The Corporation of the Town of Saugeen Shores

Financial Statements

For the year ended 31st December 2012

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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, 2012, and the consolidated statements of operations and accumulated surplus, changes in net debt 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 out 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.

BDO

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Saugeen Shores as at December 31, 2012 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian Public Sector accounting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Port Elgin, Ontario
June 24, 2013

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

31st December		2012		2011
Financial assets				
Cash and bank (Note 1)	$	**10,509,035**	$	8,197,371
Taxes receivable		**1,258,375**		1,196,980
Water and sewage charges receivable		**745,037**		696,470
Grants and subsidies receivable		**316,505**		265,392
Other receivables		**501,243**		820,209
Inventory held for resale		**230,618**		240,558
Loans receivable (Note 2)		**3,498,954**		4,328,210
Long-term investments (Note 3)		**7,626,491**		7,626,491
		24,686,258		23,371,681
Commitments and Contingencies (Note 17)				
Liabilities				
Accounts payable and accrued liabilities		**3,086,757**		3,012,516
Deferred revenue (Note 4)		**1,581,638**		2,581,155
Long-term debt (Note 6)		**15,132,204**		16,078,191
Landfill site closure and post-closure care liability (Note 7)		**180,895**		186,388
Post-employment benefits liability (Note 13)		**777,069**		800,677
		20,758,563		22,658,927
Net Financial Assets		**3,927,695**		712,754
Non-financial assets				
Tangible capital assets (Note 5)		**158,054,962**		158,793,558
Inventory of supplies		**42,126**		46,665
Prepaid expenses		**9,052**		12,690
		158,106,140		158,852,913
Accumulated surplus (Note 8)	$	**162,033,835**	$	159,565,667

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

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

For the year ended 31st December	2012 Budget	**2012 Actual**	2011 Actual
Revenue			
Taxation	$ 9,427,751	**$ 9,538,716**	$ 9,236,874
Fees and user charges	7,691,862	**8,150,887**	12,430,786
Grants (Note 11)	3,815,479	**3,457,675**	3,810,066
Other income (Note 10)	3,052,464	**4,637,071**	1,893,016
Reserve fund revenue recognized	1,307,694	**1,161,785**	1,604,432
Total revenues	25,295,250	**26,946,134**	28,975,174
Expenses			
General government	1,841,605	**1,921,277**	1,834,737
Protection services	4,958,856	**4,948,600**	4,773,753
Transportation services	5,683,356	**5,567,551**	5,197,074
Environmental services	6,971,021	**7,025,165**	6,665,900
Health services	788,323	**768,859**	838,162
Recreation and cultural services	3,455,487	**3,627,183**	3,426,805
Planning and development	633,982	**619,331**	660,659
Total Expenses	24,332,630	**24,477,966**	23,397,090
Annual surplus (Note 14)	962,620	**2,468,168**	5,578,084
Accumulated Surplus, beginning of year	159,565,667	**159,565,667**	153,987,583
Accumulated Surplus, end of year	$ 160,528,287	**$ 162,033,835**	$ 159,565,667

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

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

For the year ended 31st December	2012 Budget	2012 Actual	2011 Actual
Annual surplus	$ 962,620	**$ 2,468,168**	$ 5,578,084
Acquisition of tangible capital assets	(7,796,598)	**(5,423,398)**	(4,667,479)
Amortization of tangible capital assets	6,000,000	**6,012,477**	5,405,871
Proceeds on disposal of tangible capital assets	-	**121,047**	134,538
Loss (gain) on sale of tangible capital assets	(30,500)	**28,470**	1,167,879
	(1,827,098)	**738,596**	2,040,809
Change in inventories and prepaid expenses	-	**8,177**	15,174
Change in net financial assets (debt)	(864,478)	**3,214,941**	7,634,067
Net financial assets (debt), beginning of year	712,754	**712,754**	(6,921,313)
Net financial assets (debt), end of year	$ (151,724)	**$ 3,927,695**	$ 712,754

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

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

For the year ended 31st December	2012	2011
Cash provided by (used in)		
Operating Activities		
Annual surplus	$ 2,468,168	$ 5,578,084
Items not involving cash		
Solid waste closure and post-closure liabilities	(5,493)	5,272
Post-employment benefits payable	(23,608)	(44,500)
Amortization	6,012,477	5,405,871
Change in inventory of supplies and prepaid expenses	8,177	15,174
Donated capital assets	(1,331,090)	-
Loss on sale of capital assets	28,470	1,167,879
	7,157,101	12,127,780
Changes in non-cash working capital balances		
Taxes receivable	(61,395)	(24,599)
Water and sewage charges receivable	(48,567)	24,518
Grants and subsidies receivable	(51,113)	5,006,034
Other receivables	318,966	(159,790)
Inventory held for resale	9,940	(11,916)
Accounts payable and accrued liabilities	74,241	(1,734,736)
Deferred revenue	(999,517)	606,058
	(757,445)	3,705,569
	6,399,656	15,833,349
Capital transactions		
Cash used to acquire capital assets	(4,092,308)	(4,667,479)
Proceeds on sale of capital assets	121,047	134,538
	(3,971,261)	(4,532,941)
Investing activities		
Addition to loans receivable	(100,000)	(3,046,590)
Repayment of loans receivable	929,256	583,684
	829,256	(2,462,906)
Financing activities		
Addition to long-term liablilites	50,000	93,366
Repayment of long-term liabilities	(995,987)	(951,794)
	(945,987)	(858,428)
Net change in cash and temporary investments	2,311,664	7,979,074
Cash and temporary investments, beginning of year	8,197,371	218,297
Cash and temporary investments, end of year	$ 10,509,035	$ 8,197,371

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

	2012	2011
Cash paid for interest	$ 724,571	$ 757,126
Cash received from interest	$ 838,776	$ 744,090

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

Management Responsibility

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

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future. Estimates are used when accounting for items such as accrued receivables, grants receivable, accrued liabilities, post-employment benefits, and solid waste landfill closure and post-closure care.

Basis of Consolidation

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

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

Port Elgin Business Improvement Area
Port Elgin Airport Management Board

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

Bruce Area Solid Waste Recycling Association 22.71%

Basis of Accounting

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

Cash and Cash Equivalents

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

Long-Term Investments

Long-term investments are recorded at cost.

Inventory

Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.

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

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets using the straight-line method. The useful life of the following assets is based on estimates made by Council. The following useful lives are used:

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

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

Deferred Revenue

Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations and accumulated surplus in the year in which it is used for the specified purpose.

Solid Waste Landfill Closure and Post-Closure Care

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

Post-Employment Benefits

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

County and School Boards

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

Trust Funds

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

Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Revenue Recognition

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

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

Taxation revenues are recorded when tax rates are set by by-laws and assessment roll is issued by assessment office. Supplementary taxation revenue is recorded once a supplementary assessment roll is received and supplementary tax bills are issued. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known. Interest and penalties on overdue taxes are recorded in the period the interest and penalties are levied.

Temporary Investments

Temporary investments are recorded at the lower of cost and market value.

Financial Instruments

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

Financial Instruments (continued)	Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument. Writedowns of financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net realizable value with the writedown being recognized in the statement of operations.
Intangible Assets	Intangible assets, art and historic treasures and items inherited by right of the Crown, such as Crown lands, forests, water and mineral resources, are not recognized in these financial statements.
Non-Financial Assets	Tangible capital and other non-financial assets are accounted for as assets by the municipality because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the municipality unless they are sold.

1. Cash and Bank

Interest is earned on bank balances at the bank's monthly average prime rate less 1.7%, subject to a rate cap based on the average monthly 30 day banker's acceptance rate less 10 basis points.

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

2. Loans Receivable

	2012	2011
Notes receivable, benefitting landowners, 0% to 8 %, due 2013 to 2031	$ 3,113,568	$ 3,645,697
Doctor recruitment loans receivable, non-interest bearing, due 2013 to 2016	385,386	682,513
	$ 3,498,954	$ 4,328,210

Interest earned on loans receivable during the year was $168,446 (2011 - $128,676).

3. Long-Term Investments

	2012	2011
Note receivable, Westario Power Inc., 5.47% interest only receivable quarterly	$ 3,062,912	$ 3,062,912
Common shares, Westario Power Inc.	4,563,579	4,563,579
	$ 7,626,491	$ 7,626,491

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

Interest earned on notes receivable during the year was $167,618 (2011 - $167,541).

The municipality owns 25% of the outstanding common shares of Westario Power Inc., a private company incorporated under the laws of the Province of Ontario. The shares have no fixed maturity dates and are generally not exposed to interest rate risk. The fair value of these shares is not practicable to determine in the absence of published market quotations. Dividends of $165,881 (2011 - $196,147) were received on these shares during the year.

4. Deferred Revenue

		2012		2011
Obligatory Reserve Funds				
Recreational land	$	521,995	$	317,955
Canada Gas Tax		40,992		364,698
Development charges		589,561		347,394
		1,152,548		1,030,047
Other				
Recreation programs		22,306		17,855
Miscellaneous		28,138		40,293
Walmart - roads, sidewalks contribution		-		81,315
Downtown revitalization contribution		20,328		25,000
Developer Contribution: Reconstruction Gangway Harbour St to Beach		180,000		-
Connecting link grant		70,186		1,141,402
10th Concession sewer pump station infrastructure grant		47,758		47,758
Bruce Power		-		135,000
Bruce Telecom storage building contribution		40,000		40,000
Miscellaneous provincial grants - police, community services, etc.		20,374		22,483
		429,090		1,551,106
	$	1,581,638	$	2,581,153

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

		Development Charges		Canada Gas Tax		Recreational Land
Balance, beginning of year	$	347,394	$	364,698	$	317,955
Interest earned		5,624		2,095		3,834
Contributions received		696,075		359,511		217,147
Revenue recognized		(459,532)		(685,312)		(16,941)
Balance, end of year	$	589,561	$	40,992	$	521,995

December 31, 2012

5. Tangible Capital Assets

	Land	Land Improvements	Buildings	Misc Equipment	Communication Equipment	IT Infrastructure	Playground Equipment	Furniture & Fixtures	Vehicles	Roads	Bridges & Culverts	Water & Wastewater Systems	Total 2012
Cost, beginning of year	8,389,955	5,028,243	39,370,930	2,350,064	332,589	412,998	636,383	448,676	7,854,705	47,096,466	3,917,802	115,583,495	231,422,306
Additions	30,778	88,077	463,589	438,391	104,794	36,393		38,665	740,121	1,870,563	115,953	1,314,980	5,242,304
Disposals			(247,926)			(9,766)	(3,133)		(9,768)	(45,685)		(17,435)	(333,713)
Cost, end of year	8,420,733	5,116,320	39,586,593	2,788,455	437,383	439,625	633,250	487,341	8,585,058	48,921,343	4,033,755	116,881,040	236,330,897
Assets under construction	3,335	119,116	465,675	351,573		24,083			90,843	461,010		31,124	1,546,759
All Assets - end of year	8,424,068	5,235,436	40,052,268	3,140,028	437,383	463,708	633,250	487,341	8,675,901	49,382,353	4,033,755	116,912,164	237,877,656
Accumulated amortization, beginning of year	-	1,789,572	14,110,848	982,929	243,676	297,893	219,627	347,390	3,709,699	26,005,453	2,614,832	23,672,494	73,994,413
Amortization		176,497	1,015,386	136,512	28,441	51,126	37,127	32,341	442,333	2,192,228	56,871	1,843,615	6,012,477
Disposals			(107,758)	-		(9,185)	(3,133)		(9,768)	(42,919)		(11,433)	(184,196)
Accumulated amortization, end of year	-	1,966,069	15,018,476	1,119,441	272,117	339,834	253,621	379,731	4,142,264	28,154,762	2,671,703	25,504,676	79,822,694
Total tangible capital assets, end of year	8,424,068	3,269,367	25,033,792	2,020,587	165,266	123,874	379,629	107,610	4,533,637	21,227,591	1,362,052	91,407,488	158,054,962

5. Tangible Capital Assets - continued

2011

	Land	Land Improvements	Buildings	Misc Equipment	Communication Equipment	IT Infrastructure	Playground Equipment	Furniture & Fixtures	Vehicles	Roads	Bridges & Culverts	Water & Wastewater Systems	Total
Cost, beginning of year	8,257,910	4,445,084	37,433,332	2,311,288	322,117	416,095	627,805	439,667	7,682,738	42,713,760	3,917,802	103,734,244	212,301,842
Additions	198,707	613,169	1,959,744	38,776	10,472	19,725	15,588	9,009	671,785	6,483,132		13,108,899	23,129,006
Disposals	(66,662)	(30,010)	(22,146)			(22,822)	(7,010)		(499,818)	(2,100,426)		(1,259,648)	(4,008,542)
Assets in Service - Year-end	8,389,955	5,028,243	39,370,930	2,350,064	332,589	412,998	636,383	448,676	7,854,705	47,096,466	3,917,802	115,583,495	231,422,306
Assets under construction	4,350	3,956	72,248	-	60,011	-	-	-	-	626,307	3,038	595,755	1,365,665
All Assets - end of year	8,394,305	5,032,199	39,443,178	2,350,064	392,600	412,998	636,383	448,676	7,854,705	47,722,773	3,920,840	116,179,250	232,787,971
Accumulated amortization, beginning of year	-	1,664,245	13,156,881	856,741	210,189	268,349	190,341	303,424	3,680,124	25,849,645	2,557,961	22,532,809	71,270,709
Amortization		155,337	965,401	126,188	33,487	51,741	36,296	43,966	431,886	1,842,870	56,871	1,661,828	5,405,871
Disposals		(30,010)	(11,434)	-		(22,197)	(7,010)		(402,311)	(1,687,062)		(522,143)	(2,682,167)
Accumulated amortization, end of year	-	1,789,572	14,110,848	982,929	243,676	297,893	219,627	347,390	3,709,699	26,005,453	2,614,832	23,672,494	73,994,413
Total tangible capital assets end of year	8,394,305	3,242,627	25,332,330	1,367,135	148,924	115,105	416,756	101,286	4,145,006	21,717,320	1,306,008	92,506,756	158,793,558

5. Tangible Capital Assets - continued

The net book value of tangible assets not being amortized because they are under construction (or development or have been removed from service) is $1,546,759 (2011 - $1,365,665).

Contributed capital assets valued at $1,331,090 were recognized in the financial statements during the year. (2011 $0.00)

6. Long-Term Debt

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

	2012	2011
Loan payable, Ontario Clean Water Agency, 8.04%, payable $9,420 monthly principal and interest, due March 2015	**$ 233,386**	$ 323,679
Tile drainage loans payable, 6 - 8%, due 2013 to 2022	**135,383**	95,843
Loan payable, non-interest bearing	**39,262**	73,127
Loan payable, Canadian Imperial Bank of Commerce, 6.25%, paid in full in 2012.	**-**	92,918
Loan payable, Ontario Infrastructure Project Corporation, 4.72% payable $132,718 semi-annually principal and interest, due February 2026	**2,627,925**	2,764,470
Loan payable, Ontario Infrastructure Project Corporation, 4.74% payable $175,723 semi-annually principal and interest, due April 2027	**3,655,478**	3,827,514
Loan payable, Ontario Infrastructure Project Corporation, 4.82% payable $93,565 semi-annually, principal and interest, due December 2029	**2,154,719**	2,235,076
Loan payable, Canadian Imperial Bank of Commerce, 4.55%, payable $2,348 monthly, principal and interest, due November 2019	**331,363**	344,144
Loan payable, Canadian Imperial Bank of Commerce, 4.55%, payable $9,122 monthly, principal and interest, due November 2019	**1,287,341**	1,336,994
Loan payable, Canadian Mortgage and Housing Corporation, 3.97%, payable $390,725 annually, principal and interest, due December 2024	**3,673,375**	3,908,916
Loan payable, Canadian Mortgage and Housing Corporation, 4.15%, payable $85,252 annually, principal and interest, due May, 2025	**843,427**	891,675
Loan payable, Saugeen Shores Cemetery Care and Maintenance Trust Fund, 4.72%, payable $34,492 annually principal and interest, due March 2016	**101,597**	129,955
Loan payable, Saugeen Shores Cemetery Care and Maintenance Trust Fund, 3.67%, payable $2,932 annually principal and interest, due December 2020	**20,010**	22,129
Loan payable, Saugeen Shores Cemetery Care and Maintenance Trust Fund, 2.66%, payable $3,658 annually principal and interest, due December 2021	**28,938**	31,751
	$ 15,132,204	$ 16,078,191

6. Long-Term Debt - continued

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

2013	938,667
2014	971,881
2015	919,589
2016	904,276
2017	936,388
Thereafter	10,461,403

Interest expense recorded in the year relating to these long-term liabilities is $717,628 (2011 - $785,785).

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

7. Landfill Site Closure and Post-closure Care Liability

Landfill site closure and post-closure care requirements are defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates and ongoing environmental monitoring, site inspection and maintenance. These costs will be incurred as each landfill site stops accepting waste, with the post-closure care expected to continue for an additional 20 years. The total future closure and post-closure care costs are estimated to be $301,975.

Port Elgin Landfill Site
At 31st December 2012 a liability of $78,184 has been recognized in the financial statements. This represents 100% of the present value of the estimated post-closure care cost, and is based on a long-term borrowing rate of 3.94% and an annual inflation rate of 1.76%.

Southampton Landfill Site
At 31st December 2012 a liability of $102,711 has been recognized in the financial statements. This represents 53% of the present value of the estimated costs, and is based on a total capacity of 427,000 cubic meters, a long-term borrowing rate of 3.94% and an annual inflation rate of 1.76%. The balance of the liability of $89,764 will be accrued as the remaining capacity of 199,139 cubic meters is utilized, which is expected to be over the next 20.3 years.

At 31st December 2012 the landfill site closure and post-closure liability is unfunded. The liability is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill sites.

8. Accumulated Surplus

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

	2012	2011
Tangible capital assets purchased	**$ 158,054,962**	$ 158,793,558
Long term debt	**(15,132,204)**	(16,078,191)
Unfunded Post-employment benefits	**(777,069)**	(800,677)
Unfunded solid waste closure and post-closure costs	**(180,895)**	(186,388)
General surplus (Note 14)	**544,333**	544,334
Port Elgin Airport Management Board surplus	**63,158**	59,716
Port Elgin Business Improvement Area surplus	**54,093**	38,064
	142,626,378	142,370,416
Reserves and reserve funds (Note 9)	**19,407,457**	17,195,251
Accumulated surplus	**$ 162,033,835**	$ 159,565,667

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

	2012	2011
Reserves		
Working funds	**$ 764,312**	$ 764,312
Equipment Replacement	**237,176**	116,711
Insurance	**141,193**	141,193
Capital purposes	**17,371,417**	15,659,134
Tax rate stabilization	**186,089**	177,787
Current purposes	**599,515**	237,507
	19,299,702	17,096,644
Reserve funds		
Capital purposes	**80,942**	73,087
Parking revenues	**26,813**	25,520
	107,755	98,607
Reserves and reserve funds set aside for specific purposes by Council	**$ 19,407,457**	$ 17,195,251

10. Other Income

	2012 Budget	2012 Actual	2011 Actual
Gain/(loss) on sale of capital assets	$ 30,500	**(28,470)**	(1,167,879)
Penalties and interest on taxation	176,000	**179,327**	172,303
Investment income	526,841	**647,915**	572,864
Rents, concessions and franchises	573,371	**595,444**	559,968
Donations	184,968	**1,649,073**	81,278
OPG payment	280,000	**290,952**	288,095
Trailer revenue and permits	961,374	**944,222**	930,287
Licenses and permits	302,210	**332,774**	433,815
Other	17,200	**25,834**	22,285
	$ 3,052,464	**$ 4,637,071**	$ 1,893,016

11. Grants

	2012 Budget	2012 Actual	2011 Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	$ 2,232,900	**$ 2,232,900**	$ 2,142,300
Conditional - Protection	148,334	**148,156**	145,757
- Roads	19,000	**425,230**	24,047
- Waste Diversion	70,628	**70,629**	91,054
- Other	125,000	**114,887**	159,934
	2,595,862	**2,991,802**	2,563,092
Government of Canada			
- Roads	-	**1,796**	-
- Other	-	**50,000**	7,200
	-	**51,796**	7,200
Other Municipalities			
- Fire	5,000	**5,000**	
- Other	-	**2,021**	-
	5,000	**7,021**	-
Total operating grants	$ 2,600,862	**$ 3,050,619**	**$ 2,570,292**

11. Grants - continued

	2012 Budget	2012 **Actual**	2011 Actual
Tangible Capital Asset			
Province of Ontario			
Conditional - Protection	$ 33,657	$ **14,697**	$ 6,798
- Roads	1,086,702	**319,653**	58,742
- Sewer and Water	47,758	**49,706**	581,170
- Recreation and Culture	46,500	**-**	1,696
- Other	-	**18,000**	-
	1,214,617	**402,056**	648,406
Government of Canada			
Conditional - Roads	-	**-**	4,198
- Sewer and Water	-	**-**	581,170
- Other	-	**-**	6,000
	-	**-**	591,368
Other Municipalities			
- Roads	-	**5,000**	-
Total tangible capital asset grants	1,214,617	**407,056**	1,239,774
Total grants	$ 3,815,479	$ **3,457,675**	$ 3,810,066

12. Government Partnerships

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

	BASWRA
Financial Assets	$ 2,099,909
Liabilities	117,913
Net Financial Position	1,981,996
Non Financial Assets	1,745,614
Accumulated Surplus	3,727,610
Revenues	2,356,281
Expenses	2,187,803
Annual Surplus	$ 168,478

Bruce Area Solid Waste Recycling Association (BASWRA) is a partnership between the Town of South Bruce Peninsula, the Municipality of Arran-Elderslie, the Town of Saugeen Shores, the Municipality of Kincardine and others to provide garbage, recycling and cardboard collection services. During the year, the town made payments to BASWRA of $213,854 (2011 - $202,113) for recycling and cardboard collection services.

13. Post-Employment Benefits

Pension Plan

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

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2012 was $601,167 (2011 - $542,139) for current service.

The OMERS Board rate was 8.3% to 13.9% depending on income level for 2012 (2011 - 7.4% to 14.1% depending on income level). The OMERS plan has reported a $9.9 billion actuarial deficit at the end of 2012 (2011 - $7.3 billion actuarial deficit), based on actuarial liabilities of $69.1 billion (2011 $64.5 Billion) and actuarial assets of $59.2 billion (2011 - $57.2 billion). Contribution rates for employees and employers have been increased to address the funding deficit.

Other Benefits

The municipality provides post-employment health, dental and life insurance benefits to eligible retired employees. Payment for these benefits totaled $64,888 (2011 - $62,453) during the year. The post-employment benefit at December 31 includes the following components:

		2012		2011
Accrued benefit obligation	$	**879,899**	$	784,138
Unamortized actuarial loss		**(102,830)**		16,539
Accrued benefit liability	$	**777,069**	$	800,677

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

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage increases, employee turnover and mortality rates. The assumptions used reflect management's best estimates. A discount rate of 4.25% was assumed to determine the accrued benefit obligation, along with a compensation increase rate of 3%, a 4.333% annual rate increase in health premium rates for 2014, phasing down 4% per year beginning in 2015. Dental and travel premium rates are predicted to escalate by 4% annually.

		2012		2011
Current period benefit cost	$	**30,000**	$	28,338
Amortization of actuarial loss		**(1,315)**		(1,315)
Retirement benefit expense		**28,685**		27,023
Interest cost		**37,707**		38,924
Total expense for the year	$	**66,392**	$	65,947

14. Budget Amounts

Under public sector accounting standards, budget amounts are to be reported on the consolidated statements of operations and accumulated surplus and changes in net debt for comparative purposes. The 2012 budget amounts for the Corporation of the Town of Saugeen Shores approved by Council have been restated to conform to the basis of preparation of the revenues and expenses on the consolidated statements of operations and accumulated surplus and changes in net debt. The following is a reconciliation of the budget approved by Council.

	2012 Budget	2012 Actual	2011 Actual
Annual surplus (Page 6)	$ 962,620	$ 2,468,168	$ 5,578,084
Acquisition of tangible capital assets less disposals and write-downs	(7,796,598)	(5,273,881)	(3,365,062)
Amortization	6,000,000	6,012,477	5,405,871
Proceeds from issuance of long-term debt	-	50,000	93,366
Debt principal repayments	(996,961)	(995,987)	(951,794)
Net Transfers to/from reserve	1,860,851	(2,212,206)	(2,067,881)
Change in unfunded liabilities	-	(29,101)	(39,228)
Change in consolidated boards	(29,912)	(19,468)	
	-	-	4,653,356
Capital projects not funded (expended)	-	-	(4,662,653)
Prior year surplus (deficit) general	-	544,333	553,630
General Surplus	$ -	$ 544,333	$ 544,333

15. Operations of School Boards and the County of Bruce

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

	2012	2011
School boards	**$ 5,797,321**	$ 5,678,653
County of Bruce	**8,110,792**	7,789,715
	$ 13,908,113	$ 13,468,368

16. Trust Funds

The trust funds administered by the municipality amounting to $480,721 (2011 - $474,929) have not been included in the statement of financial position nor have the operations been included in the statement of operations and accumulated surplus. At 31st December 2012, the trust fund balances are as follows:

	2012	2011
Cemetery Care and Maintenance Funds	$ 396,298	$ 381,158
Flag Fund	11,552	18,636
Chantry Island Restoration Fund	72,871	75,135
	$ 480,721	$ 474,929

17. Commitments and Contingencies

The Town has entered into various lease agreements for office equipment and police vehicles.

The minimum annual lease payments for the next five years are as follows:

2013	49,885
2014	26,472
2015	19,140
2016	9,341
2017	939

In December 2008 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 Saugeen Shores water meter program, the Southampton wastewater treatment plant and the Port Elgin wastewater treatment plant. As part of OCWA's commitment to provide cost effective services to the client, OCWA shall provide the client with an annual credit memo of $50,000 per year during the initial term of the agreement.
The following are the annual fixed prices for each of the OCWA components for 2013, the final year of this agreement:

	Southampton Water Treatment Facility	Water System Annual Operating Credit	Southampton Water Distribution System	Saugeen Shores Water Meter Program	Southampton Wastewater Treatment Plant	Port Elgin Wastewater Treatment Plant
2013	418,117	(50,000)	196,694	117,147	434,493	579,365

These commitments will be funded by way of water and sewer user charges. The agreement shall be renewed for an additional five year term subject to agreement on the annual price for the renewal term.

The town has awarded three contracts for capital projects that were not completed at year-end. The balance of the projects to be completed in 2013 is approximately $189,458.

Subsequent to year-end, the town awarded contracts for a total commitment of $1,887,237 in 2013.

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

18. Temporary Borrowings

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

19. Financial Instrument Risk Management

Credit Risk

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 municipality is exposed to credit risk arising from its taxes receivable, trade and other receivables, long-term investments and loans receivable. The majority of the municipality's taxes receivable, loans receivable, and trade and other receivables are mainly from ratepayers, which can be collected through tax sale of properties.

Liquidity Risk

Liquidity risk is the risk that the municipality encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the municipality will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and long-term debt. The organization has sufficient cash balances and long-term investments to extinguish its liabilities.

Interest Rate Risk

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

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

20. Financial Instruments

On January 1, 2012, the organization adopted the Public Sector Accounting Handbook Sections 3450 - Financial Instruments, 2601 - Foreign Currency Translation and 1201, Financial Statement Presentation. The new standards address the classification, recognition and measurement of financial instruments and are effective for years beginning on or after April 1, 2012, however, earlier adoption is permitted. This accounting change resulted in no change to operating surplus or measurement of assets.

21. Comparative Amounts

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

22. Segmented Information

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

General Government

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

Protection to Persons and Property

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

Transportation

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

Water and Sewer

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

Waste Management

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

Recreation and Cultural Services

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

22. Segmented Information - continued

Other Services

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

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

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

22. Segmented Information - continued

For the year ended December 31, 2012	General Government	Protection to Persons & Property	Transportation	Water and Sewer	Waste Management	Recreation and Cultural Services	Other Services	2012 Total
Revenue								
Taxation	$ 1,074,549	$ 3,893,266	$ 3,067,052	$ -	$ -	$ 1,083,946	$ 419,903	$ 9,538,716
Fees and user charges	115,891	57,291	180,791	5,042,182	1,285,259	1,222,587	246,886	8,150,887
Specific grants	10,022	167,852	751,680	49,706	70,629	57,268	117,618	1,224,775
OMPF grant	251,539	911,367	717,961	-	-	253,739	98,294	2,232,900
Other revenue/(expense)	803,064	616,198	1,575,542	(146,170)	7,813	1,198,624	582,000	4,637,071
Deferred revenue recognized	5,058	1,000	870,339	239,239	-	31,147	15,002	1,161,785
Total Revenues	2,260,123	5,646,974	7,163,365	5,184,957	1,363,701	3,847,311	1,479,703	26,946,134
Expenses								
Salaries and benefits	1,383,867	3,641,041	1,719,370	154,992	716,908	1,631,980	623,729	9,871,887
Interest on debt	-	-	-	628,815	-	21,527	67,286	717,628
Materials and supplies	594,111	1,102,160	1,492,926	2,272,437	311,727	1,500,893	601,720	7,875,974
Amortization	81,299	193,399	2,521,897	2,490,161	166,002	464,264	95,455	6,012,477
Interfunctional Transfers	(138,000)	12,000	(166,642)	201,000	83,123	8,519	-	-
Total Expenses	1,921,277	4,948,600	5,567,551	5,747,405	1,277,760	3,627,183	1,388,190	24,477,966
Net surplus (deficit)	**$ 338,846**	**$ 698,374**	**$ 1,595,814**	**$ (562,448)**	**$ 85,941**	**$ 220,128**	**$ 91,513**	**$ 2,468,168**

22. Segmented Information - continued

For the year ended December 31, 2011		General Government		Protection to Persons & Property		Transportation		Water and Sewer		Waste Management		Recreation and Cultural Services		Other Services		2011 Total
Revenue																
Taxation	$	981,385	$	3,033,596	$	3,858,853	$	-	$	-	$	849,651	$	513,389	$	9,236,874
Fees and user charges		108,835		43,205		228,415		9,193,287		1,438,058		1,171,558		247,429		12,430,786
Specific grants		2,397		155,467		86,987		1,162,340		91,054		32,780		136,742		1,667,767
OMPF grant		227,611		703,579		894,980		-		-		197,059		119,070		2,142,299
Other revenue/(expense)		587,568		621,833		(172,977)		(737,505)		27,840		1,118,600		447,657		1,893,016
Deferred revenue recognized		-		-		328,494		1,247,776		-		-		28,162		1,604,432
Total Revenues		1,907,795		4,557,680		5,224,753		10,865,899		1,556,951		3,369,647		1,492,448		28,975,174
Expenses																
Salaries and benefits		1,309,035		3,545,500		1,678,471		128,152		658,826		1,577,165		599,122		9,496,271
Interest on debt		-		-		-		697,012		-		23,374		65,399		785,785
Materials and supplies		566,553		1,007,695		1,521,843		2,069,004		422,097		1,382,894		739,076		7,709,162
Amortization		97,149		208,558		2,204,760		2,261,770		95,039		443,372		95,224		5,405,872
Interfunctional Transfers		(138,000)		12,000		(208,000)		194,000		140,000						-
Total Expenses		1,834,737		4,773,753		5,197,074		5,349,938		1,315,962		3,426,805		1,498,821		23,397,090
Net surplus (deficit)	**$**	**73,058**	**$**	**(216,073)**	**$**	**27,679**	**$**	**5,515,961**	**$**	**240,989**	**$**	**(57,158)**	**$**	**(6,373)**	**$**	**5,578,084**

The Corporation of the Town of Saugeen Shores
Financial Statements
For the year ended 31st December 2012

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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 financial information of the trust funds of the Corporation of the Town of Saugeen Shores, which comprise the statement of financial positions as at December 31, 2012, the statement of the continuity of the trust funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial information presents fairly, in all material respects, the financial position of trust funds of The Corporation of the Town of Saugeen Shores as at December 31, 2012 and the continuity of the trust funds for the year then ended in accordance with Canadian Public Sector accounting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Port Elgin, Ontario
June 24, 2013

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

31st December 2012

Assets	Cemetery Care and Maintenance	Flag Fund	Chantry Island Restoration Fund	Total
Cash (Note 6)	$ 240,703	$ 9,893	$ 27,774	**$ 278,370**
Accounts receivable	-	1,659	50,000	**51,659**
Due from Town of Saugeen Shores	15,139	-		**15,139**
Investments (Note 2)	150,545	-	-	**150,545**
Tangible capital assets (Note 3)	-	-	5,611	**5,611**
	$ 406,387	$ 11,552	$ 83,385	**$ 501,324**
Liabilities				
Due to Federal Government	-	-	79	**79**
Accounts payable	-	-	7,622	**7,622**
Due to Town of Saugeen Shores	10,089	-	2,813	**12,902**
	10,089	-	10,514	**20,603**
Fund Balance	396,298	11,552	72,871	**480,721**
	$ 406,387	$ 11,552	$ 83,385	**$ 501,324**

Statement of Continuity

For the year ended 31st December 2012

	Cemetery Care and Maintenance	Flag Fund	Chantry Island Restoration Fund	Total
Receipts				
Bank interest	$ 10,089	$ 184	$ 298	**$ 10,571**
Plot sales	12,340	-	-	**12,340**
Marker maintenance	2,800	-	-	**2,800**
Federal grant	-	-	2,401	**2,401**
Other income	-		41,530	**41,530**
Donations and fundraising	-	3,100	17,274	**20,374**
	25,229	3,284	61,503	**90,016**
Expenses				
Expenses	10,089	10,368	63,767	**84,224**
Net revenues (expenses) for the year	15,140	(7,084)	(2,264)	**5,792**
Trust funds, beginning of year	381,158	18,636	75,135	**474,929**
Trust funds, end of year	$ 396,298	$ 11,552	$ 72,871	**$ 480,721**

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

1. Summary of Significant Accounting Policies

Management Responsibility

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

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

Basis of Consolidation

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

Accrual Basis of Accounting

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

Investments

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

Financial Instruments

The trust funds classify all of their financial instruments at amortized cost. The maximum exposure to credit risk is the carrying value of the financial instruments. These financial instruments include cash and bank, accounts receivable, federal payables and accounts payable. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

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

Intangible Assets

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

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets using the straight-line method. The useful life of the following assets is based on estimates made by Council. The following useful lives are used:

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

2. Investments

		2012		2011
Loan receivable, Town of Saugeen Shores, 4.72%, $34,492 receivable annually principal and interest, due March 2016	**$**	**101,597**	$	129,955
Loan receivable, Town of Saugeen Shores, 3.67%, $2,931.63 receivable annually principal and interest, due December 2020	**$**	**20,010**	$	22,129
Loan receivable, Town of Saugeen Shores, 2.66%, $3,658 receivable annually principal and interest, due December 2021	**$**	**28,938**	$	31,751
	$	**150,545**	$	183,835

The total investments of $150,545 (2011 - $183,835) reported on the statement of continuity have a market value of $150,544 (2011 - $183,835) at the end of the year.

3. Capital Assets

Vehicles	2012	2011
Cost, beginning of year	**19,634**	19,634
Additions	-	-
Disposals	-	-
Cost, end of year	**19,634**	19,634
Accumulated amortization, beginning of year	**11,202**	8,380
Amortization	**2,821**	2,822
Disposals	-	-
Accumulated amortization, end of year	**14,023**	11,202
Total tangible capital assets, end of year	**5,611**	8,432

4. Financial Instruments

On January 1, 2012, the trust funds adopted the Public Sector Accounting Handbook Sections 3450 - Financial Instruments, 2601 - Foreign Currency Translation and 1201, Financial Statement Presentation. The new standards address the classification, recognition and measurement of financial instruments and are effective for years beginning on or after April 1, 2012, however, earlier adoption is permitted. This accounting change resulted in no change to operating surplus or measurement of assets.

5. Financial Risk Management

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The trust funds are exposed to credit risk arising from its accounts receivables and due from the Town of Saugeen Shores.

Liquidity Risk

Liquidity risk is the risk that the trust funds encounter difficulty in meeting their obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the trust funds will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from due to Federal government, accounts payable and due to the Town of Saugeen Shores. The trust funds have sufficient cash balances and long-term investments to extinguish its liabilities.

Interest Rate Risk

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

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

6. Cash

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