

**CORPORATION OF THE
TOWN OF SOUTH BRUCE PENINSULA**

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2018

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

DECEMBER 31, 2018

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CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA


MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL REPORT

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

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

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

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



Chief Administrative Officer
July 16, 2019



Manager of Financial Services
July 16, 2019

BAKER TILLY SGB LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the **Town of South Bruce Peninsula:**

Opinion

We have audited the consolidated financial statements of the Town of South Bruce Peninsula ("the Municipality"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2018, and its consolidated results of operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

BAKER TILLY SGB LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT CONTINUED

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly SGB

Licensed Public Accountants
Walkerton, Ontario
July 16, 2019

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	2018	2017
	\$	\$
Financial assets		
Cash (Note 2)	18,519,169	14,724,010
Portfolio investments (Note 3)	1,716,577	1,692,300
Taxes receivable	1,276,859	1,405,505
Accounts receivable	1,530,528	1,169,896
Inventory - held for resale	18,582	20,261
Long-term receivables (Note 4)	363,740	547,733
	23,425,455	19,559,705
Liabilities		
Accounts payable and accruals	1,111,652	1,083,510
Landfill closure and post-closure liability (Note 6)	833,840	807,908
Deferred revenue (Note 7)	1,481,887	836,716
Employee future benefits (Note 9)	612,990	625,153
Long-term liabilities (Note 8)	822,292	1,079,635
	4,862,661	4,432,922
Net financial assets	18,562,794	15,126,783
Non-financial assets		
Tangible capital assets (Schedule 1, Schedule 2 and Note 10)	54,214,671	54,234,187
Prepaid expenses	249,607	171,587
Inventory - held for consumption	112,494	84,309
	54,576,772	54,490,083
Accumulated surplus (Note 11)	73,139,566	69,616,866

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 2018	Actual 2018	Actual 2017
	\$ (Note 12)	\$	\$
Revenues			
Property taxation	9,969,958	9,966,458	9,564,364
User charges and fees	3,710,086	4,187,649	3,800,989
Government transfers (Note 14)	3,146,586	3,348,050	3,065,346
Other income (Note 15)	980,060	1,327,437	1,187,389
	17,806,690	18,829,594	17,618,088
Expenses			
General government	2,090,171	2,190,851	1,964,181
Protection services	3,740,648	3,914,022	3,932,584
Transportation services	3,876,293	4,093,121	4,492,156
Environmental services	2,785,842	3,752,413	4,095,874
Health services	136,222	72,115	64,539
Recreational and cultural services	1,282,050	1,528,314	1,296,796
Planning and development	128,160	110,016	96,984
	14,039,386	15,660,852	15,943,114
Net revenues	3,767,304	3,168,742	1,674,974
Other			
Grants and transfers related to capital			
Government transfers (Note 14)	15,000	273,728	305,762
Capital cost recoveries	202,390	198,160	469,283
Loss on disposal of tangible capital assets	-	(145,219)	(12,212)
Contributed tangible capital assets	-	27,289	-
	217,390	353,958	762,833
Annual surplus (Note 12)	3,984,694	3,522,700	2,437,807
Accumulated surplus, beginning of year		69,616,866	67,179,059
Accumulated surplus, end of year (Note 11)		73,139,566	69,616,866

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 2018	Actual 2018	Actual 2017
	\$ (Note 12)	\$	\$
Annual surplus	3,984,694	3,522,700	2,437,807
Acquisition of tangible capital assets	-	(2,264,655)	(1,987,296)
Amortization of tangible capital assets	-	2,161,291	2,017,210
Loss on disposal of tangible capital assets	-	146,780	12,212
Proceeds on disposal of tangible capital assets	-	3,763	4,239
Contributed tangible capital assets	-	(27,289)	-
Change in inventory - held for consumption	-	(28,559)	(5,440)
Change in prepaid expenses	-	(78,020)	204,749
Change in net financial assets	3,984,694	3,436,011	2,683,481
Net financial assets, beginning of year		15,126,783	12,443,302
Net financial assets, end of year		18,562,794	15,126,783

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

	2018	2017
	\$	\$
Cash flows from (for):		
Operating activities		
Annual surplus	3,522,700	2,437,807
Non-cash items:		
Amortization of tangible capital assets	2,161,291	2,017,210
Loss on disposal of tangible capital assets	146,780	12,212
Contributed tangible capital assets	(27,289)	-
Change in employee future benefits	(12,163)	(13,343)
Change in landfill closure and post-closure liability	25,931	536,749
	5,817,250	4,990,635
Changes in:		
Taxes receivable	128,646	298,661
Accounts receivable	(360,632)	721,269
Inventory - held for resale	1,679	(3,588)
Accounts payable and accruals	28,142	(543,792)
Prepaid expenses	(78,020)	204,749
Inventory - held for consumption	(28,559)	(5,440)
Net change in cash from operations	5,508,506	5,662,494
Capital activities		
Acquisition of tangible capital assets	(2,264,655)	(1,987,296)
Proceeds on disposal of tangible capital assets	3,763	4,239
Net change in cash from capital	(2,260,892)	(1,983,057)
Investing activities		
Decrease in long-term receivables	183,994	196,835
Change in portfolio investments	(24,277)	2,550,521
Net change in cash from investing	159,717	2,747,356
Financing activities		
Repayment of long-term liabilities	(257,343)	(250,178)
Change in deferred revenue	645,171	141,819
Net change in cash from financing	387,828	(108,359)
Net change in cash position	3,795,159	6,318,434
Cash position, beginning of year	14,724,010	8,405,576
Cash position, end of year	18,519,169	14,724,010

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, 2018

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 Chartered Professional Accountants of Canada.

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

(a) Basis of consolidation

These consolidated financial statements reflect assets, liabilities, revenues and expenses, 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:

Wiaraton 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 shared control over a 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 partnership is reflected in the consolidated financial statements:

Bruce Area Solid Waste Recycling	20.82%
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All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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) Cash and cash equivalents

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

(d) Portfolio investments

Portfolio investments are comprised of bonds, bond funds and equity funds and are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

(e) 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, recorded on a first in first out basis.

(f) Deferred revenue

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

(g) 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	- 10 to 25 years
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

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

1. Summary of significant accounting policies (continued)

(h) Revenue recognition

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

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

Donations, sale of goods, gain/loss on disposal of tangible capital assets, other fines and penalties, licences, permits, rents, capital cost recoveries and capital contributions are recognized on an accrual basis.

(i) Taxation and related revenues

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

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

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

(j) 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.

(k) Government transfers

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

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

1. Summary of significant accounting policies (continued)

(l) Use of estimates

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

(m) Segment disclosures

The Municipality has adopted the Public Sector Accounting Board standard requiring financial information to be provided on a segmented basis (PS 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.

(n) Pension plan

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

(o) Employee future benefits

The Municipality accrues employee benefits which will require funding in future periods. These are benefits under the Workplace Safety and Insurance Board Act. The costs of these benefits are actuarially determined using management's best estimate of costs and long term inflation and discount rates.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

2. Cash

Cash consists of the following:

	2018	2017
	\$	\$
Unrestricted	17,037,282	13,887,294
Restricted (Note 7)	1,481,887	836,716
	18,519,169	14,724,010

The Municipality earns interest at between prime minus 1.75% and 1.20% on all bank account balances. The Municipality maintains all of its bank accounts at two chartered banks.

3. Portfolio investments

The Municipality has investments in The One Investment Program, \$1,716,577 (2017 - \$1,692,300). During the year, these portfolio investments earned income of \$24,277 (2017 - \$25,085).

	2018	2017
	\$	\$
Carrying value	1,716,577	1,692,300
Market value	1,866,874	1,875,860

4. Long-term receivables

Long-term receivables consist of loans to benefiting land owners who chose to finance their share of the cost of projects over the following periods:

	2018	2017
	\$	\$
Water system upgrade loans receivable, 3.81% interest rate, semi-annual repayments, due 2020. Related to outstanding debt - refer to Note 8.	336,091	506,909
Water and sewer upgrade installation loan receivable, 5.5% interest rate, due 2020	27,649	40,824
	363,740	547,733

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, 2018 (2017 - \$NIL).

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

6. 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 beyond that. The total future undiscounted closure and post-closure care costs are estimated to be \$1,303,833 (2017 - \$1,243,516). The liabilities are expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill. The balance in this reserve at the end of 2018 is \$262,031 (2017 - \$236,531).

The details for above are separated for each site below:

Amabel landfill site

As at December 31, 2018, the Municipality has recognized in the financial statements a liability of \$641,463 (2017 - \$618,126). This liability represents 75% 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 2.77%. The balance of the liability of \$217,846 will be accrued as the remaining capacity of 131,066 cubic meters is utilized, which is expected to be over the next 13 years.

Albemarle landfill site

As at December 31, 2018, the Municipality has recognized in the financial statements a liability of \$192,377 (2017 - \$189,782). 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 2.77%. The balance of the liability of \$114,708 will be accrued as the remaining capacity of 24,280 cubic meters is utilized, which is expected to be over the next 16 years.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

7. Deferred revenue - obligatory reserve funds and other

Deferred revenue represents revenues received, but not yet earned (or spent). Obligatory Reserve Funds are established in cases where legislation requires that unspent funds relating to a specific purpose be set aside in a specific reserve fund. A requirement of the public sector accounting principles of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

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

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
	\$	\$	\$	\$	\$
Subdividers' contribution	46,806	-	820	-	47,626
Parkland cash in lieu	60,286	7,900	1,124	-	69,310
Parking in lieu	23,313	722	415	-	24,450
Federal gas tax	246,757	267,962	6,662	-	521,381
Building reserve fund	178,741	140,794	4,359	-	323,894
Development Charges	52,305	96,779	1,762	-	150,846
SRNMIF Grant	293	-	-	293	-
OCIF Grant	91,329	128,808	2,726	-	222,863
Total obligatory	699,830	642,965	17,868	293	1,360,370

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

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
	\$	\$	\$	\$	\$
Deferred revenue other	136,886	121,247	-	136,616	121,517
Total deferred revenue	836,716	764,212	17,868	136,909	1,481,887

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

8. Long-term liabilities

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

	2018	2017
	\$	\$
Loan payable, OSIFA, 2.93%, semi-annual payments of \$43,178 principal and interest, due 2024. Debt related to sewage upgrade	435,731	507,734
Loan payable, OSIFA 2.81%, semi-annual payments of \$100,059 principal and interest, due 2020. Debt related to water system upgrade partly funded by taxpayer loans - refer to Note 4.	386,561	571,901
	822,292	1,079,635

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

	Principal	Interest
2019	264,713	21,761
2020	272,294	14,180
2021	78,569	7,788
2022	80,888	5,469
2023	83,275	3,081
Thereafter	42,553	623

The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing. Total interest charges on long-term liabilities for the year reported on the consolidated statement of operations were \$28,830 (2017 - \$37,028).

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

9. Employee future benefits

(a) Ontario Municipal Employees Retirement Saving Plan

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 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 plan has a reported \$4.2 billion actuarial deficit at the end of 2018 (2017 - \$5.4 billion), based on actuarial liabilities of \$99.1 billion (2017 - \$93.6 billion) and actuarial assets of \$94.9 billion (2017 - \$88.2 billion).

The amount contributed to OMERS for the current year was \$257,129 (2017 - \$233,920) for current service.

(b) Workplace Safety and Insurance Board ("WSIB") Act

Previously under the WSIB, the Municipality was self-insured (Schedule II) and was required to remit payments to the WSIB as required to fund disability payments for employees who were injured as a result of their employment with the Town. The liability recorded of \$612,990 (2017 - \$625,153) has been determined by an actuarial valuation completed as of December 31, 2015. This liability is partially funded by a reserve set aside for this purpose and reported as part of the insurance, sick leave and WSIB reserve in the Note 11.

The actuarial report for the WSIB liability was based on the following assumptions:

Interest discount rate	4.5%
WSIB administration and physician fees	38%
Expected level of employee cost increases	1.75% -2.5%
Expected average remaining service life	16 years

The liability is comprised of the following amounts:

	2018	2017
	\$	\$
Accrued benefit obligation	603,996	615,517
Unamortized actuarial gains	8,994	9,636
	612,990	625,153

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

9. Employee future benefits (continued)

The continuity of WSIB liability is as follows:

	2018	2017
	\$	\$
Liability at January 1	625,153	638,496
Interest	26,835	27,366
Amortization of actuarial gain	(642)	(642)
Less: benefit payments	(38,356)	(40,067)
	612,990	625,153

10. Tangible capital assets

Schedules 1 and 2 provide information on the tangible capital assets of the Municipality by major asset class, as well as 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 \$202,266 (2017 - \$598,821) 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 including donations have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$27,289 (2017 - \$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 consolidated financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

11. Accumulated surplus

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

	2018	2017
	\$	\$
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	54,214,671	54,234,187
Unfinanced tangible capital assets	(3,086,935)	(2,461,296)
Tangible capital assets financed by long-term liabilities	(435,731)	(507,734)
Total invested in tangible capital assets	50,692,005	51,265,157
Surplus		
Unfunded WSIB Schedule 2 liability	(612,990)	(625,153)
Unfunded landfill closure and post-closure costs	(833,840)	(807,908)
General surplus	1,056,563	1,303,770
Total surplus	(390,267)	(129,291)
Reserves set aside for specific purposes by Council		
Working funds	2,860,773	2,922,221
Insurance, sick leave and WSIB (Note 9)	917,178	626,163
Current purposes	2,311,976	1,845,030
Capital purposes	555,452	548,217
Total reserves	6,645,379	5,941,631
Reserve funds set aside for specific purposes by Council		
Current purposes	486,030	443,781
Capital purposes	15,706,419	12,095,588
Total reserve funds	16,192,449	12,539,369
Total accumulated surplus	73,139,566	69,616,866

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

12. Budget amounts

The operating budget approved by Council for 2018 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 2018	Actual 2018	Actual 2017
	\$	\$	\$
Annual surplus	3,984,694	3,522,700	2,437,807
Net transfers from (to) reserves	(3,727,352)	(4,356,828)	(2,351,832)
Tangible capital asset additions	-	(2,291,944)	(1,987,296)
(Gain)/loss on disposal of tangible capital assets	-	146,780	12,212
Proceeds on disposal of tangible capital assets	-	3,763	4,239
Amortization of tangible capital assets	-	2,161,291	2,017,210
Debt principal repayments	(257,342)	(72,003)	(69,939)
Change in unfunded liabilities - landfill & WSIB	-	13,769	523,406
Subtotal	-	(872,472)	585,807
Prior year capital projects funded	-	625,639	60,660
Prior year surpluses transferred to reserves	-	1,303,396	-
	-	1,056,563	646,467

13. School Boards and County of Bruce

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

	2018	2017
	\$	\$
School Boards	3,835,339	3,949,516
County of Bruce	7,090,346	6,962,803
	10,925,685	10,912,319

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

14. Government transfers

	Budget	2018	2017
	\$	\$	\$
Operating:	(Note 12)		
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	2,812,500	2,812,500	2,285,700
Conditional - Roads	21,000	15,838	16,567
- Other	86,316	200,336	247,105
	2,919,816	3,028,674	2,549,372
Other Municipalities			
Conditional - Other	226,770	319,376	515,974
Total operating transfers	3,146,586	3,348,050	3,065,346
Capital:			
Province of Ontario			
- Sewer and water	-	88,123	-
- Other	15,000	9,360	16,630
	15,000	97,483	16,630
Government of Canada			
- Federal Gas Tax	-	-	289,132
- Sewer and water	-	176,245	-
	-	176,245	289,132
Total capital transfers	15,000	273,728	305,762
Total government transfers	3,161,586	3,621,778	3,371,108

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

15. Other income

Other income consists of the following:

	2018 Budget	2018 Actual	2017 Actual
	\$	\$	\$
	(Note 12)		
Penalties and interest on taxation	333,140	288,058	324,810
Other fines and penalties	44,000	28,840	46,950
Investment income	168,600	353,198	220,172
Licenses, permits and rents	394,090	593,724	529,695
Donations	-	200	1,039
Sale of publications, mementos, etc.	30,230	47,417	55,873
Other	10,000	16,000	8,850
	980,060	1,327,437	1,187,389

16. Government partnerships

The following summarizes the financial position and operations of the municipal joint board. 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:

	Bruce Area Solid Waste Recycling	Municipality Share (20.82%)
	\$	\$
Financial assets	2,883,665	600,379
Liabilities	162,306	33,792
Net financial assets	2,721,359	566,587
Non-financial assets	1,554,408	323,628
Accumulated surplus	4,275,767	890,215
General surplus	(32,921)	(6,854)
Invested in tangible capital assets	1,540,812	320,797
Reserves and reserve funds	2,767,876	576,272
	4,275,767	890,215
Revenues	3,057,540	636,580
Expenses	3,090,461	643,434
Annual surplus	(32,921)	(6,854)

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

17. Commitments

- (a) The Municipality has entered into a three year agreement for residential and commercial garbage collection until December 31, 2021, with a possible 2 year extension. The cost to the Municipality will be:

2019	\$395,842
2020	\$403,759
2021	\$411,834

- (b) The Municipality has entered into an agreement with the Ontario Clean Water Agency for the operation, management and maintenance of its water and sewage systems on April 3, 2018 until February 28, 2023. The cost to the Municipality will be:

2019	\$770,622 + Consumer Price Index Increase
2020	\$770,622 + Consumer Price Index Increase
2021	\$784,150 + Consumer Price Index Increase
2022	\$797,873 + Consumer Price Index Increase

- (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 which end December 31, 2021 and June 2020. The cost to the Municipality will be:

2019	\$74,230
2020	\$74,230
2021	\$25,680

- (d) The Municipality has entered into an contract for dust control services for 2019. The cost to the Municipality is estimated to be \$103,672.

- (e) Contractual capital commitments of approximately \$225,930 (2017 - \$203,993) are not reflected in the consolidated financial statements. This amount represents uncompleted contracts as at December 31, 2018.

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

2019	\$1,973
2020	\$1,973
2021	\$493

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

18. 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) The Town of South Bruce Peninsula has been named as defendant in two counts of damaging piping plover habitat, the maximum penalty of \$1,000,000 for the first offense, and if convicted, a maximum penalty of \$2,000,000 for the second offense. The likelihood of the success of this action is undeterminable at the present time and the amount of penalties, if convicted, are not able to be determined at this time.
- (d) 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.
- (e) 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.
- (f) 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.

19. Trust funds

The trust funds administered by the Municipality amounting to \$305,490 (2017 - \$299,186) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations. The trust funds consists of the operations of the Cemeteries.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

20.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, solid 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. Property taxation revenue is prorated to each segment based on budgeted expenses. 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 operations of the Municipality itself and unallocated items that cannot be directly attributed to any other specific segment. General administration, council activities and maintenance of municipal buildings are included in the functions of general government.

Protection services

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

Transportation services

Transportation is comprised of the Municipality's bridges, roadways, storm sewers, sidewalks, street lighting, and winter control.

Water and Waste Water

Water and waste water services include treatment and distribution of the Municipality's drinking water and ensures that it meets all provincial standards. It also includes the collection and treatment of waste water.

Environmental services

Environmental consists of providing waste and recycling collection, the operation of the landfill sites, and solid waste management.

Health services

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

Recreational 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 and marinas. The Municipality also provides recreational programs.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

20. Segmented information (continued)

Planning and development

This segment is responsible for planning and zoning including the Official plan for residential and commercial, review of property development plans, and economic development services for the Municipality. Planning and development also includes the Business Improvement Association (BIA).

21. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in current year.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

SCHEDULE 1 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2018

	Land	Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	1,113,713	2,145,670	14,691,490	6,567,110	4,884,659	61,925,479	598,821	91,926,942
Additions	-	713,928	37,934	1,101,397	137,826	209,042	91,817	2,291,944
Disposals	-	-	-	-	(49,936)	(32,551)	(147,218)	(229,705)
Additions from work in progress	-	-	-	-	-	341,154	(341,154)	-
Balance, end of year	1,113,713	2,859,598	14,729,424	7,668,507	4,972,549	62,443,124	202,266	93,989,181
Accumulated amortization								
Balance, beginning of year	-	1,013,913	5,810,158	3,603,042	2,992,547	24,273,095	-	37,692,755
Amortization	-	115,497	282,570	433,291	286,214	1,043,719	-	2,161,291
Disposals	-	-	-	-	(47,869)	(31,667)	-	(79,536)
Balance, end of year	-	1,129,410	6,092,728	4,036,333	3,230,892	25,285,147	-	39,774,510
Net book value, end of year	1,113,713	1,730,188	8,636,696	3,632,174	1,741,657	37,157,977	202,266	54,214,671

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, 2017

	Land	Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	721,070	2,075,067	14,664,422	6,499,890	4,715,667	61,053,694	514,836	90,244,646
Additions	392,643	70,603	27,068	281,445	168,992	939,785	106,760	1,987,296
Disposals	-	-	-	(216,118)	-	(88,882)	-	(305,000)
Additions from work in progress	-	-	-	1,893	-	20,882	(22,775)	-
Balance, end of year	1,113,713	2,145,670	14,691,490	6,567,110	4,884,659	61,925,479	598,821	91,926,942
Accumulated amortization								
Balance, beginning of year	-	926,830	5,525,440	3,449,480	2,707,399	23,354,571	-	35,963,720
Amortization	-	87,083	284,718	363,529	285,148	996,732	-	2,017,210
Disposals	-	-	-	(209,967)	-	(78,208)	-	(288,175)
Balance, end of year	-	1,013,913	5,810,158	3,603,042	2,992,547	24,273,095	-	37,692,755
Net book value, end of year	1,113,713	1,131,757	8,881,332	2,964,068	1,892,112	37,652,384	598,821	54,234,187

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 FOR THE YEAR ENDED DECEMBER 31, 2018

	General Government	Protection Services	Transportation Services	Water and Waste Water	Environmental Services	Health Services	Recreational and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Property taxation	1,699,863	3,042,138	3,152,453	-	814,345	110,785	1,042,646	104,228	9,966,458
User charges and fees	269,017	312,134	6,590	2,496,631	590,286	28,719	416,693	67,579	4,187,649
Government transfers	2,833,883	128,909	-	213,213	128,979	-	36,219	6,847	3,348,050
Government transfers - capital	-	-	-	264,368	-	-	9,360	-	273,728
Capital recoveries	-	-	18,000	12,957	-	-	167,203	-	198,160
Contributed tangible capital assets	27,289	-	-	-	-	-	-	-	27,289
Other revenue, gain/(loss)	676,070	490,204	12,171	(147,218)	54,781	5,444	84,987	5,779	1,182,218
	5,506,122	3,973,385	3,189,214	2,839,951	1,588,391	144,948	1,757,108	184,433	19,183,552
Expenses									
Salaries, wages and benefits	1,186,986	817,750	1,607,878	76,505	481,774	4,986	612,198	34,403	4,822,480
Interest on long-term liabilities	-	-	-	43,332	-	-	258	-	43,590
Materials and supplies	324,396	242,231	1,225,624	355,795	335,598	1,457	394,801	49,010	2,928,912
Contracted services	565,840	2,483,505	130,381	558,647	366,039	363	152,369	23,561	4,280,705
Rents, financial expenses and external transfers	79,128	243,273	562,708	352,487	100,809	2,138	37,058	-	1,377,601
Amortization expense	88,291	136,607	731,096	812,560	101,946	-	287,736	3,042	2,161,278
Interfunctional charges	(53,790)	(9,344)	(164,566)	143,781	23,140	63,170	43,895	-	46,286
	2,190,851	3,914,022	4,093,121	2,343,107	1,409,306	72,114	1,528,315	110,016	15,660,852
Annual surplus (deficit)	3,315,271	59,363	(903,907)	496,844	179,085	72,834	228,793	74,417	3,522,700

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 FOR THE YEAR ENDED DECEMBER 31, 2017

	General Government	Protection Services	Transportation Services	Water and Waste Water	Environmental Services	Health Services	Recreational and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Property taxation	1,649,728	2,903,572	3,084,546	-	774,526	73,185	974,927	103,880	9,564,364
User charges and fees	132,177	220,492	1,512	2,375,477	592,583	25,489	436,919	16,340	3,800,989
Government transfers	2,359,259	166,870	-	373,710	116,268	1,127	47,092	1,020	3,065,346
Government transfers - capital	-	-	289,132	-	-	-	16,630	-	305,762
Capital recoveries	-	-	-	14,591	-	-	454,692	-	469,283
Other revenue, gain/(loss)	557,922	479,619	2,949	(9,699)	65,244	5,152	67,302	6,688	1,175,177
	4,699,086	3,770,553	3,378,139	2,754,079	1,548,621	104,953	1,997,562	127,928	18,380,921
Expenses									
Salaries, wages and benefits	939,750	856,833	1,689,317	74,596	378,185	7,300	565,179	41	4,511,201
Interest on long-term liabilities	-	-	-	51,530	-	-	-	-	51,530
Materials and supplies	189,716	213,559	1,160,676	449,916	818,249	817	429,160	55,760	3,317,853
Contracted services	706,162	2,498,631	273,006	837,850	530,880	-	167,500	20,220	5,034,249
Rents and financial expenses	108,411	236,143	616,738	64,452	11,425	23,402	14,014	17,921	1,092,506
Amortization expense	78,282	139,888	724,367	766,998	61,393	-	250,360	3,042	2,024,330
Interfunctional charges	(58,140)	(12,470)	28,052	50,400	-	33,020	(129,417)	-	(88,555)
	1,964,181	3,932,584	4,492,156	2,295,742	1,800,132	64,539	1,296,796	96,984	15,943,114
Annual surplus (deficit)	2,734,905	(162,031)	(1,114,017)	458,337	(251,511)	40,414	700,766	30,944	2,437,807

The accompanying notes are an integral part of
these financial statements