

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

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2014

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

DECEMBER 31, 2014

CONTENTS

Independent Auditor's Report	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations	2
Consolidated Statement of Change in Net Financial Assets	3
Consolidated Statement of Cash Flow	4
Notes to the Consolidated Financial Statements	5
Schedule 1 - Consolidated Schedule of Tangible Capital Assets 2014	22
Schedule 2 - Consolidated Schedule of Tangible Capital Assets 2013	23
Schedule 3 - Consolidated Schedule of Segmented Revenues and Expenses 2014 Actual	24
Schedule 4 - Consolidated Schedule of Segmented Revenues and Expenses 2013 Actual	25

COLLINS BARROW SGB LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers 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, 2014, and the statements of operations, change in net financial assets and cash flow 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of South Bruce Peninsula as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Collins Barrow SGB LLP
Licensed Public Accountants
Walkerton, Ontario
June 2, 2015

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	2014	2013
	\$	\$
Financial assets		
Cash (Note 2)	7,783,876	10,131,389
Portfolio investments (Note 3)	2,612,669	-
Taxes receivable	1,812,477	1,706,770
Accounts receivable	1,371,810	893,315
Inventory - held for resale	33,423	26,562
Long-term receivables (Note 4)	1,225,627	1,438,336
	14,839,882	14,196,372
Liabilities		
Accounts payable and accruals	1,961,216	892,582
Landfill closure and post-closure liability (Note 6)	317,589	508,976
Deferred revenue (Note 7)	683,627	1,614,592
Long-term liabilities (Note 8)	1,894,831	2,166,447
	4,857,263	5,182,597
Net financial assets	9,982,619	9,013,775
Non-financial assets		
Tangible capital assets (Schedule 1, Schedule 2 and Note 10)	48,719,665	47,024,974
Prepaid expenses	298,554	259,416
Inventory - held for consumption	82,035	62,501
	49,100,254	47,346,891
Accumulated surplus (Note 11)	59,082,873	56,360,666

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 2014	Actual 2014	Actual 2013
	\$ (Note 12)	\$	\$
Revenues			
Net property taxation (Note 13)	9,015,830	9,021,873	8,893,799
User charges and fees	2,869,340	2,989,797	3,303,839
Government transfers (Note 14)	2,425,350	2,514,701	2,640,105
Other income (Note 15)	822,840	1,200,869	1,043,709
	15,133,360	15,727,240	15,881,452
Expenses			
General government	1,668,690	1,837,699	1,562,639
Protection services	3,913,400	3,776,324	3,694,505
Transportation services	3,411,710	3,967,649	4,092,524
Environmental services	3,381,930	3,567,717	3,395,170
Health services	107,370	88,845	98,012
Recreational and cultural services	1,373,290	1,532,504	1,679,234
Planning and development	368,970	344,301	298,155
	14,225,360	15,115,039	14,820,239
Net revenues	908,000	612,201	1,061,213
Other			
Grants and transfers related to capital			
Government transfers (Note 14)	6,675,156	2,260,030	464,047
Capital cost recoveries	2,324,333	62,085	80,541
Loss on disposal of tangible capital assets	-	(212,109)	(693,331)
Contributed tangible capital assets	-	-	9,291
	8,999,489	2,110,006	(139,452)
Annual surplus (Note 12)	9,907,489	2,722,207	921,761
Accumulated surplus, beginning of year		56,360,666	55,438,905
Accumulated surplus, end of year (Note 11)		59,082,873	56,360,666

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 2014	Actual 2014	Actual 2013
	\$ (Note 12)	\$	\$
Annual surplus	9,907,489	2,722,207	921,761
Acquisition of tangible capital assets	(11,191,052)	(3,878,408)	(1,811,194)
Amortization of tangible capital assets	-	1,785,665	1,804,430
Loss on disposal of tangible capital assets	-	212,109	693,331
Proceeds on disposal of tangible capital assets	-	185,943	28,219
Contributed tangible capital assets	-	-	(9,291)
Change in inventory - held for consumption	-	(19,534)	18,616
Change in prepaid expenses	-	(39,138)	246,906
Change in net financial assets	(1,283,563)	968,844	1,892,778
Net financial assets, beginning of year		9,013,775	7,120,997
Net financial assets, end of year		9,982,619	9,013,775

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

	2014	2013
	\$	\$
Cash flows from (for):		
Operating activities		
Annual surplus	2,722,207	921,761
Non-cash items:		
Amortization of tangible capital assets	1,785,665	1,804,430
Loss on disposal of tangible capital assets	212,109	693,331
Contributed tangible capital assets	-	(9,291)
Change in landfill closure and post-closure liability	(191,387)	64,487
	4,528,594	3,474,718
Changes in:		
Portfolio investments	(2,612,669)	
Taxes receivable	(105,707)	(143,650)
Accounts receivable	(478,494)	257,746
Inventory - held for resale	(6,861)	5,800
Accounts payable and accruals	1,068,633	(254,889)
Prepaid expenses	(39,138)	246,906
Inventory - held for consumption	(19,534)	18,616
	2,334,824	3,605,247
Capital activities		
Acquisition of tangible capital assets	(3,878,408)	(1,811,194)
Proceeds on sale of tangible capital assets	185,943	28,219
	(3,692,465)	(1,782,975)
Investing activities		
Decrease in long-term receivables	212,709	267,696
Financing activities		
Repayment of long-term liabilities	(271,616)	(264,617)
(Decrease) / increase in deferred revenue	(930,965)	622,979
	(1,202,581)	358,362
Net change in cash from financing	(1,202,581)	358,362
Net change in cash position	(2,347,513)	2,448,330
Cash position, beginning of year	10,131,389	7,683,059
Cash position, end of year	7,783,876	10,131,389

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, 2014

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 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:

Wiarthon 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:

Wiarthon Keppel International Airport	
Joint Municipal Service Board	50%
Bruce Area Solid Waste Recycling	21.09%

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, 2014

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.

(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 and equipment	- 5 to 25 years
Infrastructure:	
Roads - paved	- 10 to 20 years
Roads - gravel	- 25 years
Bridges and other structures	- 40 to 70 years
Water and other utility systems	- 45 to 75 years

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

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, loss on disposal of tangible capital assets, capital costs 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, 2014

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. 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 (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.

(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 benefit plan and recognizes the expense related to this plan as contributions are made.

2. Cash

Cash consists of the following:

	2014	2013
	\$	\$
Unrestricted	92,053	2,455,923
Restricted	7,691,823	7,675,466
	7,783,876	10,131,389

The municipality earns interest at between prime minus 1.75% and 1.35% on all bank account balances. The municipality maintains all of its bank accounts at two chartered banks.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

3. Portfolio investments

The municipality has investments in The One Investment Program. During the year, portfolio investments earned income of \$12,669 (2013 - \$NIL).

	2014	2013
	\$	\$
Carrying value	2,612,669	-
Market value	2,675,490	-

4. Long-term receivables

Long-term receivables consist of the following:

	2014	2013
	\$	\$
Water loan receivable, 3.1% interest rate, semi-annual repayments, due 2016	59,209	89,892
Water loan receivable, 3.81% interest rate, semi-annual repayments, due 2020	1,067,396	1,225,365
Water and sewer loan receivable, 8% various repayment and due dates	99,022	123,079
	1,225,627	1,438,336

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, 2014 (2013 - \$NIL).

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

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. The total future closure and post-closure care costs are estimated to be \$477,009 (2013 - \$782,889). 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, 2014, the municipality has recognized in the financial statements a liability of \$227,135 (2013 - \$339,750). This liability represents 68% 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 2.96%. The balance of the liability of \$105,485 will be accrued as the remaining capacity of 164,170 cubic meters is utilized, which is expected to be over the next 15 years.

Albemarle landfill site

As at December 31, 2014, the municipality has recognized in the financial statements a liability of \$90,454 (2013 - \$169,226). 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 2.96%. The balance of the liability of \$53,935 will be accrued as the remaining capacity of 24,280 cubic meters is utilized, which is expected to be over the next 17 years.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

7. Deferred revenue - obligatory reserve funds and other

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
	\$	\$	\$	\$	\$
Lot levies	43,205	-	540	-	43,745
Recreational land	57,402	8,750	772	-	66,924
Parking revenues	14,986	722	192	-	15,900
Federal gas tax	193,345	250,498	2,714	203,000	243,557
Building code	341,511	-	3,619	103,920	241,210
MIII Grant	939,965	791,286	5,911	1,726,290	10,872
SRNMIF Grant	-	299,685	2	299,687	-
Total obligatory	1,590,414	1,350,941	13,750	2,332,897	622,208

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

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
	\$	\$	\$	\$	\$
Other grants	24,178	61,419	-	24,178	61,419
Total deferred revenue	1,614,592	1,412,360	13,750	2,357,075	683,627

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

8. Long-term liabilities

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

	2014	2013
	\$	\$
Loan payable, OSIFA, 2.93%, semi-annual payments of \$43,178 principal and interest, due 2024	711,593	775,688
Loan payable, OSIFA 2.81%, semi-annual payments of \$100,059 principal and interest, due 2020	1,097,876	1,263,642
Loan payable, OSIFA 2.1%, semi-annual payments of \$15,364 principal and interest, due 2016	59,875	88,887
Capital lease payable, Mine Safety Applications Company, 0%, yearly payments of \$12,743, due 2016	25,487	38,230
	1,894,831	2,166,447

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

	Principal	Lease Payments
2015	266,067	12,743
2016	273,464	12,744
2017	250,178	-
2018	257,343	-
2019	264,713	-
Thereafter	557,579	-

The annual principal and interest payments required to service these liabilities are within the annual debt repayment limited prescribed by the Ministry of Municipal Affairs and Housing. Total interest charges on long-term liabilities for the year reported on the consolidated statement of operations are \$58,030 (2013 - \$66,979). There was no interest paid on the capital lease obligation.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

9. Employee future benefits

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

OMERS is a 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 \$7.1 billion actuarial deficit at the end of 2014 (2013 - \$8.6 billion), based on actuarial liabilities of \$76.9 billion (2013 - \$73 billion) and actuarial assets of \$69.8 billion (2013 - \$64.4 billion).

The amount contributed to OMERS for the current year was \$254,457 (2013 - \$249,799) for current service.

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 \$2,130,073 (2013 - \$111,941) 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 \$NIL (2013 - \$9,291).

(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.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

11. Accumulated surplus

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

	2014	2013
	\$	\$
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	48,719,665	47,024,974
Unfinanced tangible capital assets	(660,525)	(698,290)
Tangible capital assets to be financed by long-term liabilities and to be funded in future years	(737,080)	(813,917)
Total invested in capital assets	47,322,060	45,512,767
Surplus		
Unfunded landfill closure and post-closure costs	(317,589)	(508,976)
Waterworks system	-	(162,774)
Bruce Area Solid Waste Recycling	30,667	-
Airport	-	12,278
Total surplus	(286,922)	(659,472)
Reserves set aside for specific purposes by Council		
Working funds	2,300,914	2,381,835
Insurance, sick leave and WSIB	465,463	431,563
Current purposes	1,377,071	1,411,375
Capital purposes	433,702	434,881
Total reserves	4,577,150	4,659,654
Reserve funds set aside for specific purposes by Council		
Current purposes	448,672	363,852
Capital purposes	7,021,913	6,483,865
Total reserve funds	7,470,585	6,847,717
Total accumulated surplus	59,082,873	56,360,666

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

12. Budget amounts

The operating budget approved by Council for 2014 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 2014	Actual 2014	Actual 2013
	\$	\$	\$
Annual surplus	9,907,489	2,722,207	921,761
Net transfers from (to) reserves	1,700,003	(540,364)	(1,071,271)
Tangible capital asset expenditures	(11,191,052)	(3,878,408)	(1,811,194)
Loss on disposal of tangible capital assets	-	212,109	693,331
Proceeds on disposal of tangible capital assets	-	185,943	28,219
Amortization of tangible capital assets	-	1,785,665	1,804,430
Debt principal repayments	(271,880)	(77,062)	(75,000)
Change in unfunded liabilities - landfill	-	(191,387)	64,487
Change in other surpluses	-	(180,938)	144,347
Subtotal	144,560	37,765	699,110
Prior year capital projects funded	(144,560)	(37,765)	(699,110)
	-	-	-

13. Net property taxation

Net property taxation consists of:

	2014	2013
	\$	\$
Taxation revenue	19,482,533	19,297,635
Amount levied and remitted to School Boards	(4,059,981)	(4,149,835)
Amount levied and remitted to the County of Bruce	(6,400,679)	(6,254,001)
Net property taxation	9,021,873	8,893,799

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

14. Government transfers

	Budget	2014	2013
	\$	\$	\$
Operating:	(Note 12)		
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	1,980,600	1,980,000	2,093,175
Conditional - Roads	19,000	19,397	18,590
- Other	62,510	164,373	145,707
	2,062,110	2,163,770	2,257,472
Other Municipalities			
Conditional - Other	363,240	350,931	382,633
Total operating transfers	2,425,350	2,514,701	2,640,105
Capital:			
Province of Ontario			
Conditional - Roads	750,245	848,043	56,470
- Sewer and water	3,413,577	1,177,934	-
- Other	10,000	6,053	12,200
	4,173,822	2,032,030	68,670
Government of Canada			
Federal Gas Tax	398,000	203,000	395,377
Conditional - Roads	2,083,334	-	-
- Other	20,000	25,000	-
	2,501,334	228,000	395,377
Total capital transfers	6,675,156	2,260,030	464,047
Total government transfers	9,100,506	4,774,731	3,104,152

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

15. Other income

Other income consists of the following:

	2014 Budget	2014 Actual	2013 Actual
	\$	\$	\$
	(Note 12)		
Penalties and interest on taxation	250,000	383,968	337,897
Other fines and penalties	2,000	50,737	46,711
Investment income	42,950	152,055	141,023
Licenses, permits and rents	496,970	571,152	455,140
Donations	5,000	5,100	-
Sale of publications, mementos, etc.	22,500	37,857	29,136
Other	3,420	-	33,802
	822,840	1,200,869	1,043,709

16. Government partnerships

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

	Wiarthon Keppel International Airport	Bruce Area Solid Waste Recycling
	\$	\$
Financial assets	104,577	2,399,265
Liabilities	9,353	97,823
Net financial assets	95,224	2,301,442
Non-financial assets	194,511	1,665,922
Accumulated surplus	289,735	3,967,364
General surplus	-	156,855
Invested in tangible capital assets	194,511	1,654,074
Reserves and reserve funds	95,224	2,156,435
	289,735	3,967,364
Revenues	460,811	2,559,346
Expenses	419,009	2,402,491
Annual surplus	41,802	156,855

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

17. Commitments

- (a) The municipality has entered into a multi-year agreement for residential and commercial garbage collection until December 31, 2018. The cost to the municipality will be:

2015	\$376,199
2016	\$383,723
2017	\$391,397
2018	\$399,225

- (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 until December 31, 2015. The cost to the municipality will be:

2015	\$739,536
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- (c) The municipality has entered into agreements for cleaning services at the Town Hall and the Ross Whicher Centre as well as various municipal washrooms until July 31, 2015 and May 14, 2016. The cost to the municipality will be:

2015	\$59,051
2016	\$200

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

- (e) Contractual capital commitments of approximately \$226,983 (2013 - \$706,917) are not reflected in the financial statements. This amount, for which funding is in place, represents uncompleted contracts as at December 31, 2014.

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

2015	\$2,231
2016	\$558

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

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) Appeals of the current value assessment of properties in the municipality may be in process. The impact on taxation revenue as a result of settlement of these appeals is not determinable at this time. The effect on taxation of the settlement of these appeals will be recorded in the fiscal year in which they can be determined.
- (d) Applications for property tax rebates for vacant commercial and industrial buildings may be in process. The impact on taxation revenue as a result of these rebates is not determinable at this time. The effect on taxation of these rebates will be recorded in the fiscal year in which they can be determined.
- (e) In the ordinary course of business, various claims and lawsuits are brought against the municipality. It is the opinion of management that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued.

19. Trust funds

The trust funds administered by the municipality amounting to \$273,422 (2013 - \$264,912) 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.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

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, waste, and recreation and cultural services. Distinguishable functional segments have been separately disclosed in the segmented information. Schedules 3 and 4 provide information on the segmented information of the municipality.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of exchange amount. Municipal taxation revenue and the Ontario Municipal Partnership Fund grant is allocated to general government. The nature of the segments and the activities that they encompass are as follows:

General government

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

Protection 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 roadways, storm sewers, sidewalks, street lighting, and winter control. Transportation also includes the provision of air transportation through the Warton Keppel International Airport Joint Municipal Service Board.

Environmental services

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

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

Health services

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

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, museum and marinas. The municipality also provides library services and recreational programs.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014

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.

21. Comparative figures

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

22. Future accounting pronouncements

The PSAB issued PS 3260, "Liability for Contaminated Sites", which establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites. The section is effective for governments for fiscal years beginning on or after April 1, 2014; the Municipality is required to adopt this section for its fiscal year beginning January 1, 2015. Earlier adoption is permitted. The new standard is not expected to have a material effect on the consolidated financial statements.

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

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

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

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

SCHEDULE 1 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2014

	Land	Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	1,175,924	1,868,177	14,741,285	6,124,987	4,598,298	50,245,231	111,941	78,865,843
Additions	6,248	107,832	14,478	192,586	23,187	1,469,684	2,064,393	3,878,408
Disposals	(15)	(30,358)	-	(299,989)	(170,884)	(517,478)	-	(1,018,724)
Additions from work in progress	-	-	-	-	-	46,261	(46,261)	-
Balance, end of year	1,182,157	1,945,651	14,755,763	6,017,584	4,450,601	51,243,698	2,130,073	81,725,527
Accumulated amortization								
Balance, beginning of year	-	722,134	4,702,290	2,906,794	2,127,704	21,381,947	-	31,840,869
Amortization	-	77,852	299,249	362,448	249,880	796,236	-	1,785,665
Disposals	-	(30,358)	-	(113,214)	(165,325)	(311,775)	-	(620,672)
Balance, end of year	-	769,628	5,001,539	3,156,028	2,212,259	21,866,408	-	33,005,862
Net book value, end of year	1,182,157	1,176,023	9,754,224	2,861,556	2,238,342	29,377,290	2,130,073	48,719,665

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, 2013

	Land	Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	1,175,924	1,825,942	14,568,143	5,799,937	3,937,080	49,841,061	711,205	77,859,292
Additions	-	42,235	216,467	325,678	735,012	404,002	97,091	1,820,485
Disposals	-	-	(75,000)	(1,890)	(73,794)	-	(663,250)	(813,934)
Additions from work in progress	-	-	31,675	1,262	-	168	(33,105)	-
Balance, end of year	1,175,924	1,868,177	14,741,285	6,124,987	4,598,298	50,245,231	111,941	78,865,843
Accumulated amortization								
Balance, beginning of year	-	644,642	4,402,330	2,545,741	1,931,726	20,604,384	-	30,128,823
Amortization	-	77,492	328,085	362,481	258,809	777,563	-	1,804,430
Disposals	-	-	(28,125)	(1,428)	(62,831)	-	-	(92,384)
Balance, end of year	-	722,134	4,702,290	2,906,794	2,127,704	21,381,947	-	31,840,869
Net book value, end of year	1,175,924	1,146,043	10,038,995	3,218,193	2,470,594	28,863,284	111,941	47,024,974

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

SCHEDULE 3 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENSES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2014

	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreational and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Property taxation	9,021,873	-	-	-	-	-	-	-	9,021,873
User charges and fees	48,619	129,353	140,185	1,804,206	520,288	20,315	315,342	11,489	2,989,797
Government transfers	2,006,333	99,154	145,030	119,806	98,185	-	46,193	-	2,514,701
Government transfers - capital	-	-	1,051,043	1,177,934	-	-	6,053	25,000	2,260,030
Capital recoveries	-	-	-	28,701	-	-	3,434	29,950	62,085
Other revenue	561,946	266,996	(51,936)	96,026	(36,494)	-	141,715	10,507	988,760
	11,638,771	495,503	1,284,322	3,226,673	581,979	20,315	512,737	76,946	17,837,246
Expenses									
Salaries, wages and benefits	1,034,348	849,761	1,160,071	136,587	225,601	37,015	570,314	131,683	4,145,380
Interest on long-term liabilities	-	-	-	58,030	-	-	-	-	58,030
Materials and supplies	186,718	126,303	1,418,287	641,888	43,035	220	358,853	78,986	2,854,290
Contracted services	573,214	2,438,359	875,355	916,160	912,652	-	322,568	49,865	6,088,173
Rents, financial expenses and external transfers	106,929	173,160	11,776	15,672	(191,387)	30,320	-	37,031	183,501
Amortization expense	81,494	142,313	679,386	616,825	35,534	-	223,587	6,526	1,785,665
Interfunctional charges	(145,004)	46,428	(177,226)	126,150	30,970	21,290	57,182	40,210	-
	1,837,699	3,776,324	3,967,649	2,511,312	1,056,405	88,845	1,532,504	344,301	15,115,039
Annual surplus (deficit)	9,801,072	(3,280,821)	(2,683,327)	715,361	(474,426)	(68,530)	(1,019,767)	(267,355)	2,722,207

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, 2013

	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreational and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Property taxation	8,893,799	-	-	-	-	-	-	-	8,893,799
User charges and fees	68,046	26,373	357,154	1,833,946	461,773	25,597	332,580	198,370	3,303,839
Government transfers	2,093,175	58,616	157,620	129,576	120,806	-	76,570	3,742	2,640,105
Government transfers - capital	-	-	451,847	-	-	-	12,200	-	464,047
Capital recoveries	-	-	-	80,541	-	-	-	-	80,541
Contributed tangible capital assets	-	-	9,291	-	-	-	-	-	9,291
Other revenue	443,075	46,711	35,010	(621,745)	-	-	447,327	-	350,378
	11,498,095	131,700	1,010,922	1,422,318	582,579	25,597	868,677	202,112	15,742,000
Expenses									
Salaries, wages and benefits	888,964	780,763	1,179,774	133,526	175,204	30,968	553,738	98,968	3,841,905
Interest on long-term liabilities	-	-	-	126,643	-	-	-	-	126,643
Materials and supplies	213,788	129,549	1,466,782	137,505	184,038	4,112	446,653	109,229	2,691,656
Contracted services	421,334	2,424,991	254,104	884,363	972,784	17,253	358,501	53,873	5,387,203
Rents and financial expenses	32,139	170,783	592,602	44,370	78,412	40,747	68,534	24,760	1,052,347
Amortization expense	80,142	137,491	682,540	433,884	172,529	-	250,317	10,010	1,766,913
Interfunctional charges	(73,728)	50,928	(83,278)	31,845	20,067	4,932	1,491	1,315	(46,428)
	1,562,639	3,694,505	4,092,524	1,792,136	1,603,034	98,012	1,679,234	298,155	14,820,239
Annual surplus (deficit)	9,935,456	(3,562,805)	(3,081,602)	(369,818)	(1,020,455)	(72,415)	(810,557)	(96,043)	921,761

The accompanying notes are an integral part of
these financial statements