The Corporation of the Town of Saugeen Shores

Financial Information

For the year ended December 31, 2016

The Corporation of the Town of Saugeen Shores
Financial Information
For the year ended December 31, 2016

Contents

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

The Corporation of the Town of Saugeen Shores
Financial Statements
For the year ended December 31, 2016

Contents

The Corporation of the Town of Saugeen Shores

Independent Auditor's Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Accumulated Surplus	5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Summary of Significant Accounting Policies	8 - 12
Notes to Financial Statements	13 - 31
Schedule of Deferred Revenue	32

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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, 2016 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.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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.

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, 2016 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
August 28, 2017

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

December 31	2016	2015
Financial assets		
Cash (Note 1)	**$ 6,504,306**	$ 10,512,318
Temporary investments (Note 2)	**6,644,901**	100,147
Trade and other receivables	**2,224,600**	1,989,475
Taxes receivable	**1,228,753**	1,221,648
Inventory held for resale	**222,889**	217,837
Loans receivable (Note 3)	**1,678,438**	2,099,167
Long-term investments (Note 4)	**7,626,491**	7,626,491
	26,130,378	23,767,083
Committments and contingencies (Note 18)		
Liabilities		
Accounts payable and accrued liabilities	**2,990,146**	3,354,289
Landfill site closure and post-closure care liabilities (Note 5)	**191,311**	188,677
Post-employment benefits liability (Note 15)	**783,786**	780,879
Deferred revenue (Page 32)	**3,725,904**	2,177,478
Long-term debt (Note 6)	**11,335,941**	12,341,890
	19,027,088	18,843,213
Net financial assets	**7,103,290**	4,923,870
Non-financial assets		
Tangible capital assets (Note 7)	**156,173,569**	158,137,402
Inventory of supplies	**66,609**	111,815
Prepaid expenses	**64,565**	12,120
	156,304,743	158,261,337
Accumulated surplus (Note 8)	**$ 163,408,033**	$163,185,207

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	2016 Budget	**2016 Actual**	2015 Actual
Revenue			
Taxation	$ 12,311,191	**$12,468,823**	$ 11,715,723
Fees and user charges	8,904,513	**10,205,877**	8,900,091
Grants (Note 13)	2,305,446	**1,884,747**	2,072,630
Other income (Note 11)	2,690,520	**2,871,339**	2,848,828
Obligatory reserve fund revenue recognized	969,865	**737,476**	970,679
	27,181,535	**28,168,262**	26,507,951
Expenses			
General government	2,114,427	**2,279,956**	1,940,858
Protection services	5,344,718	**5,485,906**	5,467,847
Transportation services	3,432,906	**6,212,684**	5,863,988
Environmental services	4,675,819	**8,296,075**	8,119,668
Health services	671,433	**696,823**	622,662
Recreation and cultural services	3,614,822	**4,481,889**	3,959,966
Planning and development	666,653	**492,103**	690,792
	20,520,778	**27,945,436**	26,665,781
Annual surplus (Note 10)	6,660,757	**222,826**	(157,830)
Accumulated surplus, beginning of the year	163,185,207	**163,185,207**	163,343,037
Accumulated surplus, end of the year	$169,845,964	**$ 163,408,033**	$163,185,207

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	2016 Budget	**2016 Actual**	2015 Actual
Annual surplus (Page 5)	$ 6,660,757	**$ 222,826**	$ (157,830)
Acquisition of tangible capital assets	(10,384,111)	**(5,814,514)**	(6,540,176)
Amortization of tangible capital assets	-	**6,467,377**	6,424,147
Proceeds on disposal of assets	-	**1,306,125**	45,721
Loss on disposal of assets	-	**4,845**	233,060
	(10,384,111)	**1,963,833**	162,752
Change in inventory of supplies	-	**45,206**	18,165
Change in prepaid expenses	-	**(52,445)**	9,519
	-	**(7,239)**	27,684
Change in net financial assets	(3,723,354)	**2,179,420**	32,606
Net financial assets, beginning of the year	4,923,870	**4,923,870**	4,891,264
Net financial assets, end of the year	$ 1,200,516	**$ 7,103,290**	$ 4,923,870

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	2016	2015
Cash provided by (used in)		
Operating activities		
Annual surplus	**$ 222,826**	$ (157,830)
Items not involving cash		
Amortization	**6,467,377**	6,424,147
Change in inventory of supplies	**45,206**	18,165
Change in prepaid expenses	**(52,445)**	9,519
Loss on disposal of assets	**4,845**	233,060
Deferred revenue recognized	**(860,136)**	-
Post-employment benefits	**2,907**	(4,657)
Solid waste closure and post-closure liabilities	**2,634**	3,716
	5,833,214	6,526,120
Changes in non-cash working capital balances		
Taxes receivable	**(7,105)**	1,875
Trade and other receivables	**(235,125)**	(100,966)
Inventory held for resale	**(5,052)**	13,012
Accounts payable and accrued liabilities	**(364,143)**	(481,283)
Deferred revenue received	**2,408,562**	81,432
	1,797,137	(485,930)
	7,630,351	6,040,190
Capital transactions		
Cash used to acquire capital assets	**(5,814,514)**	(6,540,176)
Proceeds on sale of capital assets	**1,306,125**	45,721
	(4,508,389)	(6,494,455)
Investing activities		
Change in temporary investments	**(6,544,754)**	-
Addition to loans receivable	**-**	(25,548)
Repayment of loans receivable	**420,729**	465,080
	(6,124,025)	439,532
Financing activities		
Additions to long-term liabilities	**-**	(147)
Repayment of long-term liabilities	**(1,005,949)**	(923,385)
	(1,005,949)	(923,532)
Net change in cash and cash equivalents	**(4,008,012)**	(938,265)
Cash and cash equivalents, beginning of the year	**10,512,318**	11,450,583
Cash and cash equivalents, end of the year	**$ 6,504,306**	$ 10,512,318

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.

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.

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 23.47%
Saugeen Mobility and Regional Transit 17.79%

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, grants 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.

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.

Non-Financial Assets

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

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, grants 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.

1. Cash and Bank

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

Funds in the amount of $5,962,756 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

	2016	2015
Bond funds	**$ 1,524,346**	$ -
Canadian corporate paper (1.45% to 3.45%)	**1,619,169**	-
Guaranteed investment certificates (1.45%)	**3,501,387**	100,147
	$ 6,644,901	$ 100,147

Temporary investments have a market value of $6,627,703 (2015 - $102,664) at the end of the year.

3. Loans Receivable

	2016	2015
Notes receivable, benefitting landowners, 0% to 8%, due 2017 to 2031	**$ 1,473,655**	$ 1,873,515
Doctor recruitment loans receivable, non-interest bearing, due 2017 to 2024	**204,783**	225,652
	$ 1,678,438	$ 2,099,167

Interest earned on loans receivable during the year was $80,885 (2015 - $120,731).

4. Long-Term Investments

	2016	2015
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 $126,538 (2015 - $126,192).

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 $199,838 (2015 - $187,350) 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 $553,149.

Port Elgin Landfill Site

At December 31st, 2016 a liability of $63,573 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 3.34% and an annual inflation rate of 1.56%.

Southampton Landfill Site

At December 31st, 2016 a liability of $127,738 has been recognized in the financial statements. This represents 61% of the present value of the estimated post-closure care costs, and is based on a long-term borrowing rate of 3.34% and an annual inflation rate of 1.56%. The balance of the liability of $82,027 will be accrued as the remaining capacity of 166,975 cubic meters is utilized, which is expected to be over the next 20 years.

At December 31, 2016 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.

6. Long-Term Debt

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

	2016	2015
Loan payable, Saugeen Shores Cemetery Care and Maintenance Trust Fund, 4.72% payable $34,492 annually, principal and interest, due March 2016	**$ -**	$ 8,234
Loan payable, Canadian Imperial Bank of Commerce, 4.55%, payable $2,348 monthly, principal and interest, due November 2019	**274,019**	289,346
Loan payable, Canadian Imperial Bank of Commerce, 4.55%, payable $9,122 monthly, principal and interest, due November 2019	**1,064,560**	1,124,104
Loan payable, Saugeen Shores Cemetery Care and Maintenance Trust Fund, 3.67% payable $2,932 annually, principal and interest, due December 2020	**10,443**	13,173
Loan payable, Saugeen Shores Cemetery Care and Maintenance Trust Fund, 2.66% payable $3,658 annually, principal and interest, due December 2021	**17,198**	20,041
Tile drainage loans payable, 6-8%, due 2017 to 2023	**19,994**	135,992
Loan payable, Canadian Mortgage and Housing Corporation, 3.97%, payable $390,725 annually, principal and interest, due December 2024	**2,633,914**	2,909,146
Loan payable, Canadian Mortgage and Housing Corporation, 4.15%, payable $85,252 annually, principal and interest, due May 2025	**629,566**	686,335
Loan payable, Ontario Infrastructure Project Corporation, 4.72% payable, $132,718 semi-annually, principal and interest, due February 2026	**2,013,346**	2,177,904
Loan payable, Ontario Infrastructure Project Corporation, 4.74% payable, $175,723 semi-annually, principal and interest, due April 2027	**2,880,766**	3,088,259
Loan payable, Ontario Infrastructure Project Corporation, 4.82% payable, $93,565 semi-annually, principal and interest, due December 2029	**1,792,135**	1,889,356
	$11,335,941	$ 12,341,890

6. Long-Term Debt - (continued)

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

2017	$ 926,543
2018	968,144
2019	2,104,066
2020	962,529
2021	1,002,257
Thereafter	5,372,402
	$ 11,335,941

Interest paid during the year on long-term debt was $540,811 (2015 - $583,873).

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

December 31, 2016

7. Tangible Capital Assets

2016

	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	$ 8,420,733	$ 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

7. Tangible Capital Assets - (continued)

2015

	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	$ 6,020,187	$ 41,647,750	$ 3,221,696	$ 480,840	$ 536,493	$ 660,652	$ 541,301	$ 9,538,104	$50,458,426	$ 4,055,604	$118,480,820	$ 244,062,606
Additions	-	77,554	274,778	371,042	12,390	17,758	11,840	12,321	1,619,995	2,416,398	-	2,029,645	6,843,721
Disposals		-	(33,435)	-	-	(603)	(8,844)	-	(388,150)	(1,032,994)	-	(499,189)	(1,963,215)
Cost, end 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
Assets under construction	3,335	262,709	113,850	1,764	-	54,026	-	-	244,212	2,612,172	184,605	1,857,232	5,333,905
All assets, end of the year	8,424,068	6,360,450	42,002,943	3,594,502	493,230	607,674	663,648	553,622	11,014,161	54,454,002	4,240,209	121,868,508	254,277,017
Accumulated amortization, beginning of the year	-	2,278,124	17,127,523	1,443,882	353,914	404,759	328,380	424,078	4,695,774	32,429,961	2,767,194	29,146,313	91,399,902
Amortization	-	216,863	1,187,442	197,987	28,457	37,847	38,293	18,258	524,494	2,262,961	53,552	1,857,993	6,424,147
Disposals	-	-	(15,893)	-	-	(362)	(7,366)	-	(322,466)	(1,032,996)	-	(305,351)	(1,684,434)
Accumulated amortization, end 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
Net carrying amount, end of the year	$ 8,424,068	$ 3,865,463	$ 23,703,871	$ 1,952,633	$ 110,859	$ 165,430	$ 304,341	$ 111,286	$ 6,116,359	$20,794,076	$ 1,419,463	$ 91,169,553	$ 158,137,402

7. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction is $4,445,633 (2015 - $5,333,905).

Contributed capital assets valued at $nil were recognized in the financial statements during the year (2015 - $nil).

8. Accumulated Surplus

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

	2016	2015
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	**$ 156,173,569**	$158,137,402
Unfinanced capital assets	**-**	(244,212)
Capital assets financed by long-term liabilities and to be funded in future years (Note 6)	**(11,335,941)**	(12,341,890)
Total invested in capital assets	**144,837,628**	145,551,300
General surplus (Note 10)	**766,452**	544,333
Port Elgin Airport Management Board Surplus	**31,524**	31,541
Port Elgin business improvement area surplus	**9,168**	6,291
SMART Surplus	**456**	456
Southampton business improvement area surplus	**20,856**	21,872
Unfunded post-employment benefits	**(783,786)**	(780,879)
Unfunded solid waste closure and post-closure costs	**(191,311)**	(188,677)
	144,690,987	145,186,237
Reserves and reserve funds (Note 9)	**18,717,046**	17,998,970
Accumulated surplus	**$ 163,408,033**	$163,185,207

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

	2016	2015
Reserves		
Capital purposes	**$16,304,132**	$ 15,513,260
Current purposes	**566,842**	630,757
Insurance	**136,408**	141,193
Working funds	**764,312**	764,312
Tax rate stabilization	**389,579**	414,579
	18,161,273	17,464,101
Reserve funds		
Capital purposes	**519,699**	507,023
Parking revenues	**36,074**	27,846
	555,773	534,869
Total reserves and reserve funds	**$18,717,046**	$ 17,998,970

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 2016 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.

	2016 Budget	**2016 Actual**	2015 Actual
Annual surplus (Page 5)	$ 6,660,757	**$ 222,826**	$ (157,830)
Amortization	-	**6,467,377**	6,424,147
Capital acquisitions, disposals and write-down	(10,384,111)	**(4,503,544)**	(6,261,395)
Change in consolidated boards	-	**(1,844)**	22,809
Change in unfunded capital	-	**(244,212)**	244,212
Change in unfunded liabilities	-	**5,541**	(941)
Debt principal repayments	(908,300)	**(1,005,949)**	(923,385)
Net transfers to reserves	3,231,654	**(718,076)**	652,383
Proceeds from issuance of long-term debt	1,400,000	**-**	-
	-	**222,119**	-
Prior year general surplus	-	**544,333**	544,333
General Surplus	$ -	**$ 766,452**	$ 544,333

11. Other Income

	2016 Budget	**2016 Actual**	2015 Actual
Donations	$ 51,500	**$ 91,353**	$ 148,354
Loss on disposal of capital assets	-	**(4,845)**	(233,060)
Investment income	594,634	**585,333**	587,123
Licenses and permits	351,935	**524,560**	314,741
NWMO Payment	-	**-**	400,000
Other	15,000	**10,600**	15,932
Penalties and interest on taxation	177,000	**190,840**	176,667
Rents, concessions and franchises	413,651	**395,369**	370,253
Trailer revenue and permits	1,086,800	**1,078,129**	1,068,818
	$ 2,690,520	**$ 2,871,339**	$ 2,848,828

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	$ 267,275	$ 2,524,184
Liabilities	294,462	125,953
Net financial assets	(27,187)	2,398,231
Non-financial assets	427,623	1,746,705
Accumulated surplus	$ 400,436	$ 4,144,936
Revenues	$ 1,367,973	$ 2,960,015
Expenses	1,534,436	2,801,970
Annual surplus (deficit)	$ (166,463)	$ 158,045

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 $529,794 (2015 - $311,187) 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.

13. Grants

	2016 Budget	**2016 Actual**	2015 Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	$ 1,168,100	**$ 1,168,100**	$ 1,374,200
Conditional - protection	73,902	**73,902**	126,813
- roads	16,000	**75,807**	81,215
- waste diversion	-	**110,595**	101,512
- other	138,373	**37,495**	109,757
	1,396,375	**1,465,899**	1,793,497
Other municipalities			
- fire	5,000	**5,000**	5,000
- roads	2,500	**-**	-
- other	-	**2,193**	1,500
	7,500	**7,193**	6,500
Total operating grants	1,403,875	**1,473,092**	1,799,997
Tangible Capital Asset			
Province of Ontario			
Conditional - roads	549,188	**406,655**	222,633
- parks	49,000	**-**	-
- other	-	**5,000**	-
	598,188	**411,655**	222,633
Government of Canada			
Conditional - Parks Canada	-	**-**	50,000
Other municipalities			
- roads	277,800	**-**	-
- sewer and water	25,583	**-**	-
Total capital contributions	901,571	**411,655**	272,633
Total contributions	$ 2,305,446	**$ 1,884,747**	$ 2,072,630

14. Pension Plan

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is 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 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 amount contributed to OMERS for 2016 was $723,016 (2015 - $715,974) for current service. The contribution rate for 2016 was 9.0% to 15.8% depending on age and income level (2015 - 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, 2016. At that time the plan reported a $5.72 billion actuarial deficit (2015 - $7.0 billion), based on actuarial liabilities of $86.96 billion (2015 - $81.9 billion) and actuarial assets of $81.24 billion (2015 - $74.9 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 $64,932 (2015 - $57,948) during the year. The post-employment benefit at December 31 includes the following components:

	2016	2015
Accrued benefit obligation	**$ 697,553**	$ 690,266
Unamortized actuarial gain (loss)	**86,223**	90,613
Accrued benefit liability	**$ 783,776**	$ 780,879

Actuarial valuations for accounting purposes are performed using the projected benefit method. The most recent actuarial report was prepared December 31, 2016.

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 3.75% was assumed to determine the accrued benefit obligation, along with a compensation increase rate of 3%. Health, dental, and travel premium rates are predicted to escalate by 4% annually.

15. Post-Employment Benefits - (continued)

	2016	2015
Current period benefit cost	**$ 30,398**	$ 28,450
Amortization of actuarial loss	**(4,390)**	(4,390)
Retirement benefit expense	**26,008**	24,060
Interest costs	**32,195**	32,032
Total expense for the year	**$ 58,203**	$ 56,092

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:

	2016	2015
County of Bruce	**$ 9,458,102**	$ 9,237,989
School boards	**6,037,636**	6,052,666
	$15,495,738	$ 15,290,655

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, 2016, the trust fund balance is as follows:

	2016	2015
Cemetery Care and Maintenance Funds	**$ 454,418**	$ 437,198

18. 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. 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 2017 to 2018, 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
2017	$689,197	$24,693	$440,519	$210,430	$519,672	$(20,000)
2018	697,195	25,063	445,301	213,507	525,196	(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 four contracts for capital projects that were not completed at year-end. The balance of the projects to be completed in 2017 is approximately $356,590.

Subsequent to year-end the Town awarded contracts for a total commitment of $3,352,151 in 2017.

Several lower tier municipalities on the Bruce Peninsula, including the Town of Saugeen Shores, have been named as defendants in a land claim action filed by the Chippewas of Saugeen and Nawash for damages alleged to total $92 billion. Also joined as defendants in the action are the Counties of Bruce and Grey, the Province of Ontario, and the Dominion of Canada. No breakdown as to each municipalities' relative share of the $92 billion has been provided. The likelihood of the success of this action is undeterminable at this present time.

19. Changes in Presentation of Comparative Financial Statements

The comparative amounts presented in the financial statements have been restated to conform to the crurrent year's presentation.

20. 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.

21. 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	$ 6,504,306	$ -	$ -	$ -	$ -
Temporary investments	6,644,901	-	-	-	-
Trade & other receivables	1,268,106	781,987	163,625	8,141	2,741
Loans receivable	1,739	86,784	265,569	294,400	1,029,946
Long-term investments	-	-	-	-	7,626,491
Net amount receivable	$ 14,419,052	$ 868,771	$ 429,194	$ 302,541	$ 8,659,178

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	$ 1,880,119	$ 65,212	$ 1,044,815	$ -	$ -
Long-term debt	-	-	926,543	968,144	9,441,254
Total financial liabilities	$ 1,880,119	$ 65,212	$ 1,971,358	$ 968,144	$ 9,441,254

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.

22. 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 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	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	550,934	10,205,877
Specific grants	-	78,902	482,462	-	110,595	-	44,688	716,647
OMPF grant	116,810	408,835	467,240	-	-	116,810	-	1,168,100
Other income	1,354,475	141,698	129,942	(213,983)	8,613	1,247,245	203,349	2,871,339
Obligatory reserve fund recognized	-	-	590,044	147,432	-	-	-	737,476
	2,772,180	5,082,117	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
	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***	***$ (403,789)***	***$ 1,068,215***	***$ (2,178,749)***	***$ 728,448***	***$ (472,238)***	***930,310***	***$ 222,826***

22. 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	2015 Total
Revenue								
Taxation	$ 1,268,979	$ 4,088,377	$ 4,669,061	$ -	$ -	$ 1,143,670	$ 545,636	$ 11,715,723
Fees and user charges	63,329	96,958	179,173	5,751,859	1,165,592	1,318,422	324,758	8,900,091
Specific grants	-	131,813	353,848	-	101,512	4,390	106,867	698,430
OMPF grants	148,845	479,549	547,659	-	-	134,147	64,000	1,374,200
Other income	692,436	526,109	274,512	(193,838)	14,896	1,282,068	252,645	2,848,828
Obligatory reserve fund recognized	5,867	373,204	444,176	147,432	-	-	-	970,679
Total Revenues	2,179,456	5,696,010	6,468,429	5,705,453	1,282,000	3,882,697	1,293,906	26,507,951
Expenses								
Salaries and benefits	1,441,841	4,029,179	2,038,321	380,866	681,414	1,757,726	487,046	10,816,393
Interest on debt	-	-	-	505,476	-	15,456	62,941	583,873
Materials and supplies	673,523	1,206,324	1,484,998	2,669,746	526,160	1,616,264	664,353	8,841,368
Amortization	90,994	212,044	2,643,395	2,704,642	148,712	528,146	96,214	6,424,147
Interfunctional transfers	(265,500)	20,300	(302,726)	501,768	884	42,374	2,900	-
Total Expenses	1,940,858	5,467,847	5,863,988	6,762,498	1,357,170	3,959,966	1,313,454	26,665,781
Net surplus (deficit)	***$ 238,598***	***$ 228,163***	***$ 604,441***	***$(1,057,045)***	***$ (75,170)***	***$ (77,269)***	***$ (19,548)***	***$ (157,830)***

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

For the year ended December 31, 2016

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
Federal Gas Tax	$ 55,354	384,935	1,674	(395,000)	**$ 46,963**
Development charges	$ 1,085,738	1,750,256	17,574	(342,476)	**$2,511,092**
Recreational land	$ 591,966	48,724	6,795	-	**$ 647,485**
Sanctuary park endowment	$ 100,355	-	1,770	-	**$ 102,125**
	$ 1,833,413	2,183,915	27,813	(737,476)	**$3,307,665**
Other					
Connecting link grant	$ 60,633	-	-	-	**$ 60,633**
Miscellaneous	$ 4,956	34,922	-	(2,145)	**$ 37,733**
Recreation programs	$ 278,476	23,685	-	(113,970)	**$ 188,191**
Splashpad	$ -	86,026	-	-	**$ 86,026**
Source protection	$ -	52,201	-	(6,545)	**$ 45,656**
	$ 344,065	196,834	-	(122,660)	**$ 418,239**
	$ 2,177,478	$ 2,380,749	$ 27,813	$ (860,136)	**$3,725,904**

The Corporation of the Town of Saugeen Shores
Financial Information
For the year ended December 31, 2016

Contents

The Corporation of the Town of Saugeen Shores Trust Funds

The Corporation of the Town of Saugeen Shores
Financial Information
For the year ended December 31, 2016

Contents

The Corporation of the Town of Saugeen Shores Trust Funds

Independent Auditor's Report	3-4
Balance Sheet and Statement of Continuity	5
Notes to Financial Information	6-8

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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, 2016, 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 Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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, 2016 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
August 28, 2017

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

December 31, 2016

	Cemetary Care and Maintenance
Assets	
Cash	$ 29,762
Investments (Note 2)	424,656
	$ 454,418
Fund Balance	$ 454,418

Statement of Continuity

For the year ended December 31, 2016

	Cemetary Care and Maintenance
Balance, beginning of the year	$ 437,198
Receipts	
Bank interest	7,165
Plot sales	14,470
Marker maintenance	2,750
	24,385
Expenditures	
Expenses	7,165
Balance, end of the year	$ 454,418

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 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.

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 this financial information.

1. Summary of Significant Accounting Policies - (continued)

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

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

The total investments of $424,656 reported on the statement of continuity have a market value of $421,528 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.