

The Corporation of the
Town of Saugeen Shores
Financial Information
For the year ended December 31, 2018

The Corporation of the Town of Saugeen Shores
Financial Information
For the year ended December 31, 2018

Contents

The Corporation of the Town of Saugeen Shores Financial Statements
The Corporation of the Town of Saugeen Shores Trust Funds

The Corporation of the Town of Saugeen Shores
Financial Statements
For the year ended December 31, 2018

Contents

The Corporation of the Town of Saugeen Shores

Independent Auditor's Report	2 - 4
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations and Accumulated Surplus	6
Consolidated Statement of Changes in Net Financial Assets	7
Consolidated Statement of Cash Flows	8
Summary of Significant Accounting Policies	9 - 13
Notes to Financial Statements	14 - 33
Schedule of Deferred Revenue	34



Tel: 519-832-2049
Fax: 519-832-5659
www.bdo.ca

BDO Canada LLP
625 Mill Street
PO Box 1390
Port Elgin ON N0H 2C0 Canada

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers
of The Corporation of the Town of Saugeen Shores

Qualified Opinion

We have audited the accompanying consolidated financial statements of the Corporation of the Town of Saugeen Shores (the Town), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the potential effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2018, and the consolidated results of its operations, consolidated changes in net financial assets and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The completeness and existence of tangible capital assets is not susceptible to satisfactory audit verification, as the Town is unable to determine if all tangible capital assets have been recorded and whether the Town has title to all tangible assets that have been recorded. Accordingly, our verification of these assets was limited to the amounts recorded in the records of the Town. We were unable to determine whether any adjustments might be necessary to the tangible capital assets, amortization, annual surplus and accumulated surplus for the years ended December 31, 2018 and 2017. Our audit opinion on the consolidated financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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 Town 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 qualified 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 consolidated 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 Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

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

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 consolidated 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 Town'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 Town'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 Town 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Chartered Professional Accountants, Licensed Public Accountants

Port Elgin, Ontario
June 24, 2019

The Corporation of the Town of Saugeen Shores
Consolidated Statement of Financial Position

December 31	2018	2017
Financial assets		
Cash (Note 1)	\$ 12,489,604	\$ 7,836,622
Temporary investments (Note 2)	6,887,728	6,762,194
Trade and other receivables	3,220,593	3,482,251
Taxes receivable	1,496,798	1,571,289
Inventory held for resale	78,153	227,243
Loans receivable (Note 3)	1,860,890	2,151,054
Long-term investments (Note 4)	7,626,491	7,626,491
	<u>33,660,257</u>	<u>29,657,144</u>
Contingencies and contractual commitments (Note 18)		
Liabilities		
Accounts payable and accrued liabilities	3,755,736	3,191,042
Landfill site closure and post-closure care liability (Note 5)	198,520	190,231
Post-employment benefits liability (Note 15)	852,100	814,500
Deferred revenue (Page 34)	8,667,770	6,363,855
Long-term debt (Note 6)	9,441,244	10,409,387
	<u>22,915,370</u>	<u>20,969,015</u>
Net financial assets	<u>10,744,887</u>	<u>8,688,129</u>
Non-financial assets		
Tangible capital assets (Note 7)	158,731,028	156,272,266
Inventory of supplies	57,712	60,951
Prepaid expenses	134,261	45,050
	<u>158,923,001</u>	<u>156,378,267</u>
Accumulated surplus (Note 8)	<u>\$ 169,667,888</u>	<u>\$ 165,066,396</u>

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

The Corporation of the Town of Saugeen Shores
Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
Taxation	\$ 14,656,604	\$14,971,327	\$ 13,315,655
Fees and user charges	9,991,553	10,900,590	9,688,648
Government transfers (Note 13)	2,590,199	2,307,511	3,376,112
Other income (Note 11)	5,148,355	5,876,678	3,993,269
	<u>32,386,711</u>	<u>34,056,106</u>	<u>30,373,684</u>
Expenses			
General government	2,174,706	2,334,772	2,466,831
Protection services	5,759,985	5,772,522	5,779,995
Transportation services	3,986,915	6,974,783	6,518,881
Environmental services	5,488,909	8,310,803	8,051,394
Health services	693,816	722,606	645,525
Recreation and cultural services	4,066,308	4,788,980	4,589,162
Planning and development	612,359	550,148	663,533
	<u>22,782,998</u>	<u>29,454,614</u>	<u>28,715,321</u>
Annual surplus (Note 10)	9,603,713	4,601,492	1,658,363
Accumulated surplus, beginning of the year	<u>165,066,396</u>	<u>165,066,396</u>	<u>163,408,033</u>
Accumulated surplus, end of the year	<u>\$174,670,109</u>	<u>\$169,667,888</u>	<u>\$165,066,396</u>

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

The Corporation of the Town of Saugeen Shores
Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
Annual surplus (Page 6)	\$ 9,603,713	\$ 4,601,492	\$ 1,658,363
Acquisition of tangible capital assets	(16,614,238)	(9,426,696)	(6,906,805)
Amortization of tangible capital assets	-	6,759,740	6,731,448
Proceeds on disposal of assets	-	5,086	22,366
Loss on disposal of assets	-	203,108	54,294
	(16,614,238)	(2,458,762)	(98,697)
Change in inventory of supplies	-	3,239	5,658
Change in prepaid expenses	-	(89,211)	19,515
	-	(85,972)	25,173
Change in net financial assets	(7,010,525)	2,056,758	1,584,839
Net financial assets, beginning of the year	8,688,129	8,688,129	7,103,290
Net financial assets, end of the year	\$ 1,677,604	\$ 10,744,887	\$ 8,688,129

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

The Corporation of the Town of Saugeen Shores
Consolidated Statement of Cash Flows

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 4,601,492	\$ 1,658,363
Items not involving cash		
Amortization	6,759,740	6,731,448
Change in inventory of supplies	3,239	5,658
Change in prepaid expenses	(89,211)	19,515
Loss on disposal of assets	203,108	54,294
Deferred revenue recognized	(2,266,141)	(1,134,548)
Post-employment benefits	37,600	30,714
Solid waste closure and post-closure liabilities	8,289	(1,080)
	<u>9,258,116</u>	<u>7,364,364</u>
Changes in non-cash working capital balances		
Taxes receivable	74,491	(342,536)
Trade and other receivables	261,658	(1,257,651)
Inventory held for resale	149,090	(4,354)
Accounts payable and accrued liabilities	564,694	200,896
Deferred revenue received	4,570,056	3,772,499
	<u>5,619,989</u>	<u>2,368,854</u>
	<u>14,878,105</u>	<u>9,733,218</u>
Capital transactions		
Cash used to acquire capital assets	(9,426,696)	(6,906,805)
Proceeds on sale of capital assets	5,086	22,366
	<u>(9,421,610)</u>	<u>(6,884,439)</u>
Investing activities		
Change in temporary investments	(125,534)	(117,293)
Investment in new loans	(850,000)	(850,000)
Repayment of loans receivable	1,140,164	377,384
	<u>164,630</u>	<u>(589,909)</u>
Financing activities		
Repayment of long-term liabilities	(968,143)	(926,554)
Net change in cash and cash equivalents	4,652,982	1,332,316
Cash and cash equivalents, beginning of the year	<u>7,836,622</u>	<u>6,504,306</u>
Cash and cash equivalents, end of the year	<u>\$12,489,604</u>	<u>\$ 7,836,622</u>

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

The Corporation of the Town of Saugeen Shores
Summary of Significant Accounting Policies

December 31, 2018

Management Responsibility The consolidated financial statements of The Corporation of the Town of Saugeen Shores are the representations of management. Council reviews and approves the consolidated financial statements.

Basis of Accounting The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing.

Basis of Consolidation The consolidated statements reflect the assets, liabilities, revenues and expenses of all municipal organizations, committees, and boards which are controlled by Council. All interfund assets and liabilities and revenues and expenses have been eliminated on consolidation.

The following boards and municipal enterprises controlled by Council have been consolidated:

- Port Elgin Business Improvement Area
- Southampton Business Improvement Area
- Port Elgin Airport Management Board

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

- Bruce Area Solid Waste Recycling Association
23.61%
- Saugeen Mobility and Regional Transit
20.50%

The Corporation of the Town of Saugeen Shores
Summary of Significant Accounting Policies

December 31, 2018

Use of Estimates	The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future. Estimates are used when accounting for items such as water and sewer charges receivable, taxes receivable, government transfers and subsidies receivable, accounts payable and accrued liabilities, post-employment benefits liability, landfill site closure and post-closure care liabilities and the estimated amortization periods for tangible capital assets.
Cash and Cash Equivalents	Cash and cash equivalents include all cash balances and short term highly liquid investments that are readily converted into cash.
Inventory	<p>Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.</p> <p>Inventory of goods held for consumption is recorded at the lower of cost and replacement cost. Cost is determined on a first in first out basis.</p>
Long-Term Investments	Long-term investments are recorded at cost.

The Corporation of the Town of Saugeen Shores
Summary of Significant Accounting Policies

December 31, 2018

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. Amortization is provided over the estimated useful life of the assets using the straight-line method. The useful lives of the following assets are based on estimates made by management. The following useful lives are used:

Buildings	15 - 50 years
Vehicles	3 - 20 years
Machinery and equipment	5 - 50 years
Bridges and culverts	60 - 80 years
Roads - Paved	10 - 15 years
Roads - Gravel	10 - 20 years
Roads - Sidewalks	40 years
Water and Wastewater Systems	20 - 70 years
IT Infrastructure	5 years
Land improvements	20 - 50 years

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

Intangible Assets

Intangible assets, art and historic treasures and items inherited by right of the Crown, such as Crown lands, forests, water and mineral resources, are not recognized in these financial statements.

Solid Waste Landfill Closure
and Post-Closure Care

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

Post-Employment Benefits

The Town provides post-employment health, dental, and life insurance benefits to eligible retired employees. The benefits earned by employees are recognized over the service life of the employees using the projected benefit method and management's best estimate of salary escalation, benefit costs and retirement ages of employees. Adjustments arising from changes in assumptions and experience gains and losses are amortized on a straight line basis over the expected average remaining service lives of the employees.

The Corporation of the Town of Saugeen Shores Summary of Significant Accounting Policies

December 31, 2018

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

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

Revenue Recognition Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by the Town 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 Town determines the taxes applicable and renders supplementary tax billings.

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

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

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

The Corporation of the Town of Saugeen Shores Summary of Significant Accounting Policies

December 31, 2018

Revenue Recognition (continued) Investment income earned on surplus funds (other than obligatory reserve funds) is reported as revenue on the daily accrual basis. Investment income earned on obligatory reserve funds is recorded directly to each fund balance.

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.

Financial Instruments

The Town classifies all of its financial instruments at amortized cost. The maximum exposure to credit risk is the carrying value of the financial instruments. These financial instruments include cash and bank, temporary investments, taxes receivable, water and sewer charges receivable, government transfers and subsidies receivable, other receivables, loans receivable, long-term investments, accounts payable and accrued liabilities, and long-term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument. Writedowns of financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net realizable value with the writedown being recognized in the statement of operations.

Liability for Contaminated Sites

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

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

1. Cash

Interest is earned on bank balances at the bank's monthly average prime rate less 1.60%.

Funds in the amount of \$11,900,788 are held at one financial institution. The Canadian Deposit Insurance Corporation insures deposits up to a maximum of \$100,000 per depositor per financial institution.

2. Temporary Investments

	2018	2017
Bond funds	\$ 1,599,107	\$ 1,562,269
Canadian bank paper (3.45%)	53,827	-
Canadian corporate paper	-	1,237,703
Guaranteed investment certificates (1.80% to 2.65%)	4,862,674	3,962,221
Principal Protected Note	372,120	-
	<u>\$ 6,887,728</u>	<u>\$ 6,762,193</u>

Temporary investments have a market value of \$6,820,617 (2017 - \$6,731,455) at the end of the year.

3. Loans Receivable

	2018	2017
Notes receivable, benefiting landowners, 0% to 8%, due 2019 to 2031	\$ 878,132	\$ 1,154,852
Doctor recruitment loans receivable, non-interest bearing, due 2019 to 2027	982,758	996,202
	<u>\$ 1,860,890</u>	<u>\$ 2,151,054</u>

Interest earned on loans receivable during the year was \$46,095 (2017 - \$61,918).

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

4. Long-Term Investments

	2018	2017
Note receivable, Westario Power Inc., 4.12% interest receivable quarterly	\$ 3,062,912	\$ 3,062,912
Common shares, Westario Power Inc.	4,563,579	4,563,579
	\$ 7,626,491	\$ 7,626,491

The note from Westario Power Inc. is receivable on demand, subject to certain limitations. It has been shown as long-term since the Town did not demand payment prior to year end.

Interest earned on notes receivable during the year was \$126,192 (2017 - \$126,192).

The town owns 25% of the outstanding common shares of Westario Power Inc., a private company incorporated under the laws of the Province of Ontario. The shares have no fixed maturity dates and are generally not exposed to interest rate risk. The fair value of these shares is not practicable to determine in the absence of published market quotations. Dividends of \$112,409 (2017 - \$149,879) were received on these shares during the year.

5. Landfill Site Closure and Post-closure Care Liability

Landfill site 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 \$488,640.

Port Elgin Landfill Site

At December 31st, 2018 a liability of \$53,838 has been recognized in the financial statements. This represents 100% of the present value of the estimated post-closure care costs, and is based on a long-term borrowing rate of 3.26% and an annual inflation rate of 1.46%.

Southampton Landfill Site

At December 31st, 2018 a liability of \$144,682 has been recognized in the financial statements. This represents 66% of the present value of the estimated post-closure care costs, and is based on a long-term borrowing rate of 3.26% and an annual inflation rate of 1.46%. The balance of the liability of \$77,018 will be accrued as the remaining capacity of 145,070 cubic meters is utilized, which is expected to be over the next 15.5 years.

At December 31, 2018 the landfill site closure and post closure liability is unfunded. The liability is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill sites.

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

6. Long-Term Debt

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

	2018	2017
Loan payable, Canadian Imperial Bank of Commerce, 4.55%, payable \$2,348 monthly, principal and interest, due November 2019	\$ 241,196	\$ 257,980
Loan payable, Canadian Imperial Bank of Commerce, 4.55%, payable \$9,122 monthly, principal and interest, due November 2019	937,043	1,002,249
Loan payable, Saugeen Shores Cemetery Care and Maintenance Trust Fund, 3.67% payable \$2,932 annually, principal and interest, due December 2020	5,273	7,905
Loan payable, Saugeen Shores Cemetery Care and Maintenance Trust Fund, 2.66% payable \$3,658 annually, principal and interest, due December 2021	10,697	13,990
Tile drainage loans payable, 6-8%, due 2017 to 2023	8,974	14,644
Loan payable, Canadian Mortgage and Housing Corporation, 3.97%, payable \$390,725 annually, principal and interest, due December 2024	2,050,236	2,347,755
Loan payable, Canadian Mortgage and Housing Corporation, 4.15%, payable \$85,252 annually, principal and interest, due May 2025	508,863	570,441
Loan payable, Ontario Infrastructure Project Corporation, 4.72% payable, \$132,718 semi-annually, principal and interest, due February 2026	1,660,280	1,840,929
Loan payable, Ontario Infrastructure Project Corporation, 4.74% payable, \$175,723 semi-annually, principal and interest, due April 2027	2,435,448	2,663,322
Loan payable, Ontario Infrastructure Project Corporation, 4.82% payable, \$93,565 semi-annually, principal and interest, due December 2029	1,583,234	1,690,172
	<u>\$ 9,441,244</u>	<u>\$ 10,409,387</u>

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

6. Long-Term Debt - (continued)

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

2019	\$ 2,104,066
2020	962,529
2021	1,002,257
2022	1,042,038
2023	1,088,736
Thereafter	<u>3,241,618</u>
	<u>\$ 9,441,244</u>

Interest paid during the year on long-term debt was \$453,538 (2017 - \$495,525).

The Canadian Imperial Bank of Commerce loans are secured by capital borrowing bylaws. These loans also include certain reporting requirements.

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

7. Tangible Capital Assets

	2018												
	Land	Land Improvement	Buildings	Miscellaneous Equipment	Communication Equipment	IT Infrastructure	Playground Equipment	Furniture & Fixtures	Vehicles	Roads	Bridges & Culverts	Water & Wastewater Systems	Total
Cost, beginning of the year	\$ 8,650,725	\$ 6,897,250	\$ 42,816,983	\$ 4,977,150	\$ 523,608	\$ 768,491	\$ 1,227,101	\$ 617,480	\$12,586,481	\$ 55,022,594	\$ 4,055,604	\$123,673,710	\$ 261,817,177
Additions	1,773,919	312,930	830,439	194,071	14,347	63,821	7,220	24,113	835,073	1,520,383	127,263	1,560,481	7,264,060
Disposals	-	-	-	-	-	-	-	-	(787,865)	(85,481)	-	(103,365)	(976,711)
Cost, end of the year	10,424,644	7,210,180	43,647,422	5,171,221	537,955	832,312	1,234,321	641,593	12,633,689	56,457,496	4,182,867	125,130,826	268,104,526
Assets under construction	-	813,819	2,291,519	-	-	53,705	-	-	-	985,180	193,095	458,263	4,795,581
All assets, end of the year	10,424,644	8,023,999	45,938,941	5,171,221	537,955	886,017	1,234,321	641,593	12,633,689	57,442,676	4,375,962	125,589,089	272,900,107
Accumulated amortization, beginning of the year	-	2,940,056	20,595,697	2,113,395	435,243	523,913	433,793	482,700	5,940,705	37,508,941	2,926,691	34,276,722	108,177,856
Amortization	-	252,138	1,121,591	331,275	25,672	67,373	72,977	27,119	735,971	2,157,479	50,857	1,917,288	6,759,740
Disposals	-	-	-	-	-	-	-	-	(627,740)	(75,395)	-	(65,382)	(768,517)
Accumulated amortization, end of the year	-	3,192,194	21,717,288	2,444,670	460,915	591,286	506,770	509,819	6,048,936	39,591,025	2,977,548	36,128,628	114,169,079
Net carrying amount, end of the year	\$ 10,424,644	\$ 4,831,805	\$ 24,221,653	\$ 2,726,551	\$ 77,040	\$ 294,731	\$ 727,551	\$ 131,774	\$ 6,584,753	\$ 17,851,651	\$ 1,398,414	\$ 89,460,461	\$ 158,731,028

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

7. Tangible Capital Assets - (continued)

	2017												
	Land	Land Improvement	Buildings	Miscellaneous Equipment	Communication Equipment	IT Infrastructure	Playground Equipment	Furniture & Fixtures	Vehicles	Roads	Bridges & Culverts	Water and Wastewater Systems	Total
Cost, beginning of the year	\$ 8,384,777	\$ 6,370,939	\$ 42,008,634	\$ 4,727,729	\$ 507,867	\$ 628,573	\$ 669,681	\$ 559,568	\$ 11,779,916	\$ 52,916,316	\$ 4,055,604	\$ 120,825,041	\$ 253,434,645
Additions	265,948	526,311	808,349	251,962	15,741	139,918	557,420	57,912	825,725	2,261,920	-	3,008,287	8,719,493
Disposals	-	-	-	(2,541)	-	-	-	-	(19,160)	(155,642)	-	(159,618)	(336,961)
Cost, end of the year	8,650,725	6,897,250	42,816,983	4,977,150	523,608	768,491	1,227,101	617,480	12,586,481	55,022,594	4,055,604	123,673,710	261,817,177
Assets under construction	3,335	473,747	332,522	-	-	48,648	-	-	-	1,449,469	184,605	140,619	2,632,945
All assets, end of the year	8,654,060	7,370,997	43,149,505	4,977,150	523,608	817,139	1,227,101	617,480	12,586,481	56,472,063	4,240,209	123,814,329	264,450,122
Accumulated amortization, beginning of the year	-	2,711,429	19,446,743	1,777,946	408,166	477,645	397,977	461,247	5,207,455	35,547,398	2,873,717	32,396,986	101,706,709
Amortization	-	228,627	1,148,954	335,460	27,077	46,268	35,816	21,453	733,250	2,117,174	52,974	1,984,395	6,731,448
Disposals	-	-	-	(11)	-	-	-	-	-	(155,631)	-	(104,659)	(260,301)
Accumulated amortization, end of the year	-	2,940,056	20,595,697	2,113,395	435,243	523,913	433,793	482,700	5,940,705	37,508,941	2,926,691	34,276,722	108,177,856
Net carrying amount, end of the year	\$ 8,654,060	\$ 4,430,941	\$ 22,553,808	\$ 2,863,755	\$ 88,365	\$ 293,226	\$ 793,308	\$ 134,780	\$ 6,645,776	\$ 18,963,122	\$ 1,313,518	\$ 89,537,607	\$ 156,272,266

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

7. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction is \$4,795,581 (2017 - \$2,632,945).

Contributed capital assets valued at \$92,000 were recognized in the financial statements during the year (2017 - \$nil).

8. Accumulated Surplus

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

	2018	2017
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$ 158,731,028	\$ 156,272,266
Unfinanced capital assets	(1,803,587)	(257,993)
Capital assets financed by long-term liabilities and to be funded in future years (Note 6)	(9,441,244)	(10,409,387)
Total invested in capital assets	147,486,197	145,604,886
General surplus (Note 10)	543,739	543,739
Port Elgin Airport Management Board Surplus	28,458	37,331
Port Elgin business improvement area surplus	36,441	25,360
SMART Surplus	2,007	554
Southampton business improvement area surplus	23,607	26,353
Unfunded post-employment benefits	(852,100)	(814,500)
Unfunded solid waste closure and post-closure costs	(198,520)	(190,231)
	147,069,829	145,233,492
Reserves and reserve funds (Note 9)	22,598,059	19,832,904
Accumulated surplus	\$ 169,667,888	\$ 165,066,396

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

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

	<u>2018</u>	<u>2017</u>
Reserves		
Capital purposes	\$19,558,748	\$ 16,961,794
Current purposes	1,368,302	1,120,374
Insurance	136,408	136,408
Working funds	764,312	764,312
Tax rate stabilization	247,251	279,275
	<u>22,075,021</u>	<u>19,262,163</u>
Reserve funds		
Capital purposes	485,724	534,155
Parking revenues	37,314	36,586
	<u>523,038</u>	<u>570,741</u>
Total reserves and reserve funds	<u>\$22,598,059</u>	<u>\$ 19,832,904</u>

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

10. Budget Amounts

Under Canadian Public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net debt for comparative purposes. The 2018 budget amounts for The Corporation of the Town of Saugeen Shores approved by Council have been reclassified to conform to the presentation of the consolidated statements of operations and accumulated surplus and changes in net debt. The following is a reconciliation of the budget approved by Council.

	2018	2018	2017
	Budget	Actual	Actual
Annual surplus (Page 6)	\$ 9,603,713	\$ 4,601,492	\$ 1,658,363
Amortization	-	6,759,740	6,731,448
Capital acquisitions, disposals and write-down	(16,614,238)	(9,218,502)	(6,830,145)
Change in consolidated boards	-	(915)	(27,594)
Change in unfunded capital	-	1,545,594	257,993
Change in unfunded liabilities	-	45,889	29,634
Debt principal repayments	(962,478)	(968,143)	(926,554)
Net transfers to reserves	7,973,003	(2,765,155)	(1,115,858)
	-	-	(222,713)
Prior year general surplus	-	543,739	766,452
General Surplus	\$ -	\$ 543,739	\$ 543,739

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

11. Other Income

	2018	2018	2017
	Budget	Actual	Actual
Donations	\$ 1,067,820	\$ 499,638	\$ 469,991
Loss on disposal of capital assets	-	(203,108)	(54,294)
Development charges	1,095,432	905,351	431,612
Investment income	578,865	538,236	545,552
Licenses and permits	554,216	887,126	794,008
Other	12,410	167,712	11,180
Deep Geologic Repository payment	-	641,767	-
Penalties and interest on taxation	177,000	201,189	197,561
Recreational land income	-	624,030	-
Rents, concessions and franchises	411,659	367,755	401,085
Trailer revenue and permits	1,250,953	1,246,982	1,196,574
	\$ 5,148,355	\$ 5,876,678	\$ 3,993,269

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

12. Government Partnerships

The following summarizes the financial position and results of operations of the government partnerships. The town's pro-rata share of these amounts has been reported in these financial statements using the proportionate consolidation method:

	S.M.A.R.T.	BASWRA
Financial assets	\$ 253,623	\$ 2,883,665
Liabilities	300,623	162,306
Net financial assets (debt)	(47,000)	2,721,359
Non-financial assets	540,385	1,554,408
Accumulated surplus	\$ 493,385	\$ 4,275,767
Revenues	\$ 1,929,610	\$ 3,057,540
Expenses	1,942,578	3,090,461
Annual deficit	\$ (12,968)	\$ (32,921)

Bruce Area Solid Waste Recycling Association (BASWRA) is a partnership between the Town of South Bruce Peninsula, the Municipality of Arran-Elderslie, the Corporation of the Town of Saugeen Shores, the Municipality of Kincardine, and others to provide garbage, recycling and cardboard collection services. During the year, the Town made payments to BASWRA of \$556,918 (2017 - \$541,932) for garbage, recycling, and cardboard collection services.

Saugeen Mobility and Regional Transit (S.M.A.R.T.) operates a specialty transit service; the Town became a partner in this service in 2013. During the year, the Town made payments to S.M.A.R.T. of \$129,512 (2017 - \$120,655) for transit services.

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

13. Government transfers

	2018 Budget	2018 Actual	2017 Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,271,600	\$ 1,271,600	\$ 1,184,000
Conditional - protection	58,800	58,784	73,895
- roads	150,500	192,295	179,653
- waste diversion	140,373	140,374	125,649
- other	3,023	16,428	7,903
	<u>1,624,296</u>	<u>1,679,481</u>	<u>1,571,100</u>
Government of Canada			
- Other	-	25,000	1,303
Other municipalities			
- fire	5,000	5,000	5,000
- roads	2,500	3,010	4,320
	<u>7,500</u>	<u>8,010</u>	<u>9,320</u>
Total operating transfers	<u>1,631,796</u>	<u>1,712,491</u>	<u>1,581,723</u>
Tangible Capital Asset			
Province of Ontario			
Conditional - roads	548,138	419,748	1,305,719
- parks	-	-	-
- sewer and water	-	55,745	157,895
	<u>548,138</u>	<u>475,493</u>	<u>1,463,614</u>
Government of Canada			
Conditional - Parks Canada	7,000	11,136	41,057
- other	-	-	50,000
- Sewer and water	-	22,500	7,500
- Roads	403,265	85,891	222,218
	<u>410,265</u>	<u>119,527</u>	<u>320,775</u>
Other municipalities			
- parks	-	-	10,000
Total capital contributions	<u>958,403</u>	<u>595,020</u>	<u>1,794,389</u>
Total contributions	<u>\$ 2,590,199</u>	<u>\$ 2,307,511</u>	<u>\$ 3,376,112</u>

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

14. Pension Plan

The town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 101 members of its staff of the Town. This plan is a defined benefit plan which specifies the amount of the retirement entitlement to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

The employer amount contributed to OMERS for 2018 was \$782,142 (2017 - \$783,923) for current service. The contribution rate for 2018 was 9.0% to 15.8% depending on age and income level (2017 - 9.0% to 15.8%).

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 Town does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was on December 31, 2018. At that time the plan reported a \$4.19 billion actuarial deficit (2017 - \$5.40 billion), based on actuarial liabilities of \$99.06 billion (2017 - \$93.61 billion) and actuarial assets of \$94.87 billion (2017 - \$88.21 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

15. Post-Employment Benefits

The town provides post-employment health, dental and life insurance benefits to eligible retired employees. Payment for these benefits totaled \$64,046 (2017 - \$73,474) during the year. The post-employment benefit at December 31 includes the following components:

	2018	2017
Accrued benefit obligation	\$ 1,048,500	\$ 1,032,700
Unamortized actuarial gain (loss)	(196,400)	(218,200)
Accrued benefit liability	<u>\$ 852,100</u>	<u>\$ 814,500</u>

Actuarial valuations for accounting purposes are performed using the projected benefit method. The most recent actuarial report was prepared March 20, 2018.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage increases, employee turnover, and mortality rates. The assumptions used reflect management's best estimates. A discount rate of 3.30% was assumed to determine the accrued benefit obligation. Health, dental, and travel premium rates are predicted to escalate by 4% annually.

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

15. Post-Employment Benefits - (continued)

	2018	2017
Current period benefit cost	\$ 55,700	\$ 41,700
Amortization of actuarial loss	21,800	10,300
	77,500	52,000
Retirement benefit expense	77,500	52,000
Interest costs	34,700	42,000
	\$ 112,200	\$ 94,000
Total expense for the year	\$ 112,200	\$ 94,000

16. Operations of School Boards and the County of Bruce

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

	2018	2017
County of Bruce	\$10,202,492	\$ 9,888,274
School boards	5,796,996	5,930,263
	\$15,999,488	\$ 15,818,537
	\$15,999,488	\$ 15,818,537

17. Trust Funds

The trust fund administered by the Town has not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At December 31, 2018, the trust fund balance is as follows:

	2018	2017
Cemetery Care and Maintenance Funds	\$ 498,247	\$ 474,122
	\$ 498,247	\$ 474,122

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

18. Contingencies and Contractual Commitments

In August 2013, the Town entered into a five year operating agreement with the Ontario Clean Water Agency (OCWA) for the operation and maintenance of the Southampton water treatment facility, the Southampton water distribution system, the Southampton wastewater treatment plant, and the Port Elgin wastewater treatment plan. This operating agreement was later extended until December 31, 2019. As part of the OCWA's commitment to provide cost effective services to the client, OCWA shall provide the client with an annual credit memo of \$20,000 per year during the initial term of the agreement.

The following are the annual fixed prices for each of the OCWA components for 2019, the remaining term of this agreement:

	Port Elgin Wastewater Treatment Plant	Property, Boiler and Machinery Insurance	Southampton Wastewater Treatment Plant	Southampton Water Distribution System	Southampton Water Treatment Facility	Water System Annual Operating Credit
2019	759,194	25,439	488,608	217,069	587,297	(20,000)

These commitments will be funded by way of water and sewer user charges. The agreement may be renewed for a successive five year term subject to agreement between the parties.

The Town has awarded 13 contracts for capital projects that were not completed at year-end. The balance of the projects to be completed in 2019 is approximately \$5,498,806.

Subsequent to year-end the Town awarded contracts for a total commitment of \$6,528,540 in 2019.

Several lower tier municipalities on the Bruce Peninsula, including the Town of Saugeen Shores, have been named as defendants in a land claim action filed by the Chippewas of Saugeen and Nawash for damages alleged to total \$92 billion. 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 billion has been provided. The likelihood of the success of this action is undeterminable at this present time.

19. Temporary Borrowings

According to the terms of the Town's credit agreement with the bank, the maximum available operating credit limit is \$2,500,000 at an interest rate of prime less 0.75%. This facility is secured by a current borrowing by-law. There were no amounts drawn under this facility at year end.

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

20. Financial Instruments

Credit Risk

The town is exposed to credit risk through its cash, temporary investments, trade and other receivables, loans receivable, and long-term investments. There is the possibility of non-collection of trade and other receivables. The majority of the Town's receivables are from rate payers and government entities. For trade and other receivables, the Town measures impairment based on how long the amounts have been outstanding. The amounts outstanding at year end, which is the Town's maximum exposure to credit risk related to trade and other receivables, were as follows:

	0 - 30 days	31 - 90 days	91 - 365 days	1 to 2 years	3 to 10 years
Cash	\$ 12,489,604	\$ -	\$ -	\$ -	-
Temporary investments	6,887,728	-	-	-	-
Trade & other receivables	254,940	1,900,582	926,408	133,663	5,000
Loans receivable	16,399	32,798	399,727	896,454	515,512
Long-term investments	-	-	-	-	7,626,491
Net amount receivable	<u>\$ 19,648,671</u>	<u>\$ 1,933,380</u>	<u>\$ 1,326,135</u>	<u>\$ 1,030,117</u>	<u>\$ 8,147,003</u>

Liquidity Risk

Liquidity risk is the risk that the Town encounters difficulty in meeting its obligations as they fall due. The Town has a planning and budgeting process in place to help determine the funds required to support the Town's normal operating requirements on an ongoing basis. The Town ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain an available line of credit balance as approved by the appropriate borrowing by-law to meet, at a minimum, expected requirements for a period of at least 90 days. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

20. Financial Instruments - (continued)

	0 - 30 days	31 - 90 days	91 - 365 days	1 to 2 years	3 to 10 years
Accounts payable and accrued liabilities	\$ 2,091,743	\$ 299,356	\$ 545,517	\$ 819,120	\$ -
Long-term debt	-	-	2,104,066	962,529	6,374,649
Total financial liabilities	\$ 2,091,743	\$ 299,356	\$ 2,649,583	\$ 1,781,649	\$ 6,374,649

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial statement instrument will fluctuate because of changes in market interest rates. The Town is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings and long-term liabilities and the value of fixed rate long-term liabilities.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risks.

21. Segmented Information

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

General Government

This item refers to the revenues and expenses that relate to the governance and operations of the Town itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

Protection is comprised of police services, fire protection, conservation authority, emergency planning, by-law enforcement, animal control and building and structural inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consists of one part-time and two full-time employees as well as volunteers. The building department provides a number of services including enforcement of building and construction codes and review of all property development plans through its application process.

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

December 31, 2018

21. Segmented Information - (continued)

Transportation

Transportation is responsible for construction and maintenance of all the Town's roadways, bridges, parking areas and street lighting. Transportation also includes the provision of air transportation through the Port Elgin Airport Management Board.

Water and Sewer

This service provides the Town's drinking water. They process and clean sewage and ensure the Town's water system meets all provincial standards.

Waste Management

Included in waste management services is the provision of waste collection, disposal and recycling to its citizens.

Recreation and Cultural Services

This service area provides services meant to improve the health and development of the Town's citizens. The Town provides recreational programs and operates and maintains parks, arenas, a swimming pool, community centres, campgrounds and marinas. The Town also provides maintenance for the libraries.

Other Services

Includes in the other services category is health as well as planning and development services. Health services provide the maintenance of the two medical clinics and the operations of local cemeteries. Planning and development provides services in conjunction with the County of Bruce regarding planning and development issues. Also included are the Business Improvement Area, promotion of the Town and tile drainage.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation, OMPF government transfers and interest are allocated to those segments that are funded by these amounts based on a percentage of the net surplus for the year.

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

21. Segmented Information - (continued)

For the year ended December 31	General Government	Protection to Persons & Property	Transportation	Water and Sewer	Waste Management	Recreation and Cultural Services	Other Services	2018 Total
Revenue								
Taxation	\$ 598,853	\$ 8,982,796	\$ 3,143,979	\$ -	\$ 149,713	\$ 449,140	\$ 1,646,846	\$ 14,971,327
Fees and user charges	37,645	122,210	485,083	6,913,441	1,515,424	1,503,766	323,021	10,900,590
Specific government transfers	16,427	63,784	700,945	78,245	140,374	36,136		1,035,911
OMPF government transfers	50,864	762,960	267,036	-	12,716	38,148	139,876	1,271,600
Other income	2,832,863	85,848	68,475	202,952	5,000	2,681,540		5,876,678
	<u>3,536,652</u>	<u>10,017,598</u>	<u>4,665,518</u>	<u>7,194,638</u>	<u>1,823,227</u>	<u>4,708,730</u>	<u>2,109,743</u>	<u>34,056,106</u>
Expenses								
Amortization	85,797	264,688	2,630,122	2,862,339	191,098	620,968	104,728	6,759,740
Interest on debt	-	-	-	396,350	-	11,391	45,797	453,538
Materials and supplies	340,119	1,237,638	1,757,341	3,048,096	807,676	1,806,657	689,776	9,687,303
Salaries and benefits	1,908,856	4,270,196	2,490,759	335,757	669,487	2,349,964	432,453	12,457,472
Contracted services	-	-	96,561	-	-	-	-	96,561
	<u>2,334,772</u>	<u>5,772,522</u>	<u>6,974,783</u>	<u>6,642,542</u>	<u>1,668,261</u>	<u>4,788,980</u>	<u>1,272,754</u>	<u>29,454,614</u>
Net surplus (deficit)	\$ 1,201,880	\$ 4,245,076	\$ (2,309,265)	\$ 552,096	\$ 154,966	\$ (80,250)	836,989	\$ 4,601,492

The Corporation of the Town of Saugeen Shores
Notes to Financial Statements

21. Segmented Information - (continued)

For the year ended December 31	General Government	Protection to Persons & Property	Transportation	Water and Sewer	Waste Management	Recreation and Cultural Services	Other Services	2017 Total
Revenue								
Taxation	\$ 1,331,566	\$ 4,660,479	\$ 5,326,261	\$ -	\$ -	\$ 1,331,566	\$ 665,783	\$ 13,315,655
Fees and user charges	124,365	121,404	218,202	5,996,338	1,476,290	1,427,180	324,869	9,688,648
Specific government transfers	-	78,895	1,711,910	157,895	125,649	117,763		2,192,112
OMPF government transfers	118,400	473,600	473,600	-	-	118,400	-	1,184,000
Other income	1,832,506	157,685	174,434	92,425	5,000	1,731,219	-	3,993,269
Total Revenues	3,406,837	5,492,063	7,904,407	6,246,658	1,606,939	4,726,128	990,652	30,373,684
Expenses								
Amortization	90,899	261,854	2,668,852	3,032,328	86,139	584,793	6,583	6,731,448
Interest on debt	-	-	-	434,198	47,992	12,136	1,199	495,525
Materials and supplies	470,683	1,255,035	1,383,269	3,710,500	202,685	1,866,326	557,053	9,445,551
Salaries and benefits	1,905,249	4,263,106	2,408,024	874,368	308,709	2,125,907	98,698	11,984,061
Contracted services	-	-	58,736	-	-	-		58,736
Total Expenses	2,466,831	5,779,995	6,518,881	8,051,394	645,525	4,589,162	663,533	28,715,321
Net surplus (deficit)	\$ 940,006	\$ (287,932)	\$ 1,385,526	\$(1,804,736)	\$ 961,414	\$ 136,966	\$ 327,119	\$ 1,658,363

The Corporation of the Town of Saugeen Shores
Schedule of Deferred Revenue

For the year ended December 31, 2018

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
Federal Gas Tax	\$ 211,242	403,264	6,012	(108,391)	\$ 512,127
Development charges	4,443,346	3,185,082	86,960	(905,351)	6,810,037
Recreational land	703,787	-	14,182	(624,030)	93,939
Sanctuary park endowment	103,880	-	73	-	103,953
	<u>\$ 5,462,255</u>	<u>3,588,346</u>	<u>107,227</u>	<u>(1,637,772)</u>	<u>\$7,520,056</u>
Other					
Civil Remedies	\$ -	74,850	-	-	\$ 74,850
Connecting link grant	60,633	-	-	-	60,633
Miscellaneous	6,599	92,945	-	-	99,544
Recreation programs	294,780	292,301	-	(294,780)	292,301
Source protection	40,118	-	-	(8,265)	31,853
Developer deposits	325,324	-	-	(325,324)	-
OCIF funding	174,146	414,387	-	-	588,533
	<u>\$ 901,600</u>	<u>874,483</u>	<u>-</u>	<u>(628,369)</u>	<u>\$1,147,714</u>
	<u>\$ 6,363,855</u>	<u>\$ 4,462,829</u>	<u>\$ 107,227</u>	<u>\$(2,266,141)</u>	<u>\$8,667,770</u>

The Corporation of the Town of Saugeen Shores
Financial Information
For the year ended December 31, 2018

Contents

The Corporation of the Town of Saugeen Shores Trust Funds

The Corporation of the Town of Saugeen Shores
Financial Information
For the year ended December 31, 2018

Contents

The Corporation of the Town of Saugeen Shores Trust Funds

Independent Auditor's Report	3-4
Balance Sheet and Statement of Continuity	5
Notes to Financial Information	6-7



Tel: 519-832-2049
Fax: 519-832-5659
www.bdo.ca

BDO Canada LLP
625 Mill Street
PO Box 1390
Port Elgin ON N0H 2C0 Canada

Independent Auditors' Report

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Town of Saugeen Shores

We have audited the accompanying financial information for the Corporation of the Town of Saugeen Shores Trust Funds (Trust Funds), which comprise the balance sheet as at December 31, 2018, the statement of continuity for the year then ended, and notes to the financial information including a summary of significant accounting policies.

In our opinion, the financial information presents fairly, in all material respects, the balance sheet for the trust funds of the Trust Funds as at December 31, 2018 and the statement of continuity 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 Financial Information section of our report. We are independent of the Trust Funds in accordance with the ethical requirements that are relevant to our audit of the financial information 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 Financial Information

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

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

Those charged with governance are responsible for overseeing the Trust Funds' financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information 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 this financial information.

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 financial information, 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 Trust Funds' 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 Trust Funds' 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 financial information 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 Trust Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represents 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.

Chartered Professional Accountants, Licensed Public Accountants

Port Elgin, Ontario
June 24, 2019

The Corporation of the Town of Saugeen Shores
Trust Funds
Balance Sheet

December 31, 2018

Cemetery Care and Maintenance

	2018	2017
Assets		
Cash	\$ 56,239	\$ 41,973
Due from the Corporation of the Town of Saugeen Shores	30,769	26,294
Investments (Note 2)	419,546	418,910
	\$ 506,554	\$ 487,177
Liabilities		
Due to the Corporation of the Town of Saugeen Shores	\$ 8,308	\$ 13,055
Fund balance	498,246	474,122
	\$ 506,554	\$ 487,177

Statement of Continuity

For the year ended December 31, 2018

Cemetery Care and Maintenance

	2018	2017
Balance, beginning of the year	\$ 474,122	\$ 454,418
Receipts		
Bank interest	8,308	13,055
Plot sale	19,705	17,404
Marker maintenance	4,419	2,300
	32,432	32,759
Expenditures		
Expenses	8,308	13,055
Balance, end of the year	\$ 498,246	\$ 474,122

The Corporation of the Town of Saugeen Shores
Trust Funds
Notes to Financial Information

December 31, 2018

1. Summary of Significant Accounting Policies

Management Responsibility The financial information of the Corporation of the Town of Saugeen Shores Trust Funds are the representation of management prepared in accordance with accounting principles established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing.

The preparation of financial information in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of the assets and liabilities at the date of the financial information, and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

Basis of Consolidation This trust fund has not been consolidated with the financial statements of the Town.

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

Financial Instruments The trust fund classifies its financial instruments at amortized cost. The maximum exposure to credit risk is the carrying value of the financial instruments. These financial instruments include cash and investments. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument. Writedowns of financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net realizable value with the writedown being recognized in the statement of operations.

The Corporation of the Town of Saugeen Shores
Trust Funds
Notes to Financial Information

December 31, 2018

2. Investments

	2018	2017
Loan receivable, Town of Saugeen Shores, 3.67%, \$2,932 receivable annually principal and interest, due December 2020	\$ 5,556	\$ 8,187
Loan receivable, Town of Saugeen Shores, 2.66%, \$3,658 receivable annually principal and interest, due December 2021	10,414	13,708
CIBC Wood Gundy, Canadian securities from chartered banks with effective interest rates of 2.99% to 3.04%	403,576	397,015
	\$ 419,546	418,910

The total investments of \$419,546 reported on the statement of continuity have a market value of \$409,762 at the end of the year.

3. Financial Risk Management

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The trust fund is exposed to credit risk arising from its cash and investments.

Liquidity Risk

Liquidity risk is the risk that the trust fund will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the trust fund will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. The trust fund is not exposed to this risk as it does not have any material financial liabilities at year end.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The trust fund is exposed to interest rate risk arising from the possibility that interest rates will affect the value of fixed income denomination investments.

There have been no significant changes from the previous year in the exposure to risk other than those noted.