The Corporation of the Town of Saugeen Shores

Financial Information

For the year ended December 31, 2017

The Corporation of the Town of Saugeen Shores
Financial Information
For the year ended December 31, 2017

Contents

The Corporation of the Town of Saugeen Shores
Financial Statements
For the year ended December 31, 2017

Contents

The Corporation of the Town of Saugeen Shores

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

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, 2017 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 qualified audit opinion.

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 the adjustments necessary to the tangible capital assets, amortization, annual surplus and accumulated surplus. The financial statements for the year ended December 31, 2016 were also qualified for this reason.

Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, 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, 2017 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Port Elgin, Ontario
June 25, 2018

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

December 31	2017	2016
Financial assets		
Cash (Note 1)	$ **7,836,622**	$ 6,504,306
Temporary investments (Note 2)	**6,762,194**	6,644,901
Trade and other receivables	**3,482,251**	2,224,600
Taxes receivable	**1,571,289**	1,228,753
Inventory held for resale	**227,243**	222,889
Loans receivable (Note 3)	**2,151,054**	1,678,438
Long-term investments (Note 4)	**7,626,491**	7,626,491
	29,657,144	26,130,378
Contingencies and contractual committments (Note 18)		
Liabilities		
Accounts payable and accrued liabilities	**3,191,042**	2,990,146
Landfill site closure and post-closure care liability (Note 5)	**190,231**	191,311
Post-employment benefits liability (Note 15)	**814,500**	783,786
Deferred revenue (Page 32)	**6,363,855**	3,725,904
Long-term debt (Note 6)	**10,409,387**	11,335,941
	20,969,015	19,027,088
Net financial assets	**8,688,129**	7,103,290
Non-financial assets		
Tangible capital assets (Note 7)	**156,272,266**	156,173,569
Inventory of supplies	**60,951**	66,609
Prepaid expenses	**45,050**	64,565
	156,378,267	156,304,743
Accumulated surplus (Note 8)	**$ 165,066,396**	$163,408,033

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	2017 Budget	**2017 Actual**	2016 Actual
Revenue			
Taxation	$ 13,073,781	**$ 13,315,655**	$ 12,468,823
Fees and user charges	9,308,584	**9,688,648**	10,208,570
Government transfers (Note 13)	6,147,285	**3,376,112**	2,279,747
Other income (Note 11)	4,283,996	**3,993,269**	3,211,122
	32,813,646	**30,373,684**	28,168,262
Expenses			
General government	2,219,971	**2,466,831**	2,279,956
Protection services	5,503,065	**5,779,995**	5,485,906
Transportation services	3,622,289	**6,518,881**	6,212,684
Environmental services	5,191,391	**8,051,394**	8,296,075
Health services	676,765	**645,525**	696,823
Recreation and cultural services	3,827,927	**4,589,162**	4,481,889
Planning and development	601,463	**663,533**	492,103
	21,642,871	**28,715,321**	27,945,436
Annual surplus (Note 10)	11,170,775	**1,658,363**	222,826
Accumulated surplus, beginning of the year	163,408,033	**163,408,033**	163,185,207
Accumulated surplus, end of the year	$174,578,808	**$ 165,066,396**	$163,408,033

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	2017 Budget	2017 Actual	2016 Actual
Annual surplus (Page 5)	$ 11,170,775	**$ 1,658,363**	$ 222,826
Acquisition of tangible capital assets	(15,627,105)	**(6,906,805)**	(5,814,514)
Amortization of tangible capital assets	-	**6,731,448**	6,467,377
Proceeds on disposal of assets	-	**22,366**	1,306,125
Loss on disposal of assets	-	**54,294**	4,845
	(15,627,105)	**(98,697)**	1,963,833
Change in inventory of supplies	-	**5,658**	45,206
Change in prepaid expenses	-	**19,515**	(52,445)
	-	**25,173**	(7,239)
Change in net financial assets	(4,456,330)	**1,584,839**	2,179,420
Net financial assets, beginning of the year	7,103,290	**7,103,290**	4,923,870
Net financial assets, end of the year	$ 2,646,960	**$ 8,688,129**	$ 7,103,290

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	2017	2016
Cash provided by (used in)		
Operating activities		
Annual surplus	**$ 1,658,363**	$ 222,826
Items not involving cash		
Amortization	**6,731,448**	6,467,377
Change in inventory of supplies	**5,658**	45,206
Change in prepaid expenses	**19,515**	(52,445)
Loss on disposal of assets	**54,294**	4,845
Deferred revenue recognized	**(1,134,548)**	(860,136)
Post-employment benefits	**30,714**	2,907
Solid waste closure and post-closure liabilities	**(1,080)**	2,634
	7,364,364	5,833,214
Changes in non-cash working capital balances		
Taxes receivable	**(342,536)**	(7,105)
Trade and other receivables	**(1,257,651)**	(235,125)
Inventory held for resale	**(4,354)**	(5,052)
Accounts payable and accrued liabilities	**200,896**	(364,143)
Deferred revenue received	**3,772,499**	2,408,562
	2,368,854	1,797,137
	9,733,218	7,630,351
Capital transactions		
Cash used to acquire capital assets	**(6,906,805)**	(5,814,514)
Proceeds on sale of capital assets	**22,366**	1,306,125
	(6,884,439)	(4,508,389)
Investing activities		
Change in temporary investments	**(117,293)**	(6,544,754)
Investment in new loans	**(850,000)**	-
Repayment of loans receivable	**377,384**	420,729
	(589,909)	(6,124,025)
Financing activities		
Repayment of long-term liabilities	**(926,554)**	(1,005,949)
Net change in cash and cash equivalents	**1,332,316**	(4,008,012)
Cash and cash equivalents, beginning of the year	**6,504,306**	10,512,318
Cash and cash equivalents, end of the year	**$ 7,836,622**	$ 6,504,306

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. 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	23.48%
Saugeen Mobility and Regional Transit	19.70%

December 31, 2017

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	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. Cost is determined on a first in first out basis.
Long-Term Investments	Long-term investments are recorded at 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 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.

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.

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.

December 31, 2017

1. Cash

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

Funds in the amount of $7,142,490 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

	2017	2016
Bond funds	**$ 1,562,269**	$ 1,524,345
Canadian corporate paper (1.80% to 2.65%)	**1,237,703**	1,619,169
Guaranteed investment certificates (1.25% to 3.45%)	**3,962,221**	3,501,387
	$ 6,762,193	$ 6,644,901

Temporary investments have a market value of $6,731,455 (2016 - $6,627,703) at the end of the year.

3. Loans Receivable

	2017	2016
Notes receivable, benefitting landowners, 0% to 8%, due 2018 to 2031	**$ 1,154,852**	$ 1,473,655
Doctor recruitment loans receivable, non-interest bearing, due 2018 to 2027	**996,202**	204,783
	$ 2,151,054	$ 1,678,438

Interest earned on loans receivable during the year was $61,918 (2016 - $80,885).

4. Long-Term Investments

	2017	2016
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 Corporation of the Town of Saugeen Shores did not demand payment prior to year end.

Interest earned on notes receivable during the year was $126,192 (2016 - $126,538).

The Corporation of the Town of Saugeen Shores 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 $149,879 (2016 - $199,838) 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 $530,968.

Port Elgin Landfill Site

At December 31st, 2017 a liability of $58,915 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, 2017 a liability of $131,916 has been recognized in the financial statements. This represents 63% 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 157,856 cubic meters is utilized, which is expected to be over the next 20 years.

At December 31, 2017 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.

December 31, 2017

6. Long-Term Debt

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

	2017	2016
Loan payable, Canadian Imperial Bank of Commerce, 4.55%, payable $2,348 monthly, principal and interest, due November 2019	**$ 257,980**	$ 274,019
Loan payable, Canadian Imperial Bank of Commerce, 4.55%, payable $9,122 monthly, principal and interest, due November 2019	**1,002,249**	1,064,560
Loan payable, Saugeen Shores Cemetery Care and Maintenance Trust Fund, 3.67% payable $2,932 annually, principal and interest, due December 2020	**7,905**	10,443
Loan payable, Saugeen Shores Cemetery Care and Maintenance Trust Fund, 2.66% payable $3,658 annually, principal and interest, due December 2021	**13,990**	17,198
Tile drainage loans payable, 6-8%, due 2017 to 2023	**14,644**	19,994
Loan payable, Canadian Mortgage and Housing Corporation, 3.97%, payable $390,725 annually, principal and interest, due December 2024	**2,347,755**	2,633,914
Loan payable, Canadian Mortgage and Housing Corporation, 4.15%, payable $85,252 annually, principal and interest, due May 2025	**570,441**	629,566
Loan payable, Ontario Infrastructure Project Corporation, 4.72% payable, $132,718 semi-annually, principal and interest, due February 2026	**1,840,929**	2,013,346
Loan payable, Ontario Infrastructure Project Corporation, 4.74% payable, $175,723 semi-annually, principal and interest, due April 2027	**2,663,322**	2,880,766
Loan payable, Ontario Infrastructure Project Corporation, 4.82% payable, $93,565 semi-annually, principal and interest, due December 2029	**1,690,172**	1,792,135
	$ 10,409,387	$ 11,335,941

December 31, 2017

6. **Long-Term Debt** - (continued)

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

2018	$ 968,144
2019	2,104,066
2020	962,529
2021	1,002,257
2022	1,042,038
Thereafter	4,330,353
	$ 10,409,387

Interest paid during the year on long-term debt was $495,525 (2016 - $540,811).

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

December 31, 2017

7. Tangible Capital Assets

2017

	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	$ 8,384,777	$ 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

December 31, 2017

7. Tangible Capital Assets - (continued)

2016

	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	$ 8,420,733	$ 6,097,741	$ 41,889,093	$ 3,592,738	$ 493,230	$ 553,648	$ 663,648	$ 553,622	$10,769,949	$51,841,830	$ 4,055,604	$120,011,276	$ 248,943,112
Additions	-	273,198	119,541	1,306,962	14,637	74,925	6,033	5,946	1,592,906	1,396,675	-	1,911,963	6,702,786
Disposals	(35,956)	-	-	(171,971)	-	-	-	-	(582,939)	(322,189)	-	(1,098,198)	(2,211,253)
Cost, end 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
Assets under construction	3,335	181,897	508,033	-	-	37,029	9,529	-	-	3,271,976	184,605	249,229	4,445,633
All assets, end of the year	8,388,112	6,552,836	42,516,667	4,727,729	507,867	665,602	679,210	559,568	11,779,916	56,188,292	4,240,209	121,074,270	257,880,278
Accumulated amortization, beginning of the year	-	2,494,987	18,299,072	1,641,869	382,371	442,244	359,307	442,336	4,897,802	33,659,926	2,820,746	30,698,955	96,139,615
Amortization	-	216,442	1,147,671	212,035	25,795	35,401	38,670	18,911	610,075	2,187,829	52,971	1,921,577	6,467,377
Disposals	-	-	-	(75,958)	-	-	-	-	(300,422)	(300,357)	-	(223,546)	(900,283)
Accumulated amortization, end 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
Net carrying amount, end of the year	$ 8,388,112	$ 3,841,407	$ 23,069,924	$ 2,949,783	$ 99,701	$ 187,957	$ 281,233	$ 98,321	$ 6,572,461	$20,640,894	$ 1,366,492	$ 88,677,284	$ 156,173,569

December 31, 2017

7. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction is $2,632,945 (2016 - $4,445,633).

Contributed capital assets valued at $nil were recognized in the financial statements during the year (2016 - $nil).

8. Accumulated Surplus

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

	2017	2016
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	**$ 156,272,266**	$156,173,569
Unfinanced capital assets	**(257,993)**	-
Capital assets financed by long-term liabilities and to be funded in future years (Note 6)	**(10,409,387)**	(11,335,941)
Total invested in capital assets	**145,604,886**	144,837,628
General surplus (Note 10)	**543,739**	766,452
Port Elgin Airport Management Board Surplus	**37,331**	31,524
Port Elgin business improvement area surplus	**25,360**	9,168
SMART Surplus	**554**	456
Southampton business improvement area surplus	**26,353**	20,856
Unfunded post-employment benefits	**(814,500)**	(783,786)
Unfunded solid waste closure and post-closure costs	**(190,231)**	(191,311)
	145,233,492	144,690,987
Reserves and reserve funds (Note 9)	**19,832,904**	18,717,046
Accumulated surplus	**$ 165,066,396**	$163,408,033

December 31, 2017

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

	2017	2016
Reserves		
Capital purposes	**$16,961,794**	$ 16,304,132
Current purposes	**1,120,374**	566,842
Insurance	**136,408**	136,408
Working funds	**764,312**	764,312
Tax rate stabilization	**279,275**	389,579
	19,262,163	18,161,273
Reserve funds		
Capital purposes	**534,155**	519,699
Parking revenues	**36,586**	36,074
	570,741	555,773
Total reserves and reserve funds	**$19,832,904**	$ 18,717,046

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 2017 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.

	2017 Budget	2017 Actual	2016 Actual
Annual surplus (Page 5)	$ 11,170,775	**$ 1,658,363**	$ 222,826
Amortization	-	**6,731,448**	6,467,377
Capital acquisitions, disposals and write-down	(15,627,105)	**(6,830,145)**	(4,503,544)
Change in consolidated boards	-	**(27,594)**	(1,844)
Change in unfunded capital	-	**257,993**	(244,212)
Change in unfunded liabilities	-	**29,634**	5,541
Debt principal repayments	(921,204)	**(926,554)**	(1,005,949)
Net transfers to reserves	5,377,534	**(1,115,858)**	(718,076)
	-	**(222,713)**	222,119
Prior year general surplus	-	**766,452**	544,333
General Surplus	$ -	**$ 543,739**	$ 766,452

11. Other Income

	2017 Budget	2017 Actual	2016 Actual
Donations	$ 554,038	**$ 469,991**	$ 91,353
Loss on disposal of capital assets	-	**(54,294)**	(4,845)
Development charges	566,612	**431,612**	342,476
Investment income	590,348	**545,552**	585,333
Licenses and permits	404,088	**794,008**	524,560
Other	23,913	**11,180**	10,600
Penalties and interest on taxation	177,000	**197,561**	190,840
Rents, concessions and franchises	409,981	**401,085**	392,676
Trailer revenue and permits	1,108,016	**1,196,574**	1,078,129
Waterfront long-term debt	450,000	**-**	-
	$ 4,283,996	**$ 3,993,269**	$ 3,211,122

12. Government Partnerships

The following summarizes the financial position and results of operations of the government partnerships. The Corporation of the Town of Saugeen Shores' 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	$ 228,488	$ 2,893,033
Liabilities	269,011	169,417
Net financial assets (debt)	(40,523)	2,723,616
Non-financial assets	546,876	1,585,072
Accumulated surplus	$ 506,353	$ 4,308,688
Revenues	$ 1,758,577	$ 3,047,316
Expenses	1,652,660	2,883,564
Annual surplus (deficit)	$ 105,917	$ 163,752

Bruce Area Sold 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 Corporation of the Town of Saugeen Shores made payments to BASWRA of $541,932 (2016 - $529,794) for garbage, recycling, and cardboard collection services.

Saugeen Mobility and Regional Transit (S.M.A.R.T.) operates a specialty transit service; the Corporation of the Town of Saugeen Shores became a partner in this service in 2013. During the year, the Corporation of the Town of Saugeen Shores made payments to S.M.A.R.T. of $120,655 (2016 - $103,198) for transit services.

13. Government transfers

	2017 Budget	2017 Actual	2016 Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	$ 1,184,000	$ **1,184,000**	$ 1,168,100
Conditional - protection	73,902	**73,895**	73,902
- roads	89,755	**179,653**	75,807
- waste diversion	102,142	**125,649**	110,595
- other	-	**7,903**	37,495
	1,449,799	**1,571,100**	1,465,899
Government of Canada			
- Other	-	**1,303**	-
Other municipalities			
- fire	5,000	**5,000**	5,000
- roads	2,500	**4,320**	-
- other	-	-	2,193
	7,500	**9,320**	7,193
Total operating transfers	1,457,299	**1,581,723**	1,473,092
Tangible Capital Asset			
Province of Ontario			
Conditional - roads	2,384,850	**1,305,719**	406,655
- parks	-	-	-
- sewer and water	1,297,636	**157,895**	-
- other	500,000	-	5,000
	4,182,486	**1,463,614**	411,655
Government of Canada			
Conditional - Parks Canada	-	**41,057**	-
- other	-	**50,000**	-
- Sewer and water	112,500	-	-
- Roads	395,000	**229,718**	395,000
	507,500	**320,775**	395,000
Other municipalities			
- parks	-	**10,000**	-
- sewer and water	-	-	-
	-	**10,000**	-
Total capital contributions	4,689,986	**1,794,389**	806,655
Total contributions	$ 6,147,285	$ **3,376,112**	$ 2,279,747

December 31, 2017

14. Pension Plan

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 98 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement income 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 2017 was $783,923 (2016 - $723,016) for current service. The contribution rate for 2017 was 9.0% to 15.8% depending on age and income level (2016 - 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 municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was on December 31, 2017. At that time the plan reported a $5.40 billion actuarial deficit (2016 - $5.72 billion), based on actuarial liabilities of $93.61 billion (2016 - $86.96 billion) and actuarial assets of $88.21 billion (2016 - $81.24 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 municipality provides post-employment health, dental and life insurance benefits to eligible retired employees. Payment for these benefits totaled $73,474 (2016 - $64,932) during the year. The post-employment benefit at December 31 includes the following components:

	2017	2016
Accrued benefit obligation	**$ 1,032,700**	$ 697,553
Unamortized actuarial gain (loss)	**(218,200)**	86,233
Accrued benefit liability	**$ 814,500**	$ 783,786

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.

December 31, 2017

15. Post-Employment Benefits - (continued)

	2017	2016
Current period benefit cost	$ 41,700	$ 30,398
Amortization of actuarial loss	10,300	(4,390)
Retirement benefit expense	52,000	26,008
Interest costs	42,000	32,195
Total expense for the year	$ 94,000	$ 58,203

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:

	2017	2016
County of Bruce	$ 9,888,274	$ 9,458,102
School boards	5,930,263	6,037,636
	$15,818,537	$ 15,495,738

17. Trust Funds

The trust fund administered by the municipality 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, 2017, the trust fund balance is as follows:

	2017	2016
Cemetery Care and Maintenance Funds	$ 474,122	$ 454,418

18. Contingencies and Contractual Commitments

In August 2013, the Corporation of 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 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 2018 to 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
2018	$697,195	$25,063	$445,301	$213,507	$525,196	$20,000
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 eight contracts for capital projects that were not completed at year-end. The balance of the projects to be completed in 2018 is approximately $991,728.

Subsequent to year-end the Town awarded contracts for a total commitment of $14,690,048 in 2018.

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.

December 31, 2017

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.

20. Financial Instruments

Credit Risk

The Corporation of the Town of Saugeen Shores 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	$ 7,836,622	$ -	$ -	$ -	$ -
Temporary investments	6,762,194	-	-	-	-
Trade & other receivables	181,278	1,294,844	1,906,132	95,265	4,732
Loans receivable	45,652	34,048	355,897	766,596	948,861
Long-term investments	-	-	-	-	7,626,491
Net amount receivable	$ 14,825,746	$ 1,328,892	$ 2,262,029	$ 861,861	$ 8,580,084

Liquidity Risk

Liquidity risk is the risk that the Corporation of 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:

21. 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	$ 1,606,552	$ 353,660	$ 600,153	$ 630,677	$ -
Long-term debt	-	-	968,144	2,104,066	7,337,177
Total financial liabilities	$ 1,606,552	$ 353,660	$ 1,568,297	$ 2,734,743	$ 7,337,177

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 Corporation of the Town of Saugeen Shores 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.

22. 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.

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
	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
	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*

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	2016 Total
Revenue								
Taxation	$ 1,246,882	$ 4,364,088	$ 4,987,529	$ -	$ -	$ 1,246,882	$ 623,442	$ 12,468,823
Fees and user charges	54,013	88,594	623,682	6,183,877	1,306,063	1,398,714	553,627	10,208,570
Specific government transfers	-	78,902	877,462	-	110,595	-	44,688	1,111,647
OMPF government transfers	116,810	467,240	467,240	-	-	116,810	-	1,168,100
Other income	1,354,475	141,698	324,986	(66,551)	8,613	1,247,245	200,656	3,211,122
Total Revenues	2,772,180	5,140,522	7,280,899	6,117,326	1,425,271	4,009,651	1,422,413	28,168,262
Expenses								
Amortization	90,896	244,331	2,681,348	2,846,703	86,524	557,150	7,044	6,513,996
Interest on debt	-	-	-	470,414	50,932	13,237	6,228	540,811
Materials and supplies	474,333	1,175,875	1,293,095	4,012,982	236,392	1,966,394	354,336	9,513,407
Salaries and benefits	1,714,727	4,065,700	2,175,845	965,976	322,975	1,945,108	124,495	11,314,826
Contracted services	-	-	62,396	-	-	-		62,396
Total Expenses	2,279,956	5,485,906	6,212,684	8,296,075	696,823	4,481,889	492,103	27,945,436
Net surplus (deficit)	*$ 492,224*	*$ (345,384)*	*$ 1,068,215*	*$(2,178,749)*	*$ 728,448*	*$ (472,238)*	*$ 930,310*	*$ 222,826*

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

For the year ended December 31, 2017

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
Federal Gas Tax	$ 46,963	391,749	2,248	(229,718)	$ 211,242
Development charges	2,511,092	2,314,941	48,925	(431,612)	4,443,346
Recreational land	647,485	46,965	9,337	-	703,787
Sanctuary park endowment	102,125	-	1,755	-	103,880
	$ 3,307,665	2,753,655	62,265	(661,330)	$5,462,255
Other					
Connecting link grant	$ 60,633	-	-	-	$ 60,633
Miscellaneous	37,733	9,363	-	(40,497)	6,599
Recreation programs	188,191	294,780	-	(188,191)	294,780
Splashpad	86,026	152,966	-	(238,992)	-
Source protection	45,656	-	-	(5,538)	40,118
Developer deposits	-	325,324	-	-	325,324
OCIF funding	-	174,146	-	-	174,146
	$ 418,239	956,579	-	(473,218)	$ 901,600
	$ 3,725,904	$ 3,710,234	$ 62,265	$(1,134,548)	$6,363,855

The Corporation of the Town of Saugeen Shores
Financial Information
For the year ended December 31, 2017

Contents

The Corporation of the Town of Saugeen Shores
Financial Information
For the year ended December 31, 2017

Contents

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 trust funds of the Corporation of the Town of Saugeen Shores, which comprise the statement of financial position as at December 31, 2017, the statement of continuity for the year then ended, and a summary of significant accounting policies.

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 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.

BDO

Opinion

In our opinion, the financial information presents fairly, in all material respects, the financial position of the trust funds of the Corporation of the Town of Saugeen Shores as at December 31, 2017 and the statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Port Elgin, Ontario
June 25, 2018

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

December 31, 2017

Cemetery Care and Maintenance

		2017		2016
Assets				
Cash	$	41,973	$	29,762
Due from the Corporation of the Town of Saugeen Shores		26,294		-
Investments (Note 2)		418,910		424,656
	$	487,177	$	454,418
Liabilities				
Due to the Corporation of the Town of Saugeen Shores	$	13,055	$	-
Fund balance		474,122		454,418
	$	487,177	$	454,418

Statement of Continuity

For the year ended December 31, 2017

Cemetery Care and Maintenance

		2017		2016
Balance, beginning of the year	$	454,418	$	437,198
Receipts				
Bank interest		13,055		7,165
Plot sale		17,404		14,470
Marker maintenance		2,300		2,750
		32,759		24,385
Expenditures				
Expenses		13,055		7,165
Balance, beginning of the year	$	474,122	$	454,418

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

December 31, 2017

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 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; 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.

Investments

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

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.

2. Investments

	2017	2016
Loan receivable, Town of Saugeen Shores, 3.67%, $2,932 receivable annually principal and interest, due December 2020	$ 8,187	$ 10,443
Loan receivable, Town of Saugeen Shores, 2.66%, $3,658 receivable annually principal and interest, due December 2021	13,708	17,198
CIBC Wood Gundy, Canadian securities from chartered banks with effective interest rates of 2.98% to 3.04%	397,015	397,015
	$ 418,910	424,656

The total investments of $418,910 reported on the statement of continuity have a market value of $416,524 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.