# CORPORATION OF THE
# TOWN OF SOUTH BRUCE PENINSULA

## CONSOLIDATED FINANCIAL REPORT

## DECEMBER 31, 2013

# CORPORATION OF THE
# TOWN OF SOUTH BRUCE PENINSULA

**DECEMBER 31, 2013**

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# GAVILLER & COMPANY LLP
**CHARTERED ACCOUNTANTS**

## INDEPENDENT AUDITOR'S REPORT

To the Members of Council of the **Town of South Bruce Peninsula**:

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the Town of South Bruce Peninsula, which comprise the statement of financial position as at December 31, 2013, and the statement of operations, statements of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of South Bruce Peninsula as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Licensed Public Accountants
Walkerton, Ontario
May 20, 2014

# CORPORATION OF THE
# TOWN OF SOUTH BRUCE PENINSULA

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT DECEMBER 31

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| **Financial assets** | | |
| Cash (Note 3) | **10,131,389** | 7,683,059 |
| Taxes receivable | **1,706,770** | 1,563,120 |
| Accounts receivable | **893,315** | 1,151,059 |
| Inventory - held for resale | **26,562** | 32,362 |
| Long-term receivables (Note 4) | **1,438,336** | 1,706,032 |
| | **14,196,372** | 12,135,632 |
| **Liabilities** | | |
| Accounts payable and accruals | **892,582** | 1,147,471 |
| Landfill closure and post-closure liability (Note 20) | **508,976** | 444,488 |
| Deferred revenue (Note 10) | **1,614,592** | 991,613 |
| Long-term liabilities (Note 6) | **2,166,447** | 2,431,063 |
| | **5,182,597** | 5,014,635 |
| Net financial assets | **9,013,775** | 7,120,997 |
| **Non-financial assets** | | |
| Tangible capital assets (Schedule 1, Schedule 2 and Note 11) | **47,024,974** | 47,730,469 |
| Prepaid expenses | **259,416** | 506,322 |
| Inventory | **62,501** | 81,117 |
| | **47,346,891** | 48,317,908 |
| **Accumulated surplus (Note 13)** | **56,360,666** | 55,438,905 |

Approved _____ Mayor

_____ Date

The accompanying notes are an integral part of
these financial statements

# CORPORATION OF THE
# TOWN OF SOUTH BRUCE PENINSULA

## CONSOLIDATED STATEMENT OF OPERATIONS
## FOR THE YEAR ENDED DECEMBER 31

| | Budget 2013 | **Actual 2013** | Actual 2012 |
|---|---|---|---|
| | $ (Note 8) | **$** | $ |
| **Revenues** | | | |
| Net property taxation (Note 15) | 8,829,559 | **8,893,799** | 8,569,306 |
| User charges and fees | 3,279,943 | **3,123,464** | 2,997,143 |
| Government transfers (Note 9) | 2,514,636 | **2,640,105** | 2,568,348 |
| Other income (Note 12) | 1,243,400 | **1,007,864** | 1,246,760 |
| | 15,867,538 | **15,665,232** | 15,381,557 |
| **Expenses** | | | |
| General government | 1,460,672 | **1,439,047** | 1,576,908 |
| Protection to persons and property | 3,895,517 | **3,694,505** | 3,540,634 |
| Transportation services | 3,878,303 | **4,092,524** | 3,767,284 |
| Environmental services | 3,527,819 | **3,446,861** | 3,246,051 |
| Health services | 290,164 | **221,604** | 147,444 |
| Recreational and cultural services | 1,592,923 | **1,679,234** | 1,706,788 |
| Planning and development | 337,255 | **298,155** | 253,763 |
| | 14,982,653 | **14,871,930** | 14,238,872 |
| Net revenues | 884,885 | **793,302** | 1,142,685 |
| **Other** | | | |
| Grants and transfers related to capital | | | |
| Government grants (Note 9) | 1,078,676 | **464,047** | 53,639 |
| Capital cost recoveries | 324,419 | **348,452** | 266,275 |
| Gain (loss) on disposal of tangible capital assets | - | **(693,331)** | 350,367 |
| Contributed tangible capital assets | - | **9,291** | - |
| | 1,403,095 | **128,459** | 670,281 |
| Annual surplus (Note 8) | 2,287,980 | **921,761** | 1,812,966 |
| Accumulated surplus, beginning of year | | **55,438,905** | 53,625,939 |
| Accumulated surplus, end of year (Note 13) | | **56,360,666** | 55,438,905 |

The accompanying notes are an integral part of
these financial statements

# CORPORATION OF THE
# TOWN OF SOUTH BRUCE PENINSULA

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

| | Budget 2013 | **Actual 2013** | Actual 2012 |
|---|---|---|---|
| | $ (Note 8) | **$** | $ |
| **Annual surplus** | 2,287,980 | **921,761** | 1,812,966 |
| Acquisition of tangible capital assets | (2,829,461) | **(1,811,194)** | (1,093,046) |
| Amortization of tangible capital assets | - | **1,804,430** | 1,778,297 |
| Loss (gain) on disposal of tangible capital assets | - | **693,331** | (350,367) |
| Proceeds on disposal of tangible capital assets | - | **28,219** | 480,120 |
| Contributed tangible capital assets | - | **(9,291)** | - |
| Use of inventory | - | **18,616** | - |
| Acquisition of inventory | - | **-** | (20,647) |
| Acquisition of prepaid expenses | - | **-** | (302,216) |
| Use of prepaid expenses | - | **246,906** | - |
| Change in net financial assets | (541,481) | **1,892,778** | 2,305,107 |
| Net financial assets, beginning of year | | **7,120,997** | 4,815,890 |
| Net financial assets, end of year | | **9,013,775** | 7,120,997 |

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these financial statements

# CORPORATION OF THE
# TOWN OF SOUTH BRUCE PENINSULA

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

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| **Cash flows from (for):** | | |
| **Operating activities** | | |
| Annual surplus | **921,761** | 1,812,966 |
| Non-cash items: | | |
| Amortization of tangible capital assets | **1,804,430** | 1,778,297 |
| Loss (Gain) on disposal of tangible capital assets | **693,331** | (350,367) |
| Contributed tangible capital assets | **(9,291)** | |
| Change in landfill closure and post-closure liability | **64,487** | (32,216) |
| | **3,474,718** | 3,208,680 |
| Changes in: | | |
| Taxes receivable | **(143,650)** | (104,366) |
| Accounts receivable | **257,746** | 123,226 |
| Inventory - held for resale | **5,800** | 8,733 |
| Accounts payable and accruals | **(254,889)** | 355,605 |
| Prepaid expenses | **246,906** | (302,216) |
| Inventory | **18,616** | (20,647) |
| Net change in cash from operations | **3,605,247** | 3,269,015 |
| **Capital activities** | | |
| Acquisition of tangible capital assets | **(1,811,194)** | (1,093,046) |
| Proceeds on sale of capital assets | **28,219** | 480,120 |
| Net change in cash from capital | **(1,782,975)** | (612,926) |
| **Investing activities** | | |
| (Increase) decrease in long-term receivables | **267,696** | 214,873 |
| **Financing activities** | | |
| Repayment of long-term liabilities | **(264,617)** | (257,808) |
| Increase in deferred revenue | **622,979** | 160,063 |
| Net change in cash from financing | **358,362** | (97,745) |
| **Net change in cash position** | **2,448,330** | 2,773,217 |
| Cash position, beginning of year | **7,683,059** | 4,909,842 |
| **Cash position, end of year** | **10,131,389** | 7,683,059 |

The accompanying notes are an integral part of
these financial statements

# CORPORATION OF THE
# TOWN OF SOUTH BRUCE PENINSULA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## AS AT DECEMBER 31, 2013

**Nature of operations**

The Town of South Bruce Peninsula ("the municipality") combines the former rural townships of Albemarle, and Amabel, the village of Hepworth and Town of Wiarton and is a lower-tier municipality located in the County of Bruce, Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes, such as the Municipal Act, Municipal Affairs Act and related legislation.

**1. Summary of significant accounting policies**

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

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

(a) Basis of consolidation

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

Wiarton Business Improvement Area

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

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

| | |
|---|---|
| Wiarton Keppel International Airport Joint Municipal Service Board | 50% |
| Bruce Area Solid Waste Recycling | 21.12% |

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

**1. Summary of significant accounting policies (continued)**

(b) Basis of accounting

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

(c) Revenue recognition

Tax levies and capital costs recoveries are recognized as revenue when the amounts are levied on the municipality's ratepayers. User fees, and other revenues are recognized when related goods or services are provided and collectibility is reasonably assured.

(d) Non-financial assets

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

Tangible capital assets

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

| | |
|---|---|
| Land improvements | - 15 to 25 years |
| Buildings | - 10 to 25 years |
| Vehicles, machinery and equipment | - 5 to 25 years |
| Infrastructure: | |
| Roads - paved | - 10 to 20 years |
| Roads - gravel | - 25 years |
| Bridges and other structures | - 40 to 70 years |
| Water and other utility systems | - 45 to 75 years |

(e) Inventory

Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Inventory held for consumption is recorded at the lower of cost and replacement cost.

**1. Summary of significant accounting policies (continued)**

(f) Deferred revenue

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

(g) County and school boards

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

(h) Government transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(i) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The municipality's implementation of the Public Sector Handbook PS3150 has required management to make estimates of historical cost, useful lives and amortization of tangible capital assets. In addition, estimates have been made of closure and post-closure costs related to landfill sites. Actual results could differ from those estimates.

(j) Segment disclosures

The municipality has adopted the Public Sector Accounting Board standard requiring financial information to be provided on a segmented basis (PSAB 2700). Municipal services have been segmented by grouping activities that have similar service objectives (by function). Revenues that are directly related to the costs of the function have been attributed to each segment.

## 2. New accounting pronouncements and policies

On January 1, 2013, the authority adopted the Public Sector Accounting Handbook Section 3410, "Government Transfers". The new standard establishes recognition, measurement, presentation and disclosure standards for transfers from senior levels of government and transfers from the municipality. This section is effective for fiscal years beginning on or after April 1, 2012. The accounting change resulted in no change to operating surplus or measurement of assets or liabilities.

On January 1, 2013, the authority adopted the Public Sector Accounting Handbook Section 3510, "Tax Revenue". The new standard establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in the financial statements. This section is effective for fiscal years beginning on or after April 1, 2012. The accounting change resulted in no change to operating surplus or measurement of assets or liabilities.

## 3. Cash

Cash consists of the following:

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| Unrestricted | **2,455,923** | 4,844,481 |
| Restricted | **7,675,466** | 2,838,578 |
| | **10,131,389** | 7,683,059 |

The municipality earns interest at prime minus 1.75% on all bank account balances. The municipality maintains all of its bank accounts at one chartered bank.

## 4. Long-term receivables

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| Water loan receivable, 3.1% interest rate, semi-annual repayments, due 2016 | **89,892** | 118,072 |
| Water loan receivable, 3.81% interest rate, semi-annual repayments, due 2020 | **1,225,365** | 1,412,710 |
| Water and sewer loan receivable, 8% various repayment and due dates | **123,079** | 175,250 |
| | **1,438,336** | 1,706,032 |

## 5. Temporary borrowings

The municipality has a revolving demand facility available of $3,000,000 to finance general operating requirements. The facility was not drawn upon at December 31, 2013.

## 6. Long-term liabilities

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

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| Loan payable, OSIFA, 2.93%, semi-annual payments of $43,178 principal and interest, due 2024 | **775,688** | 837,945 |
| Loan payable, OSIFA 2.81%, semi-annual payments of $100,059 principal and interest, due 2020 | **1,263,642** | 1,424,845 |
| Loan payable, OSIFA 2.1%, semi-annual payments of $15,364 principal and interest, due 2016 | **88,887** | 117,300 |
| Capital lease payable, Mine Safety Applications Company, 0%, yearly payments of $12,743, due 2016 | **38,230** | 50,973 |
| | **2,166,447** | 2,431,063 |

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

| | Principal | Lease Payments |
|---|---|---|
| 2014 | 258,872 | 12,743 |
| 2015 | 266,067 | 12,743 |
| 2016 | 273,464 | 12,744 |
| 2017 | 250,178 | - |
| 2018 | 257,343 | - |
| Thereafter | 822,293 | - |

The annual principal and interest payments required to service these liabilities are within the annual debt repayment limited prescribed by the Ministry of Municipal Affairs and Housing. Total interest charges on long-term liabilities for the year reported on the consolidated statement of operations are $66,979 (2012 - $88,615). There was no interest paid on the capital lease obligation.

## 7. Employee future benefits

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

OMERS is a multiemployer 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 plan has a reported $8.6 billion actuarial deficit at the end of 2013 (2012 - $9.9 billion), based on actuarial liabilities of $73.0 billion (2012 - $69.3 billion) and actuarial assets of $64.4 billion (2012 - $59.4 billion).

The amount contributed to OMERS for the current year was $249,799 (2012 - $199,012) for current service.

## 8. Budget amounts

The operating budget approved by Council for 2013 is reflected on the consolidated statement of operations and statement of changes in net financial assets. The budgets established for capital investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with the current year's actual expenditure amounts. The budget figures have not been audited.

The following is a reconciliation of the budget approved by Council:

| | Budget 2013 | **Actual 2013** | Actual 2012 |
|---|---|---|---|
| | $ | $ | $ |
| Annual surplus | 2,287,980 | **921,761** | 1,812,966 |
| Net transfers from (to) reserves | 1,545,323 | **(1,071,271)** | (2,438,938) |
| Tangible capital asset expenditures | (3,423,866) | **(1,820,485)** | (1,093,046) |
| (Gain) loss on disposal of tangible capital assets | - | **693,331** | (350,367) |
| Proceeds on disposal of tangible capital assets | - | **28,219** | 480,120 |
| Amortization of tangible capital assets | - | **1,804,430** | 1,778,297 |
| Debt principal repayments | (264,872) | **(75,000)** | (66,926) |
| Change in unfunded liabilities - landfill | - | **64,487** | (32,216) |
| Change in other surpluses | - | **153,638** | (165,653) |
| Subtotal | 144,565 | **699,110** | (75,763) |
| Prior year capital projects funded | (144,565) | **(699,110)** | 75,763 |
| | - | **-** | - |

# CORPORATION OF THE
# TOWN OF SOUTH BRUCE PENINSULA

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**AS AT DECEMBER 31, 2013**

## 9. Government transfers

| | Budget | **2013** | 2012 |
|---|---|---|---|
| | $ | **$** | $ |
| Operating: | (Note 8) | | |
| Province of Ontario | | | |
| Ontario Municipal Partnership Fund (OMPF) | 2,057,100 | **2,093,175** | 2,088,400 |
| Conditional - Roads | 20,000 | **18,590** | 24,460 |
| - Other | 75,252 | **145,707** | 164,751 |
| | 2,152,352 | **2,257,472** | 2,277,611 |
| Other Municipalities | | | |
| Conditional - Other | 362,284 | **382,633** | 290,737 |
| Total operating transfers | 2,514,636 | **2,640,105** | 2,568,348 |
| Capital: | | | |
| Province of Ontario | | | |
| Conditional - Roads | 1,041,079 | **56,470** | - |
| - Sewer and water | (409,776) | **-** | 25,000 |
| - Other | 3,800 | **12,200** | 973 |
| | 635,103 | **68,670** | 25,973 |
| Government of Canada | | | |
| Federal Gas Tax | 443,573 | **395,377** | 20,449 |
| - Other | - | **-** | 7,217 |
| | 443,573 | **395,377** | 27,666 |
| Total capital transfers | 1,078,676 | **464,047** | 53,639 |
| **Total government transfers** | 3,593,312 | **3,104,152** | 2,621,987 |

## 10. Deferred revenue - obligatory reserve funds and other

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

The net change in obligatory reserve funds during the year are as follows:

| | Opening | Contributions Received | Investment Income | Revenue Recognized | Ending |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Lot levies | 42,672 | - | 533 | - | **43,205** |
| Recreational land | 44,519 | 12,250 | 633 | - | **57,402** |
| Parking revenues | 14,084 | 722 | 180 | - | **14,986** |
| Federal gas tax | 327,357 | 258,130 | 3,235 | 395,377 | **193,345** |
| Building code | 552,585 | - | 5,554 | 216,628 | **341,511** |
| MIII Grant | - | 967,128 | 5,838 | 33,001 | **939,965** |
| Total obligatory | 981,217 | 1,238,230 | 15,973 | 645,006 | **1,590,414** |

The net change in other deferred revenue accounts are as follows:

| | Opening | Contributions Received | Investment Income | Revenue Recognized | Ending |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Other grants | 10,396 | 24,178 | - | 10,396 | **24,178** |
| Total deferred revenue | 991,613 | 1,262,408 | 15,973 | 655,402 | **1,614,592** |

## 11. Tangible capital assets

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

(a) Work in progress

Work in progress with a value of $119,671 (2012 - $711,205) has not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is $9,291 (2012 - $NIL).

(c) Works of art and historical treasures

The municipality holds various works of art and historical treasures including statues, monuments, plaques, paintings and photographs. 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.

## 12. Other income

Other income consists of the following:

| | 2013 Budget | **2013 Actual** | 2012 Actual |
|---|---|---|---|
| | $ (Note 8) | **$** | $ |
| Penalties and interest on taxation | 249,600 | **302,052** | 304,055 |
| Other fines and penalties | 27,200 | **46,711** | 52,809 |
| Investment income | 61,100 | **141,023** | 103,606 |
| Licenses, permits and rents | 711,880 | **455,140** | 474,773 |
| Donations | 5,500 | **-** | 13,863 |
| Sale of publications, mementos, etc. | 24,600 | **29,136** | 24,514 |
| Other | 163,520 | **33,802** | 273,140 |
| | 1,243,400 | **1,007,864** | 1,246,760 |

# CORPORATION OF THE
# TOWN OF SOUTH BRUCE PENINSULA

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**AS AT DECEMBER 31, 2013**

## 13. Accumulated surplus

The accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| Invested in tangible capital assets | | |
| Tangible capital assets at cost less amortization | **47,024,974** | 47,730,469 |
| Unfinanced tangible capital assets | **(698,290)** | (1,397,400) |
| Tangible capital assets to be financed by long-term liabilities and to be funded in future years | **(813,917)** | (888,918) |
| Total invested in capital assets | **45,512,767** | 45,444,151 |
| Surplus | | |
| Unfunded landfill closure and post-closure costs | **(508,976)** | (444,489) |
| Waterworks system | **(162,774)** | 55 |
| Business improvement area | **-** | 271 |
| Airport | **12,278** | 2,817 |
| Total surplus | **(659,472)** | (441,346) |
| Reserves set aside for specific purposes by Council | | |
| Working funds | **2,381,835** | 1,983,113 |
| Insurance, sick leave and WSIB | **431,564** | 172,905 |
| Replacement of equipment | **-** | 77,169 |
| Current purposes | **1,411,374** | 341,429 |
| Capital purposes | **434,881** | 5,262,652 |
| Total reserves | **4,659,654** | 7,837,268 |
| Reserve funds set aside for specific purposes by Council | | |
| Current purposes | **363,852** | - |
| Capital purposes | **6,483,865** | 2,598,832 |
| Total reserve funds | **6,847,717** | 2,598,832 |
| **Total accumulated surplus** | **56,360,666** | 55,438,905 |

## 14. Government partnerships

The following summarizes the financial position and operations of the municipal joint boards. The Town of South Bruce Peninsula's pro-rata share of these amounts have been reported in the financial statements using the proportionate consolidation method:

| | Wiarton Keppel International Airport | Bruce Area Solid Waste Recycling |
|---|---|---|
| | $ | $ |
| Financial assets | 56,971 | 2,262,678 |
| Liabilities | 11,438 | 103,583 |
| Net financial assets | 45,533 | 2,159,095 |
| Non-financial assets | 212,400 | 1,651,414 |
| Accumulated surplus | 257,933 | 3,810,509 |
| General surplus | 24,555 | - |
| Invested in tangible capital assets | 212,400 | 1,651,414 |
| Reserves and reserve funds | 20,978 | 2,159,095 |
| | 257,933 | 3,810,509 |
| Revenues | 468,345 | 2,392,547 |
| Expenses | 396,396 | 2,309,648 |
| Annual surplus (deficit) | 71,949 | 82,899 |

## 15. Net property taxation

Net property taxation consists of:

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| Taxation revenue | **19,297,635** | 18,665,380 |
| Amount levied and remitted to School Boards | **(4,149,835)** | (4,075,290) |
| Amount levied and remitted to the County of Bruce | **(6,254,001)** | (6,020,784) |
| Net property taxation | **8,893,799** | 8,569,306 |

## 16. Commitments

(a) The municipality has entered into a multi-year agreement for residential and commercial garbage collection until December 31, 2014. The cost to the municipality will be:

| | |
|---|---|
| 2014 | $382,484 |

(b) The municipality has entered into a multi-year agreement with the Ontario Clean Water Agency for the operation, management and maintenance of its water and sewage systems until December 31, 2014. The cost to the municipality will be:

| | |
|---|---|
| 2014 | $719,393 |

(c) The municipality has entered into agreements for cleaning services at the Town Hall and the Ross Whicher Centre as well as various municipal washrooms until July 31, 2014 and May 14, 2016. The cost to the municipality will be:

| | |
|---|---|
| 2014 | $45,576 |
| 2015 | $30,674 |
| 2016 | $550 |

(d) The municipality has entered into a multi-year agreement for covering of a landfill site until December 1, 2015. The cost to the municipality will be approximately $148,488 per year.

(e) The municipality received grants from both the federal and provincial governments in prior years for the Sauble Sewer project which was cancelled in 2013. These amounts may be repayable if requested by the government. If repayment is required, the full repayment amount of $409,776 has been earmarked within the working capital reserve to fund the outflow. It will be recorded in the financial statements in the year repayment is requested.

(f) The municipality has pledged $300,000 over the following 5 years to the Bruce Peninsula Health Services Foundation in instalments of $60,000 per year until 2018. Annually the $60,000 donation is subject to council approval in each fiscal period.

(g) Contractual capital commitments of approximately $706,917 (2012 - $NIL) are not reflected in the financial statements. This amount, for which funding is in place, represents uncompleted contracts as at December 31, 2013.

(h) The minimum annual payments for operating leases for the next three years are as follows:

| | |
|---|---|
| 2014 | 2,231 |
| 2015 | 2,231 |
| 2016 | 558 |

## 17. Contingencies

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

(b) The Town of South Bruce Peninsula along with private land owners, have been named as defendants in a land claim action filed by the Chippewas of Saugeen First Nation for damages alleged to total $25,000,000. Also, joined as defendants in the action are the Province of Ontario and the Dominion of Canada. No breakdown as to each defendant's relative share of the $25,000,000 has been provided. The likelihood of the success of this action is undeterminable at the present time.

(c) Appeals of the current value assessment of properties in the municipality may be in process. The impact on taxation revenue as a result of settlement of these appeals is not determinable at this time. The effect on taxation of the settlement of these appeals will be recorded in the fiscal year in which they can be determined.

(d) Applications for property tax rebates for vacant commercial and industrial buildings may be in process. The impact on taxation revenue as a result of these rebates is not determinable at this time. The effect on taxation of these rebates will be recorded in the fiscal year in which they can be determined.

(e) In the ordinary course of business, various claims and lawsuits are brought against the municipality. It is the opinion of management that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued.

## 18. Trust funds

The trust funds administered by the municipality amounting to $264,912 (2012 - $258,232) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**AS AT DECEMBER 31, 2013**

## 19. Segmented information

The Town of South Bruce Peninsula is a diversified municipal government organization that provides a wide range of services to its citizens such as police, fire, roadways, water, sewer, waste, and recreation and cultural services. Distinguishable functional segments have been separately disclosed in the segmented information. Schedules 3 and 4 provide information on the segmented information of the municipality. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of exchange amount. Municipal taxation revenue and the Ontario Municipal Partnership Fund grant is allocated to general government. The nature of the segments and the activities that they encompass are as follows:

General government

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

Protection to persons and property

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

Transportation services

Transportation is comprised of the municipality's roadways, storm sewers, sidewalks, street lighting, and winter control. Transportation also includes the provision of air transportation through the Wiarton Keppel International Airport Joint Municipal Service Board.

Environmental services

Environmental is comprised of water and waste water services, where the municipality treats and distributes the municipality's drinking water and ensures that it meets all provincial standards. It also includes the collection and treatment of waste water.

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

Health services

Health services are comprised of support to the local hospitals and cemeteries.

## 19. Segmented information (continued)

Recreation and cultural services

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

Planning and development

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

## 20. Landfill Closure and Post-Closure Liability

Solid waste landfill closure and post-closure care requirements are defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates and ongoing environmental monitoring, site inspection and maintenance. These costs will be incurred as each landfill site stops accepting waste, with the post-closure care expected to continue for an additional 20 years. The total future closure and post-closure care costs are estimated to be $1,075,904 (2012 -$1,036,083). The liabilities are expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

### Amabel Landfill Site

As at December 31, 2013, the municipality has recognized in the financial statements a liability of $339,750 (2012 - $325,743). This liability represents 66% of the present value of the estimated costs and is based on a total capacity of 517,000 cubic meters and a discount rate of 2.94%. The balance of the liability of $173,009 will be accrued as the remaining capacity of 174,440 cubic meters is utilized, which is expected to be over the next 17 years.

### Albemarle Landfill Site

As at December 31, 2013, the municipality has recognized in the financial statements a liability of $169,226 (2012 - $118,745). This liability represents 63% of the present value of the estimated costs and is based on a total capacity of 65,000 cubic meters and a discount rate of 2.00%. The balance of the liability of $100,904 will be accrued as the remaining capacity of 24,280 cubic meters is utilized, which is expected to be over the next 20 years.

## 21. Future accounting pronouncements

The CICA has issued Section PS 3450, "Financial Instruments", which establishes recognition, measurement, presentation and disclosure standards relating to financial instruments such as receivables, payables, and equity instruments. The section is effective for governments for fiscal years beginning on or after April 1, 2015; the municipality is required to adopt this section for its fiscal year beginning January 1, 2016. Earlier adoption is allowed. The new standard is not expected to have a material effect on the consolidated financial statements.

The CICA issued Section PS 3041, "Portfolio Investments", which replaces Section PS 3040. The new section establishes recognition, measurement, presentation and disclosure standards relating to investments in organizations that do not form part of the government reporting entity. This section must be implemented upon the adoption of Section PS 3450.

The CICA issued Section PS 1201, "Financial Statement Presentation", which replaces Section 1200. The new section establishes reporting principles and standards for the disclosure of information in government financial statements. This section establishes the requirement of the municipality's financial statements to include a statement of financial position, statement of operations, a statement of remeasurement gains and losses, a statement of change in net debt and a statement of cash flow. This section must be implemented upon the adoption of Section PS 3450.

# CORPORATION OF THE
# TOWN OF SOUTH BRUCE PENINSULA

**SCHEDULE 1**
**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**
**FOR THE YEAR ENDED DECEMBER 31, 2013**

| | Land | Land Improvements | Buildings | Equipment | Vehicles | Infrastructure | Work in Progress | Total |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | | |
| Balance, beginning of year | 1,175,924 | 1,825,942 | 14,568,143 | 5,799,937 | 3,937,080 | 49,841,061 | 711,205 | 77,859,292 |
| Additions | - | 34,505 | 216,467 | 325,678 | 735,012 | 404,002 | 104,821 | 1,820,485 |
| Disposals | - | - | (75,000) | (1,890) | (73,794) | - | (663,250) | (813,934) |
| Additions from work in progress | - | - | 31,675 | 1,262 | - | 168 | (33,105) | - |
| Balance, end of year | 1,175,924 | 1,860,447 | 14,741,285 | 6,124,987 | 4,598,298 | 50,245,231 | 119,671 | 78,865,843 |
| **Accumulated amortization** | | | | | | | | |
| Balance, beginning of year | - | 644,642 | 4,402,330 | 2,545,741 | 1,931,726 | 20,604,384 | - | 30,128,823 |
| Amortization | - | 77,492 | 328,085 | 362,481 | 258,809 | 777,563 | - | 1,804,430 |
| Disposals | - | - | (28,125) | (1,428) | (62,831) | - | - | (92,384) |
| Balance, end of year | - | 722,134 | 4,702,290 | 2,906,794 | 2,127,704 | 21,381,947 | - | 31,840,869 |
| Net book value, end of year | 1,175,924 | 1,138,313 | 10,038,995 | 3,218,193 | 2,470,594 | 28,863,284 | 119,671 | 47,024,974 |

The accompanying notes are an integral part of
these financial statements

# CORPORATION OF THE
# TOWN OF SOUTH BRUCE PENINSULA

**SCHEDULE 2**
**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**
**FOR THE YEAR ENDED DECEMBER 31, 2012**

| | Land | Land Improvements | Buildings | Equipment | Vehicles | Infrastructure | Work in Progress | Total |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | | |
| Balance, beginning of year | 1,175,924 | 1,835,995 | 14,338,052 | 5,301,547 | 4,162,745 | 49,761,123 | 724,248 | 77,299,634 |
| Additions | - | 14,036 | 255,091 | 695,718 | 41,945 | 54,244 | 32,012 | 1,093,046 |
| Disposals | - | (37,141) | (25,000) | (203,637) | (267,610) | - | - | (533,388) |
| Additions from work in progress | - | 13,052 | - | 6,309 | - | 25,694 | (45,055) | - |
| Balance, end of year | 1,175,924 | 1,825,942 | 14,568,143 | 5,799,937 | 3,937,080 | 49,841,061 | 711,205 | 77,859,292 |
| **Accumulated amortization** | | | | | | | | |
| Balance, beginning of year | - | 584,038 | 4,060,495 | 2,414,268 | 1,858,324 | 19,837,035 | - | 28,754,160 |
| Amortization | - | 80,289 | 358,085 | 335,092 | 237,482 | 767,349 | - | 1,778,297 |
| Disposals | - | (19,685) | (16,250) | (203,619) | (164,080) | - | - | (403,634) |
| Balance, end of year | - | 644,642 | 4,402,330 | 2,545,741 | 1,931,726 | 20,604,384 | - | 30,128,823 |
| Net book value, end of year | 1,175,924 | 1,181,300 | 10,165,813 | 3,254,196 | 2,005,354 | 29,236,677 | 711,205 | 47,730,469 |

The accompanying notes are an integral part of
these financial statements

# CORPORATION OF THE
# TOWN OF SOUTH BRUCE PENINSULA

**SCHEDULE 3**
**CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENSES**
**ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2013**

| | General Government | Protection Services | Transportation Services | Sewer and Water | Environmental Services | Health Services | Recreation and Cultural Services | Planning and Development | Total |
|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Revenues** | | | | | | | | | |
| Property taxation | 8,893,799 | - | - | - | - | - | - | - | 8,893,799 |
| User charges and fees | 68,046 | 26,373 | 357,154 | 1,833,946 | 461,773 | 25,597 | 332,580 | 17,995 | 3,123,464 |
| Government transfers | 2,093,175 | 58,616 | 157,620 | 129,576 | 120,806 | - | 76,570 | 3,742 | 2,640,105 |
| Government transfers - capital | - | - | 451,847 | - | - | - | 12,200 | - | 464,047 |
| Capital recoveries | - | - | - | 348,452 | - | - | - | - | 348,452 |
| Contributed tangible capital assets | - | - | 9,291 | - | - | - | - | - | 9,291 |
| Other revenue | 443,075 | 46,711 | 35,010 | (657,590) | - | - | 447,327 | - | 314,533 |
| | 11,498,095 | 131,700 | 1,010,922 | 1,654,384 | 582,579 | 25,597 | 868,677 | 21,737 | 15,793,691 |
| **Expenses** | | | | | | | | | |
| Salaries, wages and benefits | 765,372 | 780,763 | 1,179,774 | 133,526 | 175,204 | 154,560 | 553,738 | 98,968 | 3,841,905 |
| Interest on long-term liabilities | - | - | - | 178,334 | - | - | - | - | 178,334 |
| Materials and supplies | 213,788 | 129,549 | 1,466,782 | 137,505 | 184,038 | 4,112 | 446,653 | 109,229 | 2,691,656 |
| Contracted services | 421,334 | 2,424,991 | 254,104 | 884,363 | 972,784 | 17,253 | 358,501 | 53,873 | 5,387,203 |
| Rents, financial expenses and external transfers | 32,139 | 170,783 | 592,602 | 44,370 | 78,412 | 40,747 | 68,534 | 24,760 | 1,052,347 |
| Amortization expense | 80,142 | 137,491 | 682,540 | 433,884 | 172,529 | - | 250,317 | 10,010 | 1,766,913 |
| Interfunctional charges | (73,728) | 50,928 | (83,278) | 31,845 | 20,067 | 4,932 | 1,491 | 1,315 | (46,428) |
| | 1,439,047 | 3,694,505 | 4,092,524 | 1,843,827 | 1,603,034 | 221,604 | 1,679,234 | 298,155 | 14,871,930 |
| Annual surplus (deficit) | 10,059,048 | (3,562,805) | (3,081,602) | (189,443) | (1,020,455) | (196,007) | (810,557) | (276,418) | 921,761 |

The accompanying notes are an integral part of
these financial statements

# CORPORATION OF THE
# TOWN OF SOUTH BRUCE PENINSULA

**SCHEDULE 4**
**CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENSES**
**ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2012**

| | General Government | Protection Services | Transportation Services | Sewer and Water | Environmental Services | Health Services | Recreation and Cultural Services | Planning and Development | Total |
|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Revenues** | | | | | | | | | |
| Property taxation | 8,569,306 | - | - | - | - | - | - | - | 8,569,306 |
| User charges and fees | 33,608 | 13,692 | 399,014 | 1,687,239 | 524,607 | 16,247 | 305,486 | 17,250 | 2,997,143 |
| Government transfers | 2,088,400 | 95,882 | 113,343 | 119,589 | 74,800 | - | 73,076 | 3,258 | 2,568,348 |
| Government transfers - capital | - | 11,216 | 20,449 | 25,000 | - | - | (3,026) | - | 53,639 |
| Capital recoveries | - | - | 223 | 267,187 | 398 | - | (1,533) | - | 266,275 |
| Other revenue | 445,907 | 385,178 | 657,237 | - | 19,489 | 5,388 | 78,928 | 5,000 | 1,597,127 |
| | 11,137,221 | 505,968 | 1,190,266 | 2,099,015 | 619,294 | 21,635 | 452,931 | 25,508 | 16,051,838 |
| **Expenses** | | | | | | | | | |
| Salaries, wages and benefits | 1,054,556 | 802,376 | 1,106,982 | 139,331 | 356,556 | 133,072 | 532,826 | 94,430 | 4,220,129 |
| Interest on long-term liabilities | - | - | - | 113,845 | - | - | - | - | 113,845 |
| Materials and supplies | 157,729 | 138,685 | 1,319,224 | 309,969 | 221,276 | 3,507 | 476,647 | 85,530 | 2,712,567 |
| Contracted services | 274,254 | 2,249,515 | 202,000 | 871,998 | 562,382 | 1,535 | 242,931 | 37,779 | 4,442,394 |
| Rents and financial expenses | 58,520 | 165,994 | 532,859 | 46,976 | (30,910) | 3,671 | 168,377 | 26,014 | 971,501 |
| Amortization expense | 87,001 | 136,208 | 643,253 | 581,664 | 55,739 | - | 278,451 | 10,010 | 1,792,326 |
| Interfunctional charges | (55,152) | 47,856 | (37,034) | (6,616) | 23,841 | 5,659 | 7,556 | - | (13,890) |
| | 1,576,908 | 3,540,634 | 3,767,284 | 2,057,167 | 1,188,884 | 147,444 | 1,706,788 | 253,763 | 14,238,872 |
| Annual surplus (deficit) | 9,560,313 | (3,034,666) | (2,577,018) | 41,848 | (569,590) | (125,809) | (1,253,857) | (228,255) | 1,812,966 |

The accompanying notes are an integral part of
these financial statements