

**CORPORATION OF THE
TOWN OF SOUTH BRUCE PENINSULA**

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2012

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

DECEMBER 31, 2012

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GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of Council of the **Town of South Bruce Peninsula**:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Town of South Bruce Peninsula, which comprise the statement of financial position as at December 31, 2012, and the statement of operations, statements of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 the 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 auditors' 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 Municipality'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 Municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of South Bruce Peninsula as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Gaviller & Company LLP

Licensed Public Accountants
Walkerton, Ontario
June 4, 2013

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	2012	2011
	\$	\$
Financial assets		
Cash (Note 3)	7,683,059	4,909,842
Taxes receivable	1,563,120	1,458,754
Accounts receivable	1,151,059	1,274,285
Inventory - held for resale	32,362	41,095
Long-term receivables (Note 4)	1,706,032	1,920,906
	12,135,632	9,604,882
Liabilities		
Accounts payable and accruals	1,147,471	791,866
Landfill closure and post-closure liability (Note 20)	444,489	476,705
Deferred revenue (Note 10)	991,613	831,550
Long-term liabilities (Note 6)	2,431,063	2,688,872
	5,014,636	4,788,993
Net financial assets	7,120,996	4,815,889
Non-financial assets		
Tangible capital assets (Schedule 1 and Note 11)	47,730,469	48,545,474
Prepaid expenses	506,322	204,106
Inventory	81,117	60,470
	48,317,908	48,810,050
Accumulated surplus (Note 13)	55,438,904	53,625,939

Approved _____ Mayor

_____ Date

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

CONSOLIDATED STATEMENT OF OPERATIONS AS AT DECEMBER 31

	Budget 2012	Actual 2012	Actual 2011
	\$ (Note 8)	\$	\$
Revenues			
Net property taxation (Note 15)	8,522,610	8,569,306	8,104,725
User charges and fees	2,746,930	2,997,143	2,823,105
Government transfers (Note 9)	2,453,132	2,568,348	2,437,840
Other income (Note 12)	1,022,307	1,597,127	1,128,636
	14,744,979	15,731,924	14,494,306
Expenses			
General government	1,186,784	1,576,908	1,180,639
Protection to persons and property	3,723,791	3,540,634	3,687,483
Transportation services	3,443,115	3,767,284	3,841,589
Environmental services	3,038,054	3,246,051	3,332,952
Health services	179,240	147,444	119,838
Recreational and cultural services	1,602,301	1,706,788	1,540,546
Planning and development	304,312	253,763	209,026
	13,477,597	14,238,872	13,912,073
Net revenues (expenses)	1,267,382	1,493,052	582,233
Other			
Grants and transfers related to capital			
Government grants (Note 9)	400,424	53,639	1,091,256
Capital cost recoveries	283,713	266,275	3,717,941
	684,137	319,914	4,809,197
Annual surplus (Note 8)	1,951,519	1,812,966	5,391,430
Accumulated surplus, beginning of year	48,234,509	53,625,939	48,234,509
Accumulated surplus, end of year (Note 13)	50,186,028	55,438,905	53,625,939

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31

	Budget 2012	Actual 2012	Actual 2011
	\$ (Note 8)	\$	\$
Annual surplus	1,951,519	1,812,966	5,391,430
Acquisition of tangible capital assets	(2,829,461)	(1,093,046)	(2,846,182)
Amortization of tangible capital assets	-	1,778,297	1,710,454
(Gain)/loss on disposal of tangible capital assets	-	(350,367)	(191,109)
Proceeds on disposal of tangible capital assets	-	480,120	190,803
Acquisition of inventories	-	(20,647)	(8,523)
Acquisition of prepaid expenses	-	(302,216)	-
Use of prepaid expenses	-	-	256,964
Change in net financial assets	(877,942)	2,305,107	4,503,837
Net financial assets, beginning of year	4,815,889	4,815,889	312,052
Net financial assets, end of year	3,937,947	7,120,996	4,815,889

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

CONSOLIDATED STATEMENT OF CASH FLOW AS AT DECEMBER 31

	2012	2011
	\$	\$
Cash flows from (for):		
Operating activities		
Annual surplus (deficit)	1,812,966	5,391,430
Non-cash items:		
Amortization expense	1,778,297	1,710,454
Gain on disposal of tangible capital assets	(350,367)	(191,109)
	3,240,896	6,910,775
Changes in:		
Taxes receivable	(104,366)	(133,849)
Accounts receivable	123,226	3,986,025
Inventory - held for resale	8,733	2,879
Accounts payable and accruals	355,605	(799,088)
Landfill closure and post-closure liability	(32,216)	136,923
Inventory	(20,647)	(8,523)
Prepaid expenses	(302,216)	256,964
Net change in cash from operations	3,269,015	10,352,106
Capital activities		
Acquisition of tangible capital assets	(1,093,046)	(2,846,182)
Proceeds on sale of capital assets	480,120	190,803
Net change in cash from capital	(612,926)	(2,655,379)
Investing activities		
(Increase) decrease in long-term receivables	214,873	(1,675,876)
Net change in cash from investing	214,873	(1,675,876)
Financing activities		
Decrease in temporary borrowings	-	(4,545,850)
Repayment of long-term liabilities	(257,808)	(71,477)
Issuance of long-term liabilities	-	1,726,738
(Increase) decrease in deferred revenue	160,063	(136,449)
Net change in cash from financing	(97,745)	(3,027,038)
Net change in cash position	2,773,217	2,993,813
Cash position, beginning of year	4,909,842	1,916,029
Cash position, end of year	7,683,059	4,909,842

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

1. Nature of operations

The Town of South Bruce Peninsula ("the municipality") combines the former rural townships of Albemarle, and Amabel, the village of Hepworth and Town of Wiarton and is a lower-tier municipality located in the County of Bruce, Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes, such as the Municipal Act, Municipal Affairs Act and related legislation.

2. Summary of significant accounting policies

The consolidated financial statements of the municipality are the representation of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the municipality and the changes thereto. The consolidated statement of financial position includes all the assets and liabilities of the municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Accumulated Surplus represents the financial position and is the difference between assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Basis of consolidation

These consolidated financial statements reflect assets, liabilities, revenues and expenses, and changes in investment in tangible capital assets of the municipality. They include the activities of all committees of Council and the following organizations which are accountable to, and owned or controlled by the municipality:

Wiarthon Business Improvement Area

Excluded are Funds Held in Trust which are administered by the municipality and reported on separately.

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

Wiarthon Keppel International Airport	
Joint Municipal Service Board	50%
Bruce Area Solid Waste Recycling	21.12%

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(b) Basis of accounting

Sources of financing 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.

(c) Revenue recognition

Tax levies are recognized as revenue when the amounts are levied on the municipality's ratepayers. User fees and other revenues are recognized when related goods or services are provided and collectibility is reasonably assured.

(d) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the consolidated change in net financial assets for the year.

(i) 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. The cost of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	- 15 to 25 years
Buildings	- 10 to 25 years
Vehicles, machinery and equipment	- 5 to 25 years
Roads - paved	- 10 to 20 years
Roads - gravel	- 25 years
Bridges and other structures	- 40 to 70 years
Water and other utility systems	- 45 to 75 years

(e) Inventory

Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Inventory held for consumption is recorded at the lower of cost and replacement cost.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(f) Deferred revenue

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

(g) Temporary Investments

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

(h) 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.

(i) 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.

(j) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The municipality's implementation of the Public Sector Handbook PS3150 has required management to make estimates of historical cost, useful lives and amortization of tangible capital assets. In addition, estimates have been made of closure post closure costs related to landfill sites. Actual results could differ from those estimates.

(k) Segment disclosures

The municipality has adopted the Public Sector Accounting Board standard requiring financial information to be provided on a segmented basis (PSAB 2700). Municipal services have been segmented by grouping activities that have similar service objectives (by function). Revenues that are directly related to the costs of the function have been attributed to each segment. Property taxation revenue and the Ontario Municipal Partnership Fund grants have been allocated to segments that are funded by these amounts based on the budget for the year.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

3. Cash

Cash consists of the following:

	2012	2011
	\$	\$
Unrestricted	4,844,481	2,410,142
Restricted	2,838,578	2,499,700
	7,683,059	4,909,842

The municipality earns interest at prime minus 1.75% on all bank account balances. The municipality maintains all its bank accounts at one chartered bank.

4. Long-term receivables

	2012	2011
	\$	\$
Water loan receivable, 3.1% interest rate, semi-annual repayments, due 2016	118,072	145,125
Water loan receivable, 3.81% interest rate, semi-annual repayments, due 2020	1,412,710	1,581,613
Water and sewer loan receivable, 8% various repayment and due dates	175,250	194,168
	1,706,032	1,920,906

5. Temporary borrowings

The municipality has a revolving demand facility available of \$3,000,000 to finance general operating requirements. The facility was not drawn upon at December 31, 2012.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

6. Long-term liabilities

(a) Long-term liabilities consist of the following:

	2012	2011
	\$	\$
Loan payable, OSIFA, 2.93%, semi-annual payments of \$43,178 principal and interest, due 2024	837,945	898,418
Loan payable, OSIFA 2.81%, semi-annual payments of \$100,059 principal and interest, due 2020	1,424,845	1,581,613
Loan payable, OSIFA 2.1%, semi-annual payments of \$15,364 principal and interest, due 2016	117,300	145,125
Capital lease payable, Mine Safety Applications Company, 0%, yearly payments of \$12,743, due 2016.	50,973	63,716
	2,431,063	2,688,872

(b) Principal payments for the next 5 years and thereafter are as follows:

	Principal	Lease Payments
2013	251,873	12,743
2014	258,873	12,743
2015	266,067	12,743
2016	273,464	12,743
2017	250,178	-
Thereafter	1,079,636	-

The annual principal and interest payments required to service these liabilities are within the annual debt repayment limited prescribed by the Ministry of Municipal Affairs and Housing. Total interest charges on long-term debt for the year reported on the consolidated statement of operations are \$88,615 (2011 - \$124,006). There was no interest paid on the capital lease obligation.

7. Employee future benefits

The employees of the Corporation of the Town of South Bruce Peninsula participate in the Ontario Municipal Employees Retirement Saving Plan ("OMERS"). Although the plan has a defined retirement benefit for employees, the related obligation of the municipality cannot be identified. The municipality has applied defined contribution plan accounting as it has insufficient information to apply defined benefit plan accounting. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant.

The amount contributed to OMERS for the current year was \$199,012 (2011 - \$153,950) for current service.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

8. Budget amounts

The operating budget approved by Council for 2012 is reflected on the consolidated statement of operations and statement of changes in net debt. The budgets established for capital investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with the current year's actual expenditure amounts. The budget figures have not been audited.

The following is a reconciliation of the budget approved by Council:

	Budget 2012	Actual 2012	Actual 2011
	\$	\$	\$
Annual surplus	1,951,519	1,812,966	5,391,430
Prior year general surplus	-	-	-
Net transfers from (to) reserves	809,280	(2,438,938)	(719,032)
Capital acquisitions, disposals and write-down	(2,829,461)	(1,093,046)	(2,846,488)
Amortization	-	1,778,297	1,710,454
Debt principal repayments	(258,065)	(246,020)	(71,479)
Change in unfunded liabilities	-	(32,216)	136,923
Change in other surpluses	402,490	(25,355)	26,046
Subtotal	75,763	(244,312)	3,627,854
Capital projects not funded	-	168,549	141,163
Prior year capital projects funded	(75,763)	75,763	(3,769,017)
Funds raised for future capital	-	-	-
	-	-	-

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

9. Government transfers

	Budget	2012	2011
	\$	\$	\$
Operating:			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	2,088,400	2,088,400	1,935,200
Conditional - Roads	20,000	24,460	22,441
- Other	63,265	164,751	198,810
	2,171,665	2,277,611	2,156,451
Other Municipalities			
Conditional - Other	281,467	290,737	281,389
Total operating transfers	2,453,132	2,568,348	2,437,840
Capital:			
Province of Ontario			
Conditional - Roads	-	-	727
- Sewer and water	25,000	25,000	26,548
- Other	18,928	973	329,796
	43,928	25,973	357,071
Government of Canada			
Federal Gas Tax	346,496	20,449	397,748
- Sewer and water	-	-	31,669
- Other	10,000	7,217	304,768
	356,496	27,666	734,185
Total capital transfers	400,424	53,639	1,091,256
Total government transfers	2,853,556	2,621,987	3,529,096

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

10. Deferred revenue - obligatory reserve funds and other

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

The net change in obligatory reserve funds during the year are as follows:

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
	\$	\$	\$	\$	\$
Lot levies	42,152	-	520	-	42,672
Recreational land	40,977	3,000	542	-	44,519
Parking revenues	13,197	722	165	-	14,084
Federal gas tax	88,366	258,130	1,310	20,449	327,357
Building code	610,799	-	9,054	67,268	552,585
Total obligatory	795,491	261,852	11,591	87,717	981,217

The net change in other deferred revenue accounts are as follows:

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
	\$	\$	\$	\$	\$
Other grants	34,259	10,395	-	34,258	10,396
Bluewater Campground	1,800	-	-	1,800	-
Insurance Proceeds	-	728,435	-	728,435	-
Total other	36,059	738,830	-	764,493	10,396
Total deferred revenue	831,550	1,000,682	11,591	852,210	991,613

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

11. Tangible capital assets

Schedules 1, and 2 provide information on the tangible capital assets of the municipality by major asset class and business segment, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets.

(a) Work in progress

Work in progress with a value of \$711,205 (2011 - \$724,248) has not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$NIL (2011 - \$13,050).

(c) Works of art and historical treasures

The municipality holds various works of art and historical treasures including statues, monuments, plaques, paintings and photographs. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

(d) Capitalization of interest

The municipality has a policy of capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset, for those interest costs incurred up to the date the asset goes into use, per PS 3150.17. Interest in the amount of \$NIL (2011 - \$NIL) was capitalized to tangible capital assets during the year.

12. Other income

Other current fund revenues consist of the following:

	2012 Budget	2012 Actual	2011 Actual
		\$	\$
Penalties and interest on taxation	247,500	304,055	255,359
Other fines and penalties	36,000	52,809	49,877
Investment income	53,100	103,606	83,598
Licenses, permits and rents	665,057	474,773	487,775
Donations	6,950	13,863	39,296
Sale of publication, mementos, etc	13,700	24,514	21,622
Gain (loss) on disposal of tangible capital assets	-	350,367	191,109
Other	-	273,140	-
	1,022,307	1,597,127	1,128,636

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

13. Accumulated surplus

The accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2012	2011
	\$	\$
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	47,730,469	48,545,474
Unfinanced capital assets	(1,397,400)	(1,473,163)
Capital assets to be financed by long-term liabilities and to be funded in future years	(888,918)	(955,844)
Total invested in capital assets	45,444,151	46,116,467
Surplus		
Unfunded solid waste closure and post-closure costs	(444,489)	(476,705)
Waterworks system	55	(29,791)
Sewage system	-	(2,394)
Business improvement area	271	5,793
Airport	2,817	15,408
Total surplus	(441,346)	(487,689)
Reserves set aside for specific purposes by Council		
Working funds	1,983,113	1,919,547
Insurance, sick leave and WSIB	172,905	145,613
Replacement of equipment	77,169	-
Current purposes	341,429	1,859,022
Capital purposes	5,262,652	2,065,239
Total reserves	7,837,268	5,989,421
Reserve funds set aside for specific purposes by Council		
Capital purposes	2,598,831	2,007,740
Total reserve funds	2,598,831	2,007,740
Total accumulated surplus	55,438,904	53,625,939

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

14. Government partnerships

The following summarizes the financial position and operations of the municipal joint boards. The Town of South Bruce Peninsula's pro-rata share of these amounts have been reported in the financial statements using the proportionate consolidation method:

	Wiarton Keppel International Airport	Bruce Area Solid Waste Recycling
Financial assets	55,756	2,099,909
Liabilities	35,121	117,913
Net financial assets	20,635	1,981,996
Non-financial assets	165,349	1,745,614
Accumulated surplus	185,984	3,727,610
General surplus	5,637	-
Invested in tangible capital assets	165,349	1,745,614
Reserves and reserve funds	14,998	1,981,996
	185,984	3,727,610
Revenues	419,997	2,356,281
Expenses	435,821	2,187,803
Annual surplus (deficit)	(15,824)	168,478

15. Net property taxation

Net property taxation consists of:

	2012	2011
	\$	\$
Taxation revenue	18,665,380	17,883,939
Amount levied and remitted to School Boards	(4,075,290)	(3,984,130)
Amount levied and remitted to the County of Bruce	(6,020,784)	(5,795,084)
Net property taxation	8,569,306	8,104,725

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

16. Wiarnton Keppel International Airport Joint Municipal Service Board

On December 9, 2002 the Town of South Bruce Peninsula and the Township of Georgian Bluffs signed an agreement to form a joint municipal service board to operate and maintain the Wiarnton/Keppel District Airport. The Town of South Bruce Peninsula and the Township of Georgian Bluffs have each agreed to share budgeted operating deficits equally. On December 24, 2007 the Town of South Bruce Peninsula notified the Township of Georgian Bluffs of their intention to terminate the agreement. The termination is effective January 1, 2009.

On December 24, 2008 the Council of the Corporation of the Town of South Bruce Peninsula resolved to continue to manage the airport with the Township of Georgian Bluffs until further resolution of council.

17. Commitments

- (a) The Town of South Bruce Peninsula has entered into a multi-year agreement for residential and commercial garbage collection until December 31, 2013. The cost to the municipality will be:

2013	\$379,072
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- (b) The Town of South Bruce Peninsula has entered into a multi-year agreement with the Ontario Clean Water Agency for the operation, management and maintenance of its water and sewage systems until January 1, 2014. The cost to the municipality will be:

2013	\$750,335
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- (c) The Town of South Bruce Peninsula has entered into agreements for cleaning services at the Town Hall and the Ross Whicher Centre as well as various municipal washrooms until July 31, 2014 and May 14, 2014. The cost to the municipality will be:

2013	71,221
2014	60,577

- (d) The Town of South Bruce Peninsula has entered into a multi-year agreement for covering of a landfill site until December 1, 2015. The cost to the municipality will be approximately \$148,488 per year.

- (e) The minimum annual payments for operating leases for the next four years are as follows:

2013	6,547
2014	2,231
2015	2,231
2016	558

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

18. Contingencies

- a) Several lower tier municipalities on the Bruce Peninsula, including the Town of South Bruce Peninsula, have been named as defendants in a land claim action filed by the Chippewas of Saugeen and Nawash, for damages alleged to total \$92,000,000. 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 \$92,000,000 has been provided. The likelihood of the success of this action is undeterminable at the present time.
- b) The Town of South Bruce Peninsula along with private land owners, have been named as defendants in a land claim action filed by the Chippewas of Saugeen First Nation for damages alleged to total \$25,000,000. Also, joined as defendants in the action are the Province of Ontario and the Dominion of Canada. No breakdown as to each defendants' relative share of the \$25,000,000 has been provided. The likelihood of the success of this action is undeterminable at the present time.
- c) Appeals of the current value assessment of properties in the municipality may be in process. The impact on taxation revenue as a result of settlement of these appeals is not determinable at this time. The effect on taxation of the settlement of these appeals will be recorded in the fiscal year in which they can be determined.
- d) Applications for property tax rebates for vacant commercial and industrial buildings may be in process. The impact on taxation revenue as a result of these rebates is not determinable at this time. The effect on taxation of these rebates will be recorded in the fiscal year in which they can be determined.
- e) The Town of South Bruce Peninsula has been named as co-defendants in a counterclaim for general damages of \$250,000, special damages of \$250,000, punitive and exemplary damages of \$250,000, special damages of \$250,000, costs of action and pre and post judgment interest. The outcome of those claims is undeterminable at the present time
- f) In the ordinary course of business, various claims and lawsuit are brought again the Town. It is the opinion of management that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued.

19. Trust funds

The trust funds administered by the municipality amounting to \$258,232 (2011 - \$253,702) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations and accumulated surplus.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

20. Landfill Closure and Post-Closure Liability

Solid waste landfill 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 \$1,036,083 (2011 - \$1,015,767). The liabilities are expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

Amabel Landfill Site

As at December 31, 2012, the municipality has recognized in the financial statements a liability of \$325,743 (2011 - \$350,558). This liability represents 65% of the present value of the estimated costs and is based on a total capacity of 517,000 cubic meters and a discount rate of 2.00%. The balance of the liability of \$178,476 will be accrued as the remaining capacity of 183,000 cubic meters is utilized, which is expected to be over the next 13 years.

Albemarle Landfill Site

As at December 31, 2012, the municipality has recognized in the financial statements a liability of \$118,746 (2011 - \$126,147). This liability represents 63% of the present value of the estimated costs and is based on a total capacity of 65,000 cubic meters and a discount rate of 2.00%. The balance of the liability of \$70,804 will be accrued as the remaining capacity of 24,280 cubic meters is utilized, which is expected to be over the next 15 years.

21. Subsequent events

Subsequent to year end, the Town of South Bruce Peninsula decided not to follow through with the Sauble Sewer project. In the current year, work in progress capital assets include \$657,590 relating to this project. These amounts will be written off in 2013. In order to fund this project grants were received from both the provincial and federal governments, these will be likely be repayable. The amount is currently undeterminable. The 2013 budget allows for financing this repayment through a reserve transfer. In addition, the budget allows for a 10 year tax levy charge to cover the unfinanced portion of the capital costs incurred.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

22. Surplus Transfers

The Town of South Bruce Peninsula transfers all surplus or deficits for the year to the individual reserve or reserve fund. In the current year, transfers into reserves from operating was \$3,005,146, and transfers into reserve funds from operating was \$604,892.

23. Future accounting pronouncements

In February 2010, the CICA issued Section PS 3510, "Tax Revenue", which establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements. The section is effective for fiscal years beginning on or after April 1, 2012, earlier adoption is encouraged. The new standard is not expected to have a material effect on the financial statements.

In March 2011, the CICA issued Section PS 3410, "Government Transfers", which establishes recognition, measurement, presentation and disclosure standards relating to amounts received from a government reported in financial statements. The section is effective for fiscal years beginning on or after April 1, 2012, earlier adoption is encouraged. The new standard is not expected to have a material effect on the financial statements.

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

SCHEDULE 1 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2012

	Land	Land Improvements	Buildings	Equipment	Vehicles	Roads, Bridges, and Other Structures	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	1,175,924	1,835,995	14,338,052	5,301,547	4,162,745	49,761,123	724,248	77,299,634
Additions	-	14,036	255,091	695,718	41,945	54,244	32,012	1,093,046
Disposals	-	(37,141)	(25,000)	(203,637)	(267,610)	-	-	(533,388)
Put in Use	-	13,052	-	6,309	-	25,694	(45,055)	-
Balance, end of year	1,175,924	1,825,942	14,568,143	5,799,937	3,937,080	49,841,061	711,205	77,859,292
Accumulated amortization								
Balance, beginning of year	-	584,038	4,060,495	2,414,268	1,858,324	19,837,035	-	28,754,160
Amortization	-	80,289	358,085	335,092	237,482	767,349	-	1,778,297
Disposals	-	(19,685)	(16,250)	(203,619)	(164,080)	-	-	(403,634)
Balance, end of year	-	644,642	4,402,330	2,545,741	1,931,726	20,604,384	-	30,128,823
Net book value, end of year	1,175,924	1,181,300	10,165,813	3,254,196	2,005,354	29,236,677	711,205	47,730,469

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

SCHEDULE 2 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011

	Land	Land Improvements	Buildings	Equipment	Vehicles	Roads, Bridges, and Other Structures	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	1,175,928	820,685	11,654,630	4,417,927	3,705,883	49,269,467	3,591,443	74,635,963
Additions	-	330,286	811,072	747,599	525,361	386,928	44,936	2,846,182
Disposals	(4)	-	-	(114,008)	(68,499)	-	-	(182,511)
Put in Use	-	685,024	1,872,350	250,029	-	104,728	(2,912,131)	-
Balance, end of year	1,175,924	1,835,995	14,338,052	5,301,547	4,162,745	49,761,123	724,248	77,299,634
Accumulated amortization								
Balance, beginning of year	-	525,374	3,730,607	2,221,931	1,666,093	19,076,228	-	27,220,233
Amortization	-	58,664	329,888	304,223	256,872	760,807	-	1,710,454
Disposals	-	-	-	(111,886)	(64,641)	-	-	(176,527)
Balance, end of year	-	584,038	4,060,495	2,414,268	1,858,324	19,837,035	-	28,754,160
Net book value, end of year	1,175,924	1,251,957	10,277,557	2,887,279	2,304,421	29,924,088	724,248	48,545,474

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these financial statements

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

SCHEDULE 3 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENSES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2012

	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Property taxation	8,569,306	-	-	-	-	-	-	-	8,569,306
User charges and fees	33,608	13,692	399,014	1,687,239	524,607	16,247	305,486	17,250	2,997,143
Government transfers	2,088,400	95,882	113,343	119,589	74,800	-	73,076	3,258	2,568,348
Government transfers - capital	-	11,216	20,449	25,000	-	-	(3,026)	-	53,639
Capital recoveries	-	-	223	267,187	398	-	(1,533)	-	266,275
Other revenue	445,907	385,178	657,237	-	19,489	5,388	78,927	5,000	1,597,126
	11,137,221	505,968	1,190,266	2,099,015	619,294	21,635	452,930	25,508	16,051,837
Expenses									
Salaries, wages and benefits	1,054,556	802,376	1,106,982	139,331	356,556	133,072	532,826	94,430	4,220,129
Interest on long-term liabilities	-	-	-	113,845	-	-	-	-	113,845
Materials and supplies	157,729	138,685	1,319,224	309,969	221,276	3,507	476,647	85,530	2,712,567
Contracted services	274,254	2,249,515	202,000	871,998	562,382	1,535	242,931	37,779	4,442,394
Rents, financial expenses and external transfers	58,520	165,994	532,859	46,976	(30,910)	3,671	168,377	26,014	971,501
Amortization expense	87,001	136,208	643,253	581,664	55,739	-	278,451	10,010	1,792,326
Interfunctional charges	(55,152)	47,856	(37,034)	(6,616)	23,841	5,659	7,556	-	(13,890)
	1,576,908	3,540,634	3,767,284	2,057,167	1,188,884	147,444	1,706,788	253,763	14,238,872
Annual surplus (deficit)	9,560,313	(3,034,666)	(2,577,018)	41,848	(569,590)	(125,809)	(1,253,858)	(228,255)	1,812,965

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE TOWN OF SOUTH BRUCE PENINSULA

SCHEDULE 4 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENSES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2011

	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Property taxation	(921,314)	3,097,945	3,735,911	-	660,245	26,726	1,220,988	284,224	8,104,725
User charges and fees	46,224	11,675	413,386	1,358,250	639,911	18,784	313,433	21,422	2,823,085
Government transfers	1,935,200	91,279	106,899	109,711	99,660	-	91,768	3,323	2,437,840
Government transfers - capital	-	-	727	58,213	-	-	1,032,312	-	1,091,252
Capital recoveries	10,365	-	-	3,681,842	-	-	25,735	-	3,717,942
Other revenue	556,641	383,490	40,544	95	19,748	3,924	124,194	-	1,128,636
	1,627,116	3,584,389	4,297,467	5,208,111	1,419,564	49,434	2,808,430	308,969	19,303,480
Expenses									
Salaries, wages and benefits	859,606	1,070,798	1,190,941	71,076	349,242	42,218	499,576	84,045	4,167,502
Interest on long-term liabilities	-	-	-	153,099	-	-	-	-	153,099
Materials and supplies	160,080	118,094	1,533,777	238,707	246,086	4,414	433,158	51,617	2,785,933
Contracted services	99,989	2,161,003	294,004	816,542	579,047	1,015	170,696	46,739	4,169,035
Rents and financial expenses	26,710	154,411	262,865	61,911	143,710	65,647	194,182	16,614	926,050
Amortization expense	88,314	136,258	630,538	561,444	61,805	-	222,085	10,010	1,710,454
Interfunctional charges	(54,060)	46,920	(70,535)	-	50,283	6,543	20,849	-	-
	1,180,639	3,687,484	3,841,590	1,902,779	1,430,173	119,837	1,540,546	209,025	13,912,073
Annual surplus (deficit)	446,477	(103,095)	455,877	3,305,332	(10,609)	(70,403)	1,267,884	99,944	5,391,407

The accompanying notes are an integral part of
these financial statements