

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

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2011

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

DECEMBER 31, 2011

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GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' 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, 2011, 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 auditors' 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Gaviller & Company LLP

Licensed Public Accountants
Walkerton, Ontario
April 17, 2012

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	2011	2010
	\$	\$ Restated (Note 14)
Financial assets		
Cash (Note 3)	4,909,842	1,916,029
Taxes receivable	1,458,754	1,324,905
Accounts receivable	1,274,285	5,260,310
Inventory - held for resale	41,095	43,975
Long-term receivables (Note 4)	1,920,906	245,030
	9,604,882	8,790,249
Liabilities		
Temporary borrowings (Note 5)	-	4,545,850
Accounts payable and accruals	791,866	1,590,954
Landfill closure and post-closure liability (Note 21)	476,705	339,781
Deferred revenue (Note 10)	831,550	967,996
Long-term liabilities (Note 6)	2,688,872	1,033,616
	4,788,993	8,478,197
Net financial assets	4,815,889	312,052
Non-financial assets		
Tangible capital assets (Schedule 1 and Note 11)	48,545,474	47,415,730
Prepaid expenses	204,106	454,780
Inventory	60,470	51,947
	48,810,050	47,922,457
Accumulated surplus (Note 13)	53,625,939	48,234,509

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 AS AT DECEMBER 31

	Budget 2011	Actual 2011	Actual 2010
	\$ (Note 8)	\$	\$ Restated (Note 14)
Revenues			
Net property taxation (Note 15)	8,087,418	8,104,725	7,593,261
User charges and fees	2,855,555	2,823,105	2,811,226
Government transfers (Note 9)	2,239,108	2,437,840	2,315,031
Other income (Note 12)	1,331,368	1,128,636	1,180,125
	14,513,449	14,494,306	13,899,643
Expenses			
General government	1,291,226	1,180,639	1,400,198
Protection to persons and property	3,479,798	3,687,483	3,054,785
Transportation services	3,244,224	3,841,589	3,505,048
Environmental services	2,397,866	3,332,952	2,994,247
Health services	146,249	119,838	101,017
Recreational and cultural services	1,326,929	1,540,546	1,092,790
Planning and development	271,924	209,026	562,282
	12,158,216	13,912,073	12,710,367
Net revenues (expenses)	2,355,233	582,233	1,189,276
Other			
Grants and transfers related to capital			
Government grants (Note 9)	1,463,262	1,091,256	4,436,813
Capital cost recoveries	-	3,717,941	476,293
Obligatory reserve fund revenue recognized	-	-	35,718
	1,463,262	4,809,197	4,948,824
Annual surplus (Note 8)	3,818,495	5,391,430	6,138,100
Accumulated surplus, beginning of year (Note 14)	42,096,409	48,234,509	42,096,409
Accumulated surplus, end of year (Note 13)	45,914,904	53,625,939	48,234,509

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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 2011	Actual 2011	Actual 2010
	\$	\$	\$
	(Note 8)		Restated (Note 14)
Annual surplus	3,818,495	5,391,430	6,138,100
Acquisition of tangible capital assets	(3,841,560)	(2,846,182)	(7,450,113)
Amortization of tangible capital assets	-	1,710,454	1,612,414
Gain on disposal of tangible capital assets	-	(191,109)	(107,150)
Proceeds on disposal of tangible capital assets	-	190,803	126,519
Acquisition of inventories	-	(8,523)	(4,531)
Acquisition of prepaid expenses	-	-	(288,673)
Use of prepaid expenses	-	256,964	-
Change in net financial assets	(23,065)	4,503,837	26,566
Net financial assets, beginning of year	312,052	312,052	285,486
Net financial assets, end of year	288,987	4,815,889	312,052

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

CONSOLIDATED STATEMENT OF CASH FLOW AS AT DECEMBER 31

	2011	2010
	\$	\$ Restated (Note 14)
Cash flows from (for):		
Operating activities		
Annual surplus (deficit)	5,391,430	6,138,100
Non-cash items:		
Amortization expense	1,710,454	1,612,414
Gain on disposal of tangible capital assets	(191,109)	(107,150)
	6,910,775	7,643,364
Changes in:		
Taxes receivable	(133,848)	(198,731)
Accounts receivable	3,986,025	(2,714,688)
Inventory - held for resale	2,879	2,194
Accounts payable and accruals	(799,089)	719,569
Landfill closure and post-closure liability	136,923	93,072
Inventory	(8,523)	(4,531)
Prepaid expenses	256,964	(288,673)
	10,352,106	5,251,576
Capital activities		
Acquisition of tangible capital assets	(2,846,182)	(7,450,113)
Proceeds on sale of capital assets	190,803	126,519
	(2,655,379)	(7,323,594)
Investing activities		
(Increase) decrease in long-term receivables	(1,675,876)	(243,828)
	(1,675,876)	(243,828)
Financing activities		
Decrease in temporary borrowings	(4,545,850)	(1,115,611)
Repayment of long-term liabilities	(71,477)	(70,999)
Issuance of long-term liabilities	1,726,738	-
(Increase) decrease in deferred revenue	(136,449)	103,020
	(3,027,038)	(1,083,590)
Net change in cash position	2,993,813	(3,399,436)
Cash position, beginning of year	1,916,029	5,315,465
Cash position, end of year	4,909,842	1,916,029

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, 2011

1. 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.

2. 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:

Wiarion 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:

Wiarion Keppel International Airport	
Joint Municipal Service Board	50%
Bruce Area Solid Waste Recycling	21.43%

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, 2011

2. 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 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.

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost 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
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.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

2. 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) Temporary Investments

Temporary investments are recorded at the lower of cost and market value.

(h) County and school boards

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

(i) Government transfers

Government transfers are recognized in the 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.

(j) 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 post closure costs related to landfill sites. Actual results could differ from those estimates.

(k) 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. Property taxation revenue and the Ontario Municipal Partnership Fund grants have been allocated to segments that are funded by these amounts based on the budget for the year.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

3. Cash

Cash consists of the following:

	2011	2010
	\$	\$
Unrestricted	2,410,142	(156,877)
Restricted	2,499,700	2,072,906
	4,909,842	1,916,029

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

4. Long-term receivables

	2011	2010
	\$	\$
Water loan receivable, 3.1% interest rate, semi-annual repayments, due 2016	145,125	-
Water loan receivable, 3.81% interest rate, semi-annual repayments, due 2020	1,581,613	-
Water and sewer loan receivable, 8% various repayment and due dates	194,168	245,030
	1,920,906	245,030

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, 2011.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

6. Long-term liabilities

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

	2011	2010
	\$	\$
Loan payable, OSIFA, 2.93%, semi-annual payments of \$43,178 principal and interest, due 2024	898,418	957,156
Loan payable, OSIFA 2.81%, semi-annual payments of \$100,059 principal and interest, due 2020	1,581,613	-
Loan payable, OSIFA 2.1%, semi-annual payments of \$15,364 principal and interest, due 2016	145,125	-
Capital lease payable, Mine Safety Applications Company, 0%, yearly payments of \$12,743, due 2016.	63,716	76,460
	2,688,872	1,033,616

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

	Principal	Lease Payments
2012	245,065	12,743
2013	251,873	12,743
2014	258,873	12,743
2015	266,067	12,743
2016	273,464	12,743
Thereafter	1,329,815	-

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 debt for the year reported on the consolidated statement of operations are \$124,006 (2010 - \$29,228). 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. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant.

The amount contributed to OMERS for the current year was \$153,950 (2010 - \$132,539) for current service.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

8. Budget amounts

The operating budget approved by Council for 2011 is reflected on the consolidated statement of operations and statement of changes in net debt. 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 2011	Actual 2011	Actual 2010
	\$	\$	\$
Annual surplus	3,818,495	5,391,430	6,138,100
Prior year general surplus	-	-	126,583
Net transfers from (to) reserves	(207,254)	(719,032)	(1,146,910)
Capital acquisitions, disposals and write-down	(3,841,560)	(2,846,488)	(7,430,744)
Amortization	-	1,710,454	1,612,414
Debt principal repayments	(72,502)	(71,479)	(69,797)
Change in unfunded liabilities	-	136,923	93,072
Change in other surpluses	105,567	26,046	434,051
Subtotal	10,000	3,627,854	(243,231)
Capital projects not funded	-	141,163	760,399
Prior year capital projects funded	(10,000)	(3,769,017)	(999,669)
Funds raised for future capital	-	-	482,501
	-	-	-

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

9. Government transfers

	Budget	2011	2010
	\$	\$	\$
Operating:			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	1,935,200	1,935,200	2,006,800
Conditional - Roads	-	22,441	19,947
- Other	128,396	198,810	198,610
	2,063,596	2,156,451	2,225,357
Other Municipalities			
Conditional - Other	175,512	281,389	89,674
Total operating transfers	2,239,108	2,437,840	2,315,031
Capital:			
Province of Ontario			
Conditional - Roads	-	727	839,549
- Sewer and water	324,904	26,548	418,776
- Other	341,117	329,796	866,113
	666,021	357,071	2,124,438
Government of Canada			
Federal Gas Tax	486,124	397,748	30,979
Conditional - Roads	-	-	1,190,489
- Sewer and water	-	31,669	214,793
- Other	311,117	304,768	876,114
	797,241	734,185	2,312,375
Total capital transfers	1,463,262	1,091,256	4,436,813
Total government transfers	3,702,370	3,529,096	6,751,844

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

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	41,648	-	504	-	42,152
Recreational land	32,089	8,500	388	-	40,977
Parking revenues	12,326	722	149	-	13,197
Federal gas tax	227,994	258,130	-	397,758	88,366
Building code	582,386	28,413	-	-	610,799
Total obligatory	896,443	295,765	1,041	397,758	795,491

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

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
	\$	\$	\$	\$	\$
Other grants	71,553	34,259	-	71,553	34,259
Bluewater Campground	-	1,800	-	-	1,800
Total other	71,553	36,059	-	71,553	36,059
Total deferred revenue	967,996	331,824	1,041	469,311	831,550

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

11. Tangible capital assets

Schedules 1, and 2 provide information on the tangible capital assets of the municipality by major asset class and business segment, 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 \$724,248 (2010 - \$3,591,443) 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 \$13,050 (2010 - \$23,630).

(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.

(d) Capitalization of interest

The municipality has a policy of capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset, for those interest costs incurred up to the date the asset goes into use, per PS 3150.17. Interest in the amount of \$NIL (2010 - \$112,534) was capitalized to tangible capital assets during the year.

12. Other income

Other current fund revenues consist of the following:

	2011 Budget	2011 Actual	2010 Actual
		\$	\$
Penalties and interest on taxation	208,000	255,359	236,073
Other fines and penalties	75,000	49,877	83,380
Investment income	40,000	83,598	79,495
Licenses, permits and rents	643,467	487,775	614,080
Donations	87,600	39,296	55,329
Sale of publication, mementos, etc	274,300	21,622	4,618
Gain (loss) on disposal of tangible capital assets	3,001	191,109	107,150
	1,331,368	1,128,636	1,180,125

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

13. Accumulated surplus

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

	2011	2010
	\$	\$
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	48,545,474	47,415,732
Unfinanced capital assets	(1,473,163)	(5,101,016)
Capital assets to be financed by long-term liabilities and to be funded in future years	(955,844)	(1,033,616)
Total invested in capital assets	46,116,467	41,281,100
Surplus		
Unfunded solid waste closure and post-closure costs	(476,705)	(339,782)
Waterworks system	(29,791)	-
Sewage system	(2,394)	(2,394)
Business improvement area	5,793	9,805
Airport	15,408	7,651
Total surplus	(487,689)	(324,720)
Reserves set aside for specific purposes by Council		
Working funds	1,919,547	1,775,750
Insurance, sick leave and WSIB	145,613	436,812
Current purposes	1,859,022	774,758
Capital purposes	2,065,239	1,912,851
Total reserves	5,989,421	4,900,171
Reserve funds set aside for specific purposes by Council		
Capital purposes	2,007,740	2,377,958
Total reserve funds	2,007,740	2,377,958
Total accumulated surplus	53,625,939	48,234,509

14. Prior period adjustment

During the year, it was determined that the building inspection reserve should have been in the obligatory reserve fund included in the deferred revenue in the liability section.

The financial statement amounts for 2010 that are presented for comparative purposes have been retroactively restated as follows:

Statement of Financial Position

Decrease in accumulated surplus, beginning of year	\$ 454,019
Increase in deferred revenue	\$ 582,386
Decrease in User Fees Revenue	\$ 128,367

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

15. Net property taxation

Net property taxation consists of:

	2011	2010
	\$	\$
Taxation revenue	17,883,939	17,242,082
Amount levied and remitted to School Boards	(3,984,130)	(3,903,173)
Amount levied and remitted to the County of Bruce	(5,795,084)	(5,745,648)
Net property taxation	8,104,725	7,593,261

16. Wiarnton Keppel International Airport Joint Municipal Service Board

On December 9, 2002 the Town of South Bruce Peninsula and the Township of Georgian Bluffs signed an agreement to form a joint municipal service board to operate and maintain the Wiarnton/Keppel District Airport. The Town of South Bruce Peninsula and the Township of Georgian Bluffs have each agreed to share budgeted operating deficits equally. On December 24, 2007 the Town of South Bruce Peninsula notified the Township of Georgian Bluffs of their intention to terminate the agreement. The termination is effective January 1, 2009.

On December 24, 2008 the Council of the Corporation of the Town of South Bruce Peninsula resolved to continue to manage the airport with the Township of Georgian Bluffs until further resolution of council.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

17. Commitments

- (a) The Town of South Bruce Peninsula has entered into a multi-year agreement for residential and commercial garbage collection until December 31, 2013. The cost to the municipality will be:

2012	\$363,430
2013	\$372,515

- (b) The Town of South Bruce Peninsula 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, 2013. The cost to the municipality will be:

2012	\$679,978
2013	\$750,335

- (c) The Town of South Bruce Peninsula has entered into an agreement for garbage and recycling collection until December 31, 2013. The cost to the municipality will be approximately \$39,875 per year, adjusted annually in accordance with the Consumer Price Index, for the duration of the agreement.

- (d) The Town of South Bruce Peninsula 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 \$145,920 per year.

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

2012	6,547
2013	6,547
2014	2,231
2015	2,231

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

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 municipalities' 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) Appeals of the current value assessment of properties in the municipality may be in process. The impact on taxation revenue as a result of settlement of these appeals is not determinable at this time. The effect on taxation of the settlement of these appeals will be recorded in the fiscal year in which they can be determined.
- c) 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.
- d) The Town of South Bruce Peninsula has been named as co-defendants in a counterclaim for general damages of \$250,000, special damages of \$250,000, punitive and exemplary damages of \$250,000, special damages of \$250,000, costs of action and pre and post judgment interest. The outcome of those claims is undeterminable at the present time

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

19. Trust funds

The trust funds administered by the municipality amounting to \$253,702 (2010 - \$251,603) 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.

20. Tile drainage loans

The tile drainage loans administered by the municipality amounting to \$NIL (2010 - \$1,203) 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.

21. 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 \$1,015,767 (2010 -\$995,850). 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, 2011, the municipality has recognized in the financial statements a liability of \$350,558 (2010 - \$246,914). This liability represents 67% 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 2.00%. The balance of the liability of \$172,252 will be accrued as the remaining capacity of 167,945 cubic meters is utilized, which is expected to be over the next 10 years.

Albemarle Landfill Site

As at December 31, 2011, the municipality has recognized in the financial statements a liability of \$126,147 (2010 - \$92,867). 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 \$75,217 will be accrued as the remaining capacity of 24,280 cubic meters is utilized, which is expected to be over the next 11 years.

22. Subsequent events

The Town of South Bruce Peninsula had a fire at Albemarle Works Garage subsequent to December 31, 2011. Although the amount of damage is not yet determinable in managements opinion, the loss will be adequately covered by insurance. There are two claims being processed for the damage each with a \$5000 deductible that the municipality will have to pay.

Subsequent to year end, the Town was informed by WSIB that the estimate of future benefit costs and administrative loading under Schedule 2 was recently determined to be \$710,515 to fund disability payments arising from accidents occurring prior to 1990. It is expected that the annual cost to the Town will be approximately \$30,291 to fund this liability.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

23. Comparative figures

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

24. Surplus Transfers

The Town of South Bruce Peninsula transfers all surplus or deficits for the year to the individual reserve or reserve fund. In the current year, transfers into reserves from operating was \$705,286, and transfers into reserve funds from operating was \$331,658.

25. Future accounting pronouncements

In February 2010, the CICA issued Section PS 3510, "Tax Revenue", which establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements. The section is effective for fiscal years beginning on or after January 1, 2013, earlier adoption is encouraged. The new standard is not expected to have a material effect on the financial statements.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

SCHEDULE 1 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011

	Land	Land Improvements	Buildings	Equipment	Vehicles	Roads, Bridges, and Other Structures	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	1,175,928	820,685	11,654,630	4,417,927	3,705,883	49,269,467	3,591,443	74,635,963
Additions	-	330,286	811,072	747,599	525,361	386,928	44,936	2,846,182
Disposals	(4)	-	-	(114,008)	(68,499)	-	-	(182,511)
Put in Use	-	685,024	1,872,350	250,029	-	104,728	(2,912,131)	-
Balance, end 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
Accumulated amortization								
Balance, beginning of year	-	525,374	3,730,607	2,221,931	1,666,093	19,076,228	-	27,220,233
Amortization	-	58,664	329,888	304,223	256,872	760,807	-	1,710,454
Disposals	-	-	-	(111,886)	(64,641)	-	-	(176,527)
Balance, end of year	-	584,038	4,060,495	2,414,268	1,858,324	19,837,035	-	28,754,160
Net book value, end of year	1,175,924	1,251,957	10,277,557	2,887,279	2,304,421	29,924,088	724,248	48,545,474

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, 2010

	Land	Land Improvements	Buildings	Equipment	Vehicles	Roads, Bridges, and Other Structures	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	1,175,930	810,588	11,632,316	3,938,380	3,859,659	45,637,167	638,670	67,692,710
Additions	1	10,097	22,314	485,023	318,298	3,661,607	2,952,773	7,450,113
Disposals	(3)	-	-	(5,476)	(472,074)	(29,307)	-	(506,860)
Balance, end of year	1,175,928	820,685	11,654,630	4,417,927	3,705,883	49,269,467	3,591,443	74,635,963
Accumulated amortization								
Balance, beginning of year	-	492,919	3,427,876	1,931,652	1,890,652	18,352,211	-	26,095,310
Amortization	-	32,455	302,731	294,397	230,793	752,038	-	1,612,414
Disposals	-	-	-	(4,118)	(455,352)	(28,021)	-	(487,491)
Balance, end of year	-	525,374	3,730,607	2,221,931	1,666,093	19,076,228	-	27,220,233
Net book value, end of year	1,175,928	295,311	7,924,023	2,195,996	2,039,790	30,193,239	3,591,443	47,415,730

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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, 2011

	General Government	Protection Services	Transportation Services	Sewer and Water	Sewer Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Net property taxation	(921,314)	3,097,945	3,735,911	-	660,245	26,726	1,220,988	284,224	8,104,725
User charges and fees	46,224	11,675	413,386	1,358,250	639,911	18,784	313,433	21,422	2,823,085
Government transfers	1,935,200	91,279	106,899	109,711	99,660	-	91,768	3,323	2,437,840
Government transfers - capital	-	-	727	58,213	-	-	1,032,312	-	1,091,252
Capital recoveries	10,365	-	-	3,681,842	-	-	25,735	-	3,717,942
Other revenue	556,641	383,490	40,544	95	19,748	3,924	124,194	-	1,128,636
	1,627,116	3,584,389	4,297,467	5,208,111	1,419,564	49,434	2,808,430	308,969	19,303,480
Expenses									
Salaries, wages and benefits	859,606	1,070,798	1,190,941	71,076	349,242	42,218	499,576	84,045	4,167,502
Interest on long-term liabilities	-	-	-	153,099	-	-	-	-	153,099
Materials and supplies	160,080	118,094	1,533,777	238,707	246,086	4,414	433,158	51,617	2,785,933
Contracted services	99,989	2,161,003	294,004	816,542	579,047	1,015	170,696	46,739	4,169,035
Rents, financial expenses and external transfers	26,710	154,411	262,865	61,911	143,710	65,647	194,182	16,614	926,050
Amortization expense	88,314	136,258	630,538	561,444	61,805	-	222,085	10,010	1,710,454
Interfunctional charges	(54,060)	46,920	(70,535)	-	50,283	6,543	20,849	-	-
	1,180,639	3,687,484	3,841,590	1,902,779	1,430,173	119,837	1,540,546	209,025	13,912,073
Annual surplus (deficit)	446,477	(103,095)	455,877	3,305,332	(10,609)	(70,403)	1,267,884	99,944	5,391,407

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, 2010

	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Property taxation	911,192	2,126,113	2,961,372	-	531,528	75,933	683,393	303,730	7,593,261
User charges and fees	34,314	7,633	308,154	1,502,705	547,668	17,863	343,601	49,288	2,811,226
Government transfers	240,816	686,045	2,878,779	633,570	224,398	20,068	1,961,044	107,124	6,751,844
Other revenue	347,242	568,943	30,746	22,196	3,842	2,663	175,486	29,007	1,180,125
Capital Recoveries	-	-	3,371	453,854	-	-	19,068	-	476,293
Transfers from obligatory reserve	-	-	-	-	-	-	35,718	-	35,718
	1,533,564	3,388,734	6,182,422	2,612,325	1,307,436	116,527	3,218,310	489,149	18,848,467
Expenses									
Salaries, wages and benefits	831,333	613,688	1,083,337	63,096	333,287	29,203	420,462	203,830	3,578,236
Interest on long-term liabilities	-	224	-	29,228	-	-	-	385	29,837
Materials and supplies	429,883	172,538	1,518,975	255,096	490,307	36,740	299,815	323,202	3,526,556
Contracted services	-	1,980,373	71,419	749,340	404,365	-	66,353	15,759	3,287,609
Other transfers	-	142,721	-	-	(94,031)	32,183	126,851	9,620	217,344
Rents and financial expenses	44,029	15,403	212,380	285	161,707	2,891	21,677	-	458,372
Amortization expense	94,953	129,838	618,937	542,276	59,291	-	157,632	9,486	1,612,413
	1,400,198	3,054,785	3,505,048	1,639,321	1,354,926	101,017	1,092,790	562,282	12,710,367
Annual surplus (deficit)	133,366	333,949	2,677,374	973,004	(47,490)	15,510	2,125,520	(73,133)	6,138,100

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these financial statements