The Corporation of the Town of Saugeen Shores

Financial Information

For the year ended 31st December 2013

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Financial Statements
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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the Corporation of the Town of Saugeen Shores, which comprise the consolidated statement of financial position as at December 31, 2013, 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.

Management's Responsibility 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.

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 entity'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 entity'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 Corporation of the Town of Saugeen Shores as at December 31, 2013 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian Public Sector accounting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Port Elgin, Ontario
June 23, 2014

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

31st December	2013	2012 (Restated - see note 21)
Financial assets		
Cash and bank (Note 1)	**$ 12,031,763**	$ 10,509,035
Taxes receivable	**1,194,588**	1,258,375
Water and sewage charges receivable	**768,805**	745,037
Grants and subsidies receivable	**400,649**	316,505
Other receivables	**562,260**	501,243
Inventory held for resale	**225,974**	230,618
Loans receivable (Note 2)	**2,884,333**	3,498,954
Long-term investments (Note 3)	**7,626,491**	7,626,491
	25,694,863	24,686,258
Commitments and Contingencies (Note 17)		
Liabilities		
Accounts payable and accrued liabilities	**3,845,894**	3,086,757
Deferred revenue (Note 4)	**1,877,481**	1,581,638
Long-term debt (Note 6)	**14,232,395**	15,132,204
Landfill site closure and post-closure care liability (Note 7)	**180,320**	180,895
Post-employment benefits liability (Note 13)	**777,155**	777,069
	20,913,245	20,758,563
Net Financial Assets	**4,781,618**	3,927,695
Non-financial assets		
Tangible capital assets (Note 5)	**158,389,729**	156,810,974
Inventory of supplies	**25,229**	42,126
Prepaid expenses	**5,315**	9,052
	158,420,273	156,862,152
Accumulated surplus (Note 8)	**$ 163,201,891**	$ 160,789,847

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 31st December	2013 Budget	**2013 Actual**	2012 Actual (Restated - see note 21)
Revenue			
Taxation	$ 9,970,037	**$ 10,296,772**	$ 9,538,716
Fees and user charges	8,291,742	**8,663,776**	8,150,887
Grants (Note 11)	4,540,677	**2,658,501**	3,457,675
Other income (Note 10)	3,812,212	**5,334,067**	3,393,083
Reserve fund revenue recognized	509,725	**562,505**	1,161,785
Total revenues	27,124,393	**27,515,621**	25,702,146
Expenses			
General government	1,925,807	**1,902,339**	1,921,277
Protection services	5,042,820	**4,982,284**	4,948,600
Transportation services	5,936,351	**6,062,066**	5,567,551
Environmental services	6,917,727	**7,069,112**	7,025,165
Health services	791,033	**745,765**	768,859
Recreation and cultural services	3,594,947	**3,709,510**	3,627,183
Planning and development	681,910	**655,556**	619,331
Total Expenses	24,890,595	**25,126,632**	24,477,966
Annual surplus (Note 14)	2,233,798	**2,388,989**	1,224,180
Accumulated Surplus, beginning of year	160,789,847	**160,789,847**	159,565,667
Restatement of opening fund balance (Note 12)	-	**23,055**	-
Accumulated Surplus, beginning of year as restated	160,789,847	**160,812,902**	159,565,667
Accumulated Surplus, end of year	$ 163,023,645	**$ 163,201,891**	$ 160,789,847

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 31st December	2013 Budget	2013 Actual	2012 Actual (Restated - see note 21)
Annual surplus	$ 2,233,798	$ **2,388,989**	$ 1,224,180
Restatement of opening fund balance	-	**23,055**	-
Acquisition of tangible capital assets	(11,090,606)	**(7,941,989)**	(4,179,410)
Amortization of tangible capital assets	6,160,400	**6,145,197**	6,012,477
Proceeds on disposal of tangible capital assets	148	**180,267**	121,047
Loss (gain) on sale of tangible capital assets	(20,000)	**60,617**	28,470
Tangible capital assets recognized on initial consolidation of SMART	-	**(22,847)**	-
	(4,950,058)	**(1,578,755)**	1,982,584
Change in inventories and prepaid expenses	-	**20,634**	8,177
Change in net financial assets (debt)	(2,716,260)	**853,923**	3,214,941
Net financial assets (debt), beginning of year	3,927,695	**3,927,695**	712,754
Net financial assets (debt), end of year	$ 1,211,435	$ **4,781,618**	$ 3,927,695

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 31st December	2013	2012 (Restated - see note 21)
Cash provided by (used in)		
Operating Activities		
Annual surplus	$ 2,388,989	$ 1,224,180
Items not involving cash		
Solid waste closure and post-closure liabilities	(575)	(5,493)
Post-employment benefits payable	86	(23,608)
Amortization	6,145,197	6,012,477
Change in inventory of supplies and prepaid expenses	20,634	8,177
Donated capital assets	(2,287,376)	(87,102)
Loss on sale of capital assets	60,617	28,470
Restatement of opening fund balance	23,055	-
	6,350,627	7,157,101
Changes in non-cash working capital balances		
Taxes receivable	63,787	(61,395)
Water and sewage charges receivable	(23,768)	(48,567)
Grants and subsidies receivable	(84,144)	(51,113)
Other receivables	(61,017)	318,966
Inventory held for resale	4,644	9,940
Accounts payable and accrued liabilities	759,137	74,241
Deferred revenue	295,843	(999,517)
	954,482	(757,445)
	7,305,109	6,399,656
Capital transactions		
Cash used to acquire capital assets	(5,654,613)	(4,092,308)
Proceeds on sale of capital assets	180,267	121,047
Capital assets recognized on initial consolidation of SMART	(22,847)	-
	(5,497,193)	(3,971,261)
Investing activities		
Addition to loans receivable	-	(100,000)
Repayment of loans receivable	614,621	929,256
	614,621	829,256
Financing activities		
Addition to long-term liablilites	47,200	50,000
Repayment of long-term liabilities	(947,009)	(995,987)
	(899,809)	(945,987)
Net change in cash and temporary investments	1,522,728	2,311,664
Cash and temporary investments, beginning of year	10,509,035	8,197,371
Cash and temporary investments, end of year	$ 12,031,763	$ 10,509,035

The financial statements are prepared on the accrual basis. The following information, not disclosed separately on the statement of cash flows, is presented on the cash basis:

	2013	2012
Cash paid for interest	$ 678,400	$ 724,571
Cash received from interest	$ 739,445	$ 766,432

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

Management Responsibility

The consolidated financial statements of the Corporation of the Town of Saugeen Shores are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

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 accrued receivables, grants receivable, accrued liabilities, post-employment benefits, and solid waste landfill closure and post-closure care.

Basis of Consolidation

The consolidated financial 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
Port Elgin Airport Management Board

A government partnership exists where the municipality has shared control over the board or entity. The municipality's pro-rata share of the 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:

Bruce Area Solid Waste Recycling Association	22.91%
Saugeen Mobility and Regional Transit	7.40%

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; 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.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and short term highly liquid investments that are readily convertible into cash.

Long-Term Investments

Long-term investments are recorded at cost.

Inventory

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.

Inventory of goods held for consumption is recorded at the lower of cost and replacement cost.

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 life of the following assets is based on estimates made by Council. 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 & Wastewater Systems	20 - 70 years
IT Infrastructure	5 years
Land Improvements	20 - 50 years

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

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 and accumulated surplus in the year in which it is used for the specified purpose.

Solid Waste Landfill Closure and Post-Closure Care

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

Post-Employment Benefits

The municipality 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, benefits 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.

County and School Boards	The municipality collects taxation revenue on behalf of the school boards and the County of Bruce. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Bruce are not reflected in these financial statements.
Trust Funds	Funds held in trust by the municipality, 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.
Government Transfers	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.
Revenue Recognition	User fees and other revenues are recognized when related goods or services are provided and collectability is reasonably assured. 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.
Temporary Investments	Temporary investments are recorded at the lower of cost and market value.
Financial Instruments	The organization 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, taxes receivable, water and sewage charges receivable, grants receivable, other accounts receivable, loans receivable, long-term investments, accounts payable, 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.

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.

Non-Financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the municipality because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the municipality unless they are sold.

Taxation and Related Revenues

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 porperty 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.

Change in Accounting Policy

Effective January 1, 2013, the municipality adopted on a prospective basis the new accounting standards PS3410 Government Transfers and PS3510 Tax Revenue from the Chartered Professional Accountants of Canada Handbook. Government transfers are recognized when authorized and eligibility criteria have been met unless the transfer contains stipulations that create a liability. If the transfer contains stipulations that create a liability, the related revenue is recognized over the period that the liability is extinguished. The prospective application of this change in accounting policy resulted in an increase in government transfers for the year of $47,758 and a decrease in deferred revenue of $47,758. Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. The prospective application of this change in accounting policy resulted in an increase of $37,307 in taxes receivable, an increase of $19,448 in accounts payable and an increase of $17,859 in taxation revenue.

1. Cash and Bank

Interest is earned on bank balances at the bank's monthly average prime rate less 1.6%.

Funds are held at one financial institution. The Canadian Deposit Insurance Corporation insures up to a maximum of $100,000 per depositor per financial institution.

2. Loans Receivable

		2013		2012
Notes receivable, benefitting landowners, 0% to 8 %, due 2014 to 2031	$	**2,665,863**	$	3,113,568
Doctor recruitment loans receivable, non-interest bearing, due 2014 to 2016		**218,470**		385,386
	$	**2,884,333**	$	3,498,954

Interest earned on loans receivable during the year was $143,648 (2012 - $168,446).

3. Long-Term Investments

		2013		2012
Note receivable, Westario Power Inc., 5.47% interest only 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 Corporation of the Town of Saugeen Shores did not demand payment prior to year end. Effective January 1, 2014 the interest rate payable on this note was reduced to 4.12%.

Interest earned on notes receivable during the year was $167,388 (2012 - $167,618).

The municipality 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 $141,721 (2012 - $165,881) were received on these shares during the year.

4. Deferred Revenue

	2013	2012
Obligatory Reserve Funds		
Recreational land	$ 540,095	$ 521,995
Canada Gas Tax	125,555	40,992
Development charges	1,044,552	589,561
	1,710,202	1,152,548
Other		
Recreation programs	23,805	22,306
Miscellaneous	6,212	28,138
H&CSS-Grey Bruce, leasehold improvement	53,132	-
Downtown revitalization contribution	-	20,328
Developer Contribution: Reconstruction Gangway Harbour St to Beach	7,248	180,000
Connecting link grant	62,842	70,186
10th Concession sewer pump station infrastructure grant	-	47,758
Bruce Telecom storage building contribution	-	40,000
Miscellaneous provincial grants - police, community services, etc.	14,040	20,374
	167,279	429,090
	$ 1,877,481	$ 1,581,638

The net change during the year for the obligatory reserve funds is made up as follows:

	Development Charges	Canada Gas Tax	Recreational Land
Balance, beginning of year	$ 589,561	$ 40,992	$ 521,995
Interest earned	10,181	837	6,203
Contributions received	699,228	359,511	44,199
Revenue recognized	(254,418)	(275,785)	(32,302)
Balance, end of year	$ 1,044,552	$ 125,555	$ 540,095

December 31, 2013

5. Tangible Capital Assets

2013

	Land	Land Improvements	Buildings	Misc Equipment	Communication Equipment	IT Infrastructure	Playground Equipment	Furniture & Fixtures	Vehicles	Roads	Bridges & Culverts	Water & Wastewater Systems	Total
Cost, beginning of year	8,420,733	5,113,849	39,586,593	2,788,455	437,383	439,625	633,250	487,341	8,585,058	48,423,170	4,033,755	116,137,697	235,086,909
Cost on initial consolidation of SMART								1,708	67,431				69,139
Additions		796,104	772,646	290,501	29,070	37,442	27,402	16,521	1,255,027	1,761,642	39,743	1,860,796	6,886,894
Disposals		(108,286)	(3,005)	(38,311)		(4,759)		(831)	(600,947)	(182,103)	(17,894)	(47,218)	(1,003,354)
Cost, end of year	8,420,733	5,801,667	40,356,234	3,040,645	466,453	472,308	660,652	504,739	9,306,569	50,002,709	4,055,604	117,951,275	241,039,588
Assets under construction	3,335	321,419	1,015,318	9,568		6,182				1,103,300	2,117	140,615	2,601,854
All Assets - end of year	8,424,068	6,123,086	41,371,552	3,050,213	466,453	478,490	660,652	504,739	9,306,569	51,106,009	4,057,721	118,091,890	243,641,442
Accumulated amortization, beginning of year	-	1,966,069	15,018,476	1,119,441	272,117	339,834	253,621	379,731	4,142,264	28,154,762	2,671,703	25,504,676	79,822,694
Amortization on initial consolidation of SMART								1,192	45,100				46,292
Amortization		179,859	1,040,527	173,943	40,619	38,663	36,466	25,966	490,164	2,234,308	51,653	1,833,029	6,145,197
Disposals		(79,090)	(2,728)	(34,779)		(4,759)		(673)	(432,478)	(160,611)	(9,714)	(37,638)	(762,470)
Accumulated amortization, end of year	-	2,066,838	16,056,275	1,258,605	312,736	373,738	290,087	406,216	4,245,050	30,228,459	2,713,642	27,300,067	85,251,713
Total tangible capital assets, end of year	8,424,068	4,056,248	25,315,277	1,791,608	153,717	104,752	370,565	98,523	5,061,519	20,877,550	1,344,079	90,791,823	158,389,729

5. Tangible Capital Assets - continued

(Restated - see note 21)

2012

	Land	Land Improvements	Buildings	Misc Equipment	Communication Equipment	IT Infrastructure	Playground Equipment	Furniture & Fixtures	Vehicles	Roads	Bridges & Culverts	Water & Wastewater Systems	Total
Cost, beginning of year	8,389,955	5,028,243	39,370,930	2,350,064	332,589	412,998	636,383	448,676	7,854,705	47,096,466	3,917,802	115,583,495	231,422,306
Additions	30,778	85,606	463,589	438,391	104,794	36,393		38,665	740,121	1,372,389	115,953	571,637	3,998,316
Disposals			(247,926)			(9,766)	(3,133)		(9,768)	(45,685)		(17,435)	(333,713)
Assets in Service - Year-end	8,420,733	5,113,849	39,586,593	2,788,455	437,383	439,625	633,250	487,341	8,585,058	48,423,170	4,033,755	116,137,697	235,086,909
Assets under construction	3,335	119,116	465,675	351,573		24,083			90,843	461,010		31,124	1,546,759
All Assets - end of year	8,424,068	5,232,965	40,052,268	3,140,028	437,383	463,708	633,250	487,341	8,675,901	48,884,180	4,033,755	116,168,821	236,633,668
Accumulated amortization, beginning of year	-	1,789,572	14,110,848	982,929	243,676	297,893	219,627	347,390	3,709,699	26,005,453	2,614,832	23,672,494	73,994,413
Amortization		176,497	1,015,386	136,512	28,441	51,126	37,127	32,341	442,333	2,192,228	56,871	1,843,615	6,012,477
Disposals			(107,758)			(9,185)	(3,133)		(9,768)	(42,919)		(11,433)	(184,196)
Accumulated amortization, end of year	-	1,966,069	15,018,476	1,119,441	272,117	339,834	253,621	379,731	4,142,264	28,154,762	2,671,703	25,504,676	79,822,694
Total tangible capital assets end of year	8,424,068	3,266,896	25,033,792	2,020,587	165,266	123,874	379,629	107,610	4,533,637	20,729,418	1,362,052	90,664,145	156,810,974

5. Tangible Capital Assets - continued

The net book value of tangible assets not being amortized because they are under construction (or development or have been removed from service) is $2,601,854 (2012 - $1,546,759).

Contributed capital assets valued at $2,287,376 were recognized in the financial statements during the year. (2012 - $1,331,090)

6. Long-Term Debt

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

	2013	2012
Loan payable, Ontario Clean Water Agency, 8.04%, payable $9,420 monthly principal and interest, due March 2015	$ **135,561**	$ 233,386
Tile drainage loans payable, 6 - 8%, due 2014 to 2023	**169,632**	135,383
Loan payable, non-interest bearing	**5,920**	39,262
Loan payable, Ontario Infrastructure Project Corporation, 4.72% payable $132,718 semi-annually principal and interest, due February 2026	**2,484,858**	2,627,925
Loan payable, Ontario Infrastructure Project Corporation, 4.74% payable $175,723 semi-annually principal and interest, due April 2027	**3,475,190**	3,655,478
Loan payable, Ontario Infrastructure Project Corporation, 4.82% payable $93,565 semi-annually, principal and interest, due December 2029	**2,070,443**	2,154,719
Loan payable, Canadian Imperial Bank of Commerce, 4.55%, payable $2,348 monthly, principal and interest, due November 2019	**317,988**	331,363
Loan payable, Canadian Imperial Bank of Commerce, 4.55%, payable $9,122 monthly, principal and interest, due November 2019	**1,235,380**	1,287,341
Loan payable, Canadian Mortgage and Housing Corporation, 3.97%, payable $390,725 annually, principal and interest, due December 2024	**3,428,483**	3,673,375
Loan payable, Canadian Mortgage and Housing Corporation, 4.15%, payable $85,252 annually, principal and interest, due May, 2025	**793,178**	843,427
Loan payable, Saugeen Shores Cemetery Care and Maintenance Trust Fund, 4.72%, payable $34,492 annually principal and interest, due March 2016	**71,900**	101,597
Loan payable, Saugeen Shores Cemetery Care and Maintenance Trust Fund, 3.67%, payable $2,932 annually principal and interest, due December 2020	**17,812**	20,010
Loan payable, Saugeen Shores Cemetery Care and Maintenance Trust Fund, 2.66%, payable $3,658 annually principal and interest, due December 2021	**26,050**	28,938
	$ **14,232,395**	$ 15,132,204

6. Long-Term Debt - continued

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

2014	967,120
2015	923,385
2016	908,299
2017	940,653
2018	983,090
Thereafter	9,509,848

Interest expense recorded in the year relating to these long-term liabilities is $671,909 (2012 - $717,628).

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

7. 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 $600,522.

Port Elgin Landfill Site
At 31st December 2013 a liability of $74,704 has been recognized in the financial statements. This represents 100% of the present value of the estimated post-closure care cost, and is based on a long-term borrowing rate of 3.85% and an annual inflation rate of 1.80%.

Southampton Landfill Site
At 31st December 2013 a liability of $105,616 has been recognized in the financial statements. This represents 55% of the present value of the estimated costs, and is based on a total capacity of 427,000 cubic meters, a long-term borrowing rate of 3.85% and an annual inflation rate of 1.80%. The balance of the liability of $86,156 will be accrued as the remaining capacity of 191,835 cubic meters is utilized, which is expected to be over the next 21.9 years.

At 31st December 2013 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.

8. Accumulated Surplus

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

	2013	2012
Tangible capital assets purchased	**$ 158,389,729**	$ 156,810,974
Long term debt	**(14,232,395)**	(15,132,204)
Unfunded Post-employment benefits	**(777,155)**	(777,069)
Unfunded solid waste closure and post-closure costs	**(180,320)**	(180,895)
General surplus (Note 14)	**544,333**	544,333
Port Elgin Airport Management Board surplus	**59,734**	63,158
SMART surplus	**208**	-
Port Elgin Business Improvement Area surplus	**64,412**	54,093
	143,868,546	141,382,390
Reserves and reserve funds (Note 9)	**19,333,345**	19,407,457
Accumulated surplus	**$ 163,201,891**	$ 160,789,847

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

	2013	2012
Reserves		
Working funds	**$ 764,312**	$ 764,312
Equipment Replacement	**25,133**	237,176
Insurance	**141,193**	141,193
Capital purposes	**17,394,297**	17,371,417
Tax rate stabilization	**197,015**	186,089
Current purposes	**695,327**	599,515
	19,217,277	19,299,702
Reserve funds		
Capital purposes	**88,941**	80,942
Parking revenues	**27,127**	26,813
	116,068	107,755
Reserves and reserve funds set aside for specific purposes by Council	**$ 19,333,345**	$ 19,407,457

10. Other Income

		2013 Budget		2013 Actual		2012 Actual
Gain/(loss) on sale of capital assets	$	30,000		**(60,617)**		(28,470)
Penalties and interest on taxation		176,000		**187,858**		179,327
Investment income		598,341		**613,929**		647,915
Rents, concessions and franchises		632,940		**432,674**		595,444
Donations		265,972		**2,529,750**		405,085
OPG payment		780,000		**293,571**		290,952
Trailer revenue and permits		998,836		**972,617**		944,222
Licenses and permits		308,049		**339,882**		332,774
Other		22,074		**24,403**		25,834
	$	3,812,212	**$**	**5,334,067**	$	3,393,083

11. Grants

		2013 Budget		2013 Actual		2012 Actual
Operating						
Province of Ontario						
Ontario Municipal Partnership Fund (OMPF)	$	2,020,800	**$**	**2,087,400**	$	2,232,900
Conditional - Protection		98,164		**99,541**		148,156
- Roads		29,878		**105,096**		425,230
- Waste Diversion		86,862		**89,916**		70,629
- Other		104,300		**141,654**		114,887
		2,340,004		**2,523,607**		2,991,802
Government of Canada						
- Roads		-		**1,796**		1,796
- Other		-		**31,950**		50,000
		-		**33,746**		51,796
Other Municipalities						
- Fire		5,000		**-**		5,000
- Other		-		**5,374**		2,021
		5,000		**5,374**		7,021
Total operating grants	$	2,345,004	**$**	**2,562,727**	$	3,050,619

11. Grants - continued

		2013 Budget	2013 Actual	2012 Actual
Tangible Capital Asset				
Province of Ontario				
Conditional	- Protection	$ -	$ -	$ 14,697
	- Roads	2,075,673	32,227	319,653
	- Sewer and Water	-	-	49,706
	- Recreation and Culture	100,000	60,000	-
	- Other	20,000	-	18,000
		2,195,673	92,227	402,056
Other Municipalities				
	- Recreation and Culture	-	3,547	5,000
Total tangible capital asset grants		2,195,673	95,774	407,056
Total grants		$ 4,540,677	$ 2,658,501	$ 3,457,675

12. Government Partnerships

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

	Saugeen Mobility and Regional Transit	BASWRA
Financial Assets	$ 140,731	$ 2,262,678
Liabilities	175,855	103,583
Net Financial Position	(35,124)	2,159,095
Non Financial Assets	535,855	1,651,414
Accumulated Surplus	500,731	3,810,509
Revenues	1,151,880	2,392,547
Expenses	962,709	2,309,648
Annual Surplus	$ 189,171	$ 82,899

Bruce Area Solid Waste Recycling Association (BASWRA) is a partnership between the Town of South Bruce Peninsula, the Municipality of Arran-Elderslie, 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 $222,601 (2012 - $213,854) for recycling and cardboard collection services.

Saugen Mobility and Regional Transit (S.M.A.R.T.) operates a specialty transit service; the Town of Saugeen Shores became a partner in this service in 2013. The Town's opening fund balance has been restated to include the Town's share of S.M.A.R.T.'s opening fund balance ($23,055).

13. Post-Employment Benefits

Pension Plan

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of 100 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, 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 amount contributed to OMERS for 2013 was $678,548 (2012 - $601,167) for current service.

The OMERS Board rate was 9.0% to 15.9% depending on income level for 2013 (2012 - 8.3% to 13.9% depending on income level). The OMERS plan has reported a $8.6 billion actuarial deficit at the end of 2013 (2012 - $9.9 billion actuarial deficit), based on actuarial liabilities of $73.0 billion (2012 $69.1 billion) and actuarial assets of $64.4 billion (2012 - $59.2 billion). Contribution rates for employees and employers have been increasing to address the funding deficit.

Other Benefits

The municipality provides post-employment health, dental and life insurance benefits to eligible retired employees. Payment for these benefits totaled $52,406 (2012 - $64,888) during the year. The post-employment benefit at December 31 includes the following components:

		2013		2012
Accrued benefit obligation	**$**	**871,462**	$	879,899
Unamortized actuarial loss		**(94,307)**		(102,830)
Accrued benefit liability	**$**	**777,155**	$	777,069

Actuarial valuations for accounting purposes are performed using the projected benefit method, pro-rated on services. The most recent actuarial report was prepared as at December 31, 2012.

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 4.25% was assumed to determine the accrued benefit obligation, along with a compensation increase rate of 3%, a 4.333% annual rate increase in health premium rates for 2014, phasing down 4% per year beginning in 2015. Dental and travel premium rates are predicted to escalate by 4% annually.

		2013		2012
Current period benefit cost	**$**	**34,887**	$	30,000
Amortization of actuarial loss		**8,523**		(1,315)
Retirement benefit expense		**43,410**		28,685
Interest cost		**36,442**		37,707
Total expense for the year	**$**	**79,852**	$	66,392

14. Budget Amounts

Under public sector accounting standards, budget amounts are to be reported on the consolidated statements of operations and accumulated surplus and changes in net debt for comparative purposes. The 2013 budget amounts for the Corporation of the Town of Saugeen Shores approved by Council have been restated to conform to the basis of preparation of the revenues and expenses on the consolidated statements of operations and accumulated surplus and changes in net debt. The following is a reconciliation of the budget approved by Council.

	2013 Budget	2013 Actual	2012 Actual (Restated - see note 21)
Annual surplus (Page 6)	$ 2,233,798	$ 2,388,989	$ 1,224,180
Acquisition of tangible capital assets less disposals and write-downs	(11,110,458)	(7,701,105)	(4,029,893)
Amortization	6,160,400	6,145,197	6,012,477
Proceeds from issuance of long-term debt	-	47,200	50,000
Debt principal repayments	(947,395)	(947,009)	(995,987)
Net Transfers to/from reserve	3,668,763	74,112	(2,212,208)
Change in unfunded liabilities	-	(489)	(29,101)
Change in consolidated boards	(5,108)	(6,895)	(19,468)
	-	-	-
Prior year surplus (deficit) general	-	544,333	544,333
General Surplus	$ -	$ 544,333	$ 544,333

15. 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:

	2013	2012
School boards	**$ 5,923,506**	$ 5,797,321
County of Bruce	**8,609,205**	8,110,792
	$ 14,532,711	$ 13,908,113

16. Trust Funds

The trust funds administered by the municipality amounting to $511,018 (2012 - $480,721) have not been included in the statement of financial position nor have the operations been included in the statement of operations and accumulated surplus. At 31st December 2013, the trust fund balances are as follows:

	2013	2012
Cemetery Care and Maintenance Funds	$ 412,178	$ 396,298
Flag Fund	10,717	11,552
Chantry Island Restoration Fund	88,123	72,871
	$ 511,018	$ 480,721

17. Commitments and Contingencies

In August, 2013 the Town of Saugeen Shores 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 plant. As part of 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 2014 to 2018, the term of this agreement:

	Southampton Water Treatment Facility	Water System Annual Operating Credit	Southampton Water Distribution System	Southampton Wastewater Treatment Plant	Port Elgin Wastewater Treatment Plant	Property and Boiler and Machinery Insurance
2014	503,586	(20,000)	201,470	426,595	665,905	23,614
2015	508,868	(20,000)	204,412	431,167	673,554	23,968
2016	514,230	(20,000)	207,399	435,808	681,317	24,328
2017	519,672	(20,000)	210,430	440,519	689,197	24,693
2018	525,196	(20,000)	213,507	445,301	697,195	25,063

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

The town has awarded three contracts for capital projects that were not completed at year-end. The balance of the projects to be completed in 2014 is approximately $119,256.

Subsequent to year-end, the town awarded contracts for a total commitment of $3,117,943 in 2014.

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.

18. 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.

19. Financial Instrument Risk Management

Credit Risk

The Town of Saugeen Shores is exposed to credit risk through its cash, trade and other receivables, loans receivable, and long-term investments. There is the possibility of non-collection of its 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	$ 12,031,763	$ -	$ -	$ -	$ -
Trade & other receivables	1,301,495	394,841	-	10,878	24,500
Loans receivable	-	-	38,686	316,567	2,529,080
Long-term investments	-	-	-	-	7,626,491
Net amount receivable	$ 13,333,258	$ 394,841	$ 38,686	$ 327,445	$ 10,180,071

Liquidity Risk

Liquidity risk is the risk that the Town of Saugeen Shores 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:

	0 - 30 days	31 - 90 days	91 - 365 days	1 to 2 years	3 to 10 years
Accounts payable and accrued liabilities	$ 1,780,774	$ 182,930	$ 742,195	$ 1,139,995	$ -
Deferred revenue	23,805	-	143,474	-	-
Long-term debt	-	-	-	1,890,505	12,341,890
Total Financial Liabilities	$ 1,804,579	$ 182,930	$ 885,669	$ 3,030,500	$ 12,341,890

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 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.

20. Comparative Amounts

Amounts presented for comparative purposes have been reclassified to conform to the current year's presentation.

21. Prior Period Correction

During the year 2013 it was determined that the Town of Saugeen Shores had reported the value of two donated assets twice. The donated value of the Lakeridge Subdivision and the Miramichi Shores Subdivision was recognized as part of the initial PSAB reporting process in 2009 and again in 2012 when these two subdivisions were officially assumed into the municipal road system by By-law of Council. A total of $1,243,988 in asset value was overstated on our 2012 Financial Statements. Accordingly the value of tangible capital assets reported on the statement of financial position has been restated to reflect the correct value of the Town of Saugeen Shores tangible capital assets.

The financial statement amounts that are presented for comparative purposes have been restated as noted below.

Statement of Financial Position		
Decrease in the total value of Tangible Capital Assets and Accumulated surplus	$	1,243,988
Statement of Operations and Accumulated Surplus		
Decrease in value of Donated Assets included in Other income	$	1,243,988
Statement of Changes in Net Financial Assets		
Decrease in Annual Surplus	$	1,243,988
Decrease in acquisition of Tangible Capital Assets	$	1,243,988
Statement of Cash Flows		
Decrease in Annual Surplus	$	1,243,988
Decrease in value of Donated Assets	$	1,243,988

22. Segmented Information

The Town of Saugeen Shores is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, animal control, sewer, water, waste collection, disposal and recycling, recreational, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the 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 consist 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.

Transportation

Transportation is responsible for construction and maintenance of the Town's roadways, bridges, parking areas and streetlighting. 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.

22. Segmented Information - continued

Other Services

Included in the other services category is health as well as planning and development services. Health services provides the maintenance of 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 and Business Enterprise Centre, 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 grants and interest are allocated to those segments that are funded by these amounts based on a percentage of the net surplus for the year.

22. Segmented Information - continued

For the year ended December 31, 2013	General Government	Protection to Persons & Property	Transportation	Water and Sewer	Waste Management	Recreation and Cultural Services	Other Services	**2013 Total**
Revenue								
Taxation	$ 1,391,175	$ 4,189,887	$ 3,400,777	$ -	$ -	$ 1,073,859	$ 241,074	$ 10,296,772
Fees and user charges	27,920	65,567	293,548	5,142,305	1,177,151	1,244,337	712,948	8,663,776
Specific grants	-	99,541	139,119	-	89,916	136,032	106,493	571,101
OMPF grant	282,024	849,390	689,418	-	-	217,697	48,871	2,087,400
Other revenue/(expense)	636,913	662,479	2,459,185	(13,111)	(440)	1,245,519	343,522	5,334,067
Deferred revenue recognized	-	-	327,648	147,432	-	87,425	-	562,505
Total Revenues	2,338,032	5,866,864	7,309,695	5,276,626	1,266,627	4,004,869	1,452,908	27,515,621
Expenses								
Salaries and benefits	1,441,670	3,708,341	1,955,732	198,482	711,463	1,696,449	598,565	10,310,702
Interest on debt	-	-	-	585,168	-	19,596	67,145	671,909
Materials and supplies	519,735	1,045,563	1,697,177	2,221,315	365,633	1,507,971	641,430	7,998,824
Amortization	78,934	216,380	2,601,419	2,528,757	161,890	463,636	94,181	6,145,197
Interfunctional Transfers	(138,000)	12,000	(192,262)	202,000	94,404	21,858	-	-
Total Expenses	1,902,339	4,982,284	6,062,066	5,735,722	1,333,390	3,709,510	1,401,321	25,126,632
Net surplus (deficit)	**$ 435,693**	**$ 884,580**	**$ 1,247,629**	**$ (459,096)**	**$ (66,763)**	**$ 295,359**	**$ 51,587**	**$ 2,388,989**

22. Segmented Information - continued

For the year ended December 31, 2012	General Government	Protection to Persons & Property	Transportation	Water and Sewer	Waste Management	Recreation and Cultural Services	Other Services	2012 Total
								(Restated - see note 21)
Revenue								
Taxation	$ 962,318	$ 3,486,635	$ 3,742,983	$ -	$ -	$ 970,734	$ 376,046	$ 9,538,716
Fees and user charges	115,891	57,291	180,791	5,042,182	1,285,259	1,222,587	246,886	8,150,887
Specific grants	10,022	167,852	751,680	49,706	70,629	57,268	117,618	1,224,775
OMPF grant	225,267	816,180	876,188	-	-	227,237	88,028	2,232,900
Other revenue/(expense)	795,618	589,218	376,402	(146,170)	7,813	1,191,112	579,090	3,393,083
Deferred revenue recognized	5,058	1,000	870,339	239,239	-	31,147	15,002	1,161,785
Total Revenues	2,114,174	5,118,176	6,798,383	5,184,957	1,363,701	3,700,085	1,422,670	25,702,146
Expenses								
Salaries and benefits	1,383,867	3,641,041	1,719,370	154,992	716,908	1,631,980	623,729	9,871,887
Interest on debt	-	-	-	628,815	-	21,527	67,286	717,628
Materials and supplies	594,111	1,102,160	1,492,926	2,272,437	311,727	1,500,893	601,720	7,875,974
Amortization	81,299	193,399	2,521,897	2,490,161	166,002	464,264	95,455	6,012,477
Interfunctional Transfers	(138,000)	12,000	(166,642)	201,000	83,123	8,519	-	-
Total Expenses	1,921,277	4,948,600	5,567,551	5,747,405	1,277,760	3,627,183	1,388,190	24,477,966
Net surplus (deficit)	**$ 192,897**	**$ 169,576**	**$ 1,230,832**	**$ (562,448)**	**$ 85,941**	**$ 72,902**	**$ 34,480**	**$ 1,224,180**

The Corporation of the Town of Saugeen Shores
Financial Information
For the year ended 31st December 2013

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The Corporation of the Town of Saugeen Shores
Financial Information
For the year ended 31st December 2013

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Independent Auditor's 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 of the trust funds of the Corporation of the Town of Saugeen Shores, which comprise the statement of financial position as at December 31, 2013, the statement of the continuity of the trust funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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 the financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial information 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 financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial information 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 entity'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 financial information.

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 financial information presents fairly, in all material respects, the financial position of trust funds of The Corporation of the Town of Saugeen Shores as at December 31, 2013 and the continuity of the trust funds for the year then ended in accordance with Canadian Public Sector accounting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Port Elgin, Ontario
June 23, 2014

The Corporation of the Town of Saugeen Shores
Trust Funds
Statement of Financial Position

31st December 2013

Assets	**Cemetery Care and Maintenance**	**Flag Fund**	**Chantry Island Restoration Fund**	**Total**
Cash (Note 5)	$ 289,704	$ 10,702	$ 39,640	**$ 340,046**
Accounts receivable	-	15	50,019	**50,034**
Due from Town of Saugeen Shores	15,880	-	-	**15,880**
Investments (Note 2)	115,762	-	-	**115,762**
Tangible capital assets (Note 3)	-	-	4,056	**4,056**
	$ 421,346	$ 10,717	$ 93,715	**$ 525,778**
Liabilities				
Accounts payable	-	-	382	**382**
Due to Town of Saugeen Shores	9,168	-	5,210	**14,378**
	9,168	-	5,592	**14,760**
Fund Balance	412,178	10,717	88,123	**511,018**
	$ 421,346	$ 10,717	$ 93,715	**$ 525,778**

Statement of Continuity

For the year ended 31st December 2013

	Cemetery Care and Maintenance	**Flag Fund**	**Chantry Island Restoration Fund**	**Total**
Receipts				
Bank interest	$ 9,168	$ 130	$ 398	**$ 9,696**
Plot sales	12,880	-	-	**12,880**
Marker maintenance	3,000	-	-	**3,000**
Federal grant	-	-	2,368	**2,368**
Other income	-	-	34,984	**34,984**
Donations and fundraising	-	120	15,880	**16,000**
	25,048	250	53,630	**78,928**
Expenses				
Expenses	9,168	1,085	38,378	**48,631**
Net revenues (expenses) for the year	15,880	(835)	15,252	**30,297**
Trust funds, beginning of year	396,298	11,552	72,871	**480,721**
Trust funds, end of year	$ 412,178	$ 10,717	$ 88,123	**$ 511,018**

The accompanying notes are an integral part of these financial statements.

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 the Canadian Institute of Chartered Accountants as prescribed by the Ontario 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

These trust funds have not been consolidated with the financial statements of the municipality.

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; 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.

Investments

Investments are recorded at the lower of cost and market value.

Financial Instruments

The trust funds classify all of their 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, accounts receivable and accounts payable. 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.

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.

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 life of the following assets is based on estimates made by Council. The following useful lives are used:

Vehicles	3 - 20 years
Machinery and equipment	10 - 35 years

2. Investments

		2013		2012
Loan receivable, Town of Saugeen Shores, 4.72%, $34,492 receivable annually principal and interest, due March 2016	$	**71,900**	$	101,597
Loan receivable, Town of Saugeen Shores, 3.67%, $2,931.63 receivable annually principal and interest, due December 2020	$	**17,812**	$	20,010
Loan receivable, Town of Saugeen Shores, 2.66%, $3,658 receivable annually principal and interest, due December 2021	$	**26,050**	$	28,938
	$	**115,762**	$	150,545

The total investments of $115,762 (2012 - $150,545) reported on the statement of continuity have a market value of $115,762 (2012 - $150,545) at the end of the year.

3. Capital Assets

Vehicles	2013	2012
Cost, beginning of year	**19,634**	19,634
Additions	**-**	-
Disposals	**(750)**	-
Cost, end of year	**18,884**	19,634
Accumulated amortization, beginning of year	**14,023**	11,202
Amortization	**1,305**	2,821
Disposals	**(500)**	-
Accumulated amortization, end of year	**14,828**	14,023
Total tangible capital assets, end of year	**4,056**	5,611

4. 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 funds are exposed to credit risk arising from its cash, accounts receivables and amounts due from the Town of Saugeen Shores.

Liquidity Risk

Liquidity risk is the risk that the trust funds encounter difficulty in meeting their obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the trust funds 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. Liquidity risk arises from accounts payable and amounts due to the Town of Saugeen Shores. The trust funds have sufficient cash balances and long-term investments to extinguish its liabilities.

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 funds are exposed to interest rate risk arising from the possibility that interest rates will affect the value of fixed income denominated investments.

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

5. Cash

Funds are held at one financial institution. The Canadian Deposit Insurance Corporation insures up to a maximum of $100,000 per depositor per financial institution.