Other deferred revenues	260,188	724,255	-	(824,179)	160,264
	<b>\$ 5,122,327</b>	<b>\$ 1,852,668</b>	<b>\$ 28,743</b>	<b>\$(4,555,509)</b>	<b>\$2,448,229</b>

**The Corporation of the  
City of Owen Sound  
Trust Funds  
Financial Information  
For the year ended December 31, 2015**

**The Corporation of the City of Owen Sound  
Trust Funds Financial Information  
For the year ended December 31, 2015**

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Owen Sound ON N4K 5P7 Canada

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## Independent Auditor's Report

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

We have audited the accompanying financial information for the trust funds of the City of Owen Sound, which comprise the balance sheet as at December 31, 2015, the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Information

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on this financial information 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 information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, 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 information 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 information.

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 information presents fairly, in all material respects, the balance sheet for the trust funds of the City of Owen Sound as at December 31, 2015 and the statement of continuity 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  
September 6, 2016

**The Corporation of the City of Owen Sound  
Trust Funds  
Balance Sheet**

**December 31, 2015**

	Cemetery Care and Maintenance	Art Collection and Gallery Building Trust	Total 2015	Total 2014
<b>Assets</b>				
Cash	\$ 217,571	\$ 113,326	\$ 330,897	\$ 327,735
Investments (Note 2)	661,162	-	661,162	759,911
	878,733	113,326	992,059	1,087,646
<b>Other</b>				
Due from City of Owen Sound	352,461	-	352,461	224,477
	\$ 1,231,194	\$ 113,326	\$1,344,520	\$ 1,312,123
<b>Fund Balance</b>	<b>\$ 1,231,194</b>	<b>\$ 113,326</b>	<b>\$1,344,520</b>	<b>\$ 1,312,123</b>

**The Corporation of the City of Owen Sound**  
**Trust Funds**  
**Statement of Continuity**

**For the year ended December 31, 2015**

	Cemetery Care and Maintenance	Art Collection and Gallery Building Trust	Total 2015	Total 2014
<b>Balance, beginning of the year</b>	\$ 1,199,880	\$ 112,243	\$1,312,123	\$ 1,289,760
<b>Receipts</b>				
Share of plot sales	31,314	-	31,314	20,852
Interest earned	24,584	1,083	25,667	29,757
	55,898	1,083	56,981	50,609
<b>Expenditures</b>				
Transfer to City of Owen Sound	24,584	-	24,584	28,246
<b>Balance, end of the year</b>	\$ 1,231,194	\$ 113,326	\$1,344,520	\$ 1,312,123

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**The Corporation of the City of Owen Sound**  
**Trust Funds**  
**Notes to the Financial Statements**

**December 31, 2015**

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**1. Summary of Significant Accounting Policies**

**Basis of Consolidation**                      These trust funds have not been consolidated with the financial statements of the City of Owen Sound.

**Basis of Accounting**                      The financial statements of the Corporation of the City of Owen Sound Trust Funds 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 Chartered Professional Accountants of Canada as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

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

**Use of Estimates**                      The preparation of financial information 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 information, 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.

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**2. Investments**

The total investments of \$661,162 (2014 - \$759,911) reported on the balance sheet at cost have a market value of approximately \$661,162 (2014 - \$759,911) at the end of the year.

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