

The Corporation of the  
City of Owen Sound  
Financial Information  
For the year ended December 31, 2012

The Corporation of the City of Owen Sound  
Financial Information  
December 31, 2012

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Tel: 519 376 6110  
Fax: 519 376 4741  
www.bdo.ca

BDO Canada LLP  
1717 2nd Avenue E, Third Floor  
PO Box 397  
Owen Sound ON N4K 5P7 Canada

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## Independent Auditor's Report

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To the Members of Council, Inhabitants and Ratepayers  
of the Corporation of the City of Owen Sound

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

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



## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Owen Sound as at December 31, 2012 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario  
July 10, 2013

**The Corporation of the City of Owen Sound**  
**Consolidated Statement of Financial Position**

December 31	2012	2011 (restated) (Note 21)
<b>Financial assets</b>		
Cash (Note 1)	\$ 4,592,245	\$ 1,004,634
Temporary investments (Note 2)	4,179,721	4,225,378
Taxes receivable	1,934,301	1,352,236
Trade and other receivables	4,191,792	12,296,867
Inventory held for resale	65,987	35,442
Other receivables (Note 3)	75,000	75,000
	<u>15,039,046</u>	<u>18,989,557</u>
<b>Liabilities</b>		
Temporary borrowings (Note 4)	-	1,740,000
Accounts payable and accrued liabilities	4,703,424	8,751,148
Solid waste landfill closure and post-closure liabilities (Note 5)	3,583,657	3,737,479
Post-employment benefits (Note 16)	3,576,687	3,363,190
Deferred revenue (Page 33)	3,074,953	2,565,739
Net long-term liabilities (Note 6)	23,041,717	19,940,285
	<u>37,980,438</u>	<u>40,097,841</u>
<b>Net debt</b>	(22,941,392)	(21,108,284)
<b>Non financial assets</b>		
Inventory of supplies	380,862	375,682
Prepaid expenses	92,288	61,979
Tangible capital assets (Note 7)	137,573,691	134,362,437
<b>Accumulated surplus (Note 8)</b>	<u>\$ 115,105,449</u>	<u>\$ 113,691,814</u>

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

**The Corporation of the City of Owen Sound**  
**Consolidated Statement of Operations and Accumulated Surplus**

<u>For the year ended December 31</u>	2012	2012	2011
	Budget (Note 10)	Actual	Actual (restated) (Note 21)
<b>Revenue</b>			
Taxation	\$ 23,005,029	\$23,005,231	\$ 22,044,641
Fees and user charges	11,705,587	11,708,642	11,292,121
Government contributions (Note 14)	5,739,439	5,073,372	18,960,071
Other income (Note 11)	2,558,288	4,022,191	5,069,275
Obligatory reserve fund revenue recognized	1,154,500	814,124	1,070,412
	<u>44,162,843</u>	<u>44,623,560</u>	<u>58,436,520</u>
<b>Expenses</b>			
General government	3,826,602	4,142,302	4,056,803
Protection services	12,765,810	13,877,106	12,946,215
Transportation services	4,877,285	4,789,804	4,736,154
Environmental services	7,950,184	10,823,939	9,419,563
Health services	299,697	394,653	357,513
Recreation and cultural services	6,006,924	7,947,913	7,351,092
Planning and development	1,129,012	1,180,856	1,273,052
Transfer to obligatory reserve fund	935,642	53,352	-
	<u>37,791,156</u>	<u>43,209,925</u>	<u>40,140,392</u>
Annual surplus (Note 10)	6,371,687	1,413,635	18,296,128
Accumulated surplus, beginning of the year	<u>113,691,814</u>	<u>13,691,814</u>	<u>95,395,686</u>
<b>Accumulated surplus, end of the year</b>	<u>\$120,063,501</u>	<u>\$ 115,105,449</u>	<u>\$113,691,814</u>

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

**The Corporation of the City of Owen Sound**  
**Consolidated Statement of Changes in Net Debt**

<u>For the year ended December 31</u>	<u>2012</u>	<u>2012</u>	<u>2011</u>
	Budget (Note 10)	Actual	Actual (restated) (Note 21)
Annual surplus (Page 6)	\$ 6,371,687	\$ 1,413,635	\$ 18,296,128
Acquisition of tangible capital assets	(6,151,556)	(8,959,417)	(29,515,033)
Amortization of tangible capital assets	-	5,029,093	4,792,526
Proceeds on disposal of assets	-	212,113	149,011
(Gain) loss on disposal of assets	-	506,957	(106,701)
	<u>(6,151,556)</u>	<u>(3,211,254)</u>	<u>(24,680,197)</u>
Use of prepaid expenses	-	(30,309)	(22,181)
Change in inventories of supplies	-	(5,180)	34,531
	<u>-</u>	<u>(35,489)</u>	<u>12,350</u>
Decrease (increase) in net debt	220,131	(1,833,108)	(6,371,719)
Net debt, beginning of the year	<u>(21,108,284)</u>	<u>(21,108,284)</u>	<u>(14,736,565)</u>
Net debt, end of the year	<u>\$ (20,888,153)</u>	<u>\$ (22,941,392)</u>	<u>\$ (21,108,284)</u>

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

**The Corporation of the City of Owen Sound**  
Consolidated Statement of Cash Flows

For the year ended December 31	2012	2011
		(restated) (Note 21)
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 1,413,635	\$ 18,296,128
Items not involving cash		
Amortization	5,029,093	4,792,526
Post-employment benefits	213,497	(376,224)
Solid waste landfill liability	(153,822)	(91,245)
(Gain) loss on disposal of assets	506,957	(106,701)
Deferred revenue recognized	(1,741,139)	(1,325,542)
Change in inventory of supplies	(5,180)	34,531
	5,263,041	21,223,473
Changes in non-cash working capital balances		
Taxes receivable	(582,065)	328,206
Trade and other receivables	8,105,075	(1,451,942)
Inventory held for resale	(30,545)	(4,531)
Accounts payable and accrued liabilities	(4,047,724)	1,445,960
Deferred revenue received	2,250,353	1,360,450
Prepaid expenses	(30,309)	(22,181)
	10,927,826	22,879,435
Capital transactions		
Cash used to acquire capital assets	(8,959,417)	(29,515,033)
Proceeds on sale of capital assets	212,113	149,011
	(8,747,304)	(29,366,022)
Investing activities		
Decrease in long-term receivables	-	1,011,055
Financing activities		
Additions to long-term liabilities	4,851,929	11,349,739
Repayment of long-term liabilities	(1,750,497)	(1,108,583)
Decrease in temporary borrowings	(1,740,000)	(3,090,000)
	1,361,432	7,151,156
Net change in cash and cash equivalents	3,541,954	1,675,624
Cash and cash equivalents, beginning of the year	5,230,012	3,554,388
Cash and cash equivalents, end of the year	\$ 8,771,966	\$ 5,230,012
Cash and cash equivalents are comprised of:		
Cash	\$ 4,592,245	\$ 1,004,634
Temporary investments	4,179,721	4,225,378
	\$ 8,771,966	\$ 5,230,012

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

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## The Corporation of the City of Owen Sound Summary of Significant Accounting Policies

December 31, 2012

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### Basis of Accounting

The consolidated financial statements of the Corporation of the City of Owen Sound 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 Ministry of Municipal Affairs and Housing.

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

### Basis of Consolidation

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

The following boards controlled by Council have been consolidated:

Owen Sound and North Grey Union Public Library

Owen Sound Downtown Improvement Area Board of Management

### 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 grant receivables, accrued liabilities, useful lives of capital assets, post-employment benefits liability and solid waste landfill post closure liabilities.

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## The Corporation of the City of Owen Sound Summary of Significant Accounting Policies

December 31, 2012

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Revenue Recognition	<p>Revenues are recognized as follows:</p> <ul style="list-style-type: none"><li>a) Tax levies are recognized as revenue when the amounts are levied on the municipality's ratepayers.</li><li>b) Fines and donations are recognized when collected.</li><li>c) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.</li><li>d) Investment income earned on surplus funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is recorded directly to each fund balance.</li><li>e) Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized and eligibility criteria have been met and reasonable estimates of the amounts can be made.</li><li>f) 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 financial activities in the year in which it is used for the specified purpose</li></ul>
Cash and Cash Equivalents	<p>Cash and cash equivalents include all cash balances and short term highly liquid investments that are readily converted into cash.</p>
Temporary Investments	<p>Temporary investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market.</p>
County and School Board	<p>The municipality collects taxation revenue on behalf of the school boards and the County of Grey. The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Grey are not reflected in these financial statements.</p>

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## The Corporation of the City of Owen Sound

### Summary of Significant Accounting Policies

December 31, 2012

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Other Receivables	Other receivables are recorded at cost.												
Non-Financial Assets	Tangible capital assets and other non-financial assets are accounted for as assets by the City because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the City unless they are sold.												
Inventory	<p>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.</p> <p>Inventory held for consumption is recorded at the lower of cost and replacement cost.</p>												
Tangible Capital Assets	<p>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 assets is based on estimates made by management. The following useful lives are used:</p> <table><tr><td>Roads and sidewalks</td><td>10 - 80 years</td></tr><tr><td>Land improvements</td><td>40 - 75 years</td></tr><tr><td>Buildings and structures</td><td>15 - 40 years</td></tr><tr><td>Vehicles, machinery and equipment</td><td>3 - 20 years</td></tr><tr><td>Bridges and other structures</td><td>40 - 80 years</td></tr><tr><td>Water and sewer infrastructure</td><td>40 - 90 years</td></tr></table> <p>Tangible capital assets received as contributions are recorded at fair value at the date of receipt.</p>	Roads and sidewalks	10 - 80 years	Land improvements	40 - 75 years	Buildings and structures	15 - 40 years	Vehicles, machinery and equipment	3 - 20 years	Bridges and other structures	40 - 80 years	Water and sewer infrastructure	40 - 90 years
Roads and sidewalks	10 - 80 years												
Land improvements	40 - 75 years												
Buildings and structures	15 - 40 years												
Vehicles, machinery and equipment	3 - 20 years												
Bridges and other structures	40 - 80 years												
Water and sewer infrastructure	40 - 90 years												
Intangible Assets	Intangible assets, art and historic treasures are not recognized in these financial statements.												
Post-Employment Benefits	<p>The municipality provides post-employment health, dental, life insurance benefits and other benefits to eligible retired employees. The benefits earned by employees are determined using management's best estimate of expected benefit costs and are expensed as services are rendered.</p> <p>The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit plan, are expensed when contributions are due.</p>												

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**The Corporation of the City of Owen Sound**  
**Summary of Significant Accounting Policies**

December 31, 2012

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**Solid Waste Landfill Closure  
and Post-Closure Costs**

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

**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.

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2012

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1. Cash and Bank Indebtedness

	<u>2012</u>	<u>2011</u>
		(restated)
Unrestricted	<u>\$ 4,592,245</u>	<u>\$ 1,004,634</u>

The municipality's bank accounts are all held at one financial institution. The Canadian Deposit Insurance Corporation insures deposits up to a maximum of \$100,000 per depositor per financial institution.

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2. Temporary Investments

	<u>2012</u>	<u>2011</u>
Unrestricted	<u>\$ 4,179,721</u>	<u>\$ 4,225,378</u>

Investments include government bonds, municipal debentures and commercial paper from chartered banks with effective interest rates of 3.34% to 4.875%. Interest is receivable on a semi-annual basis. Investments also include 30 and 90 day cashable guaranteed investment certificates with interest rates of 1.4% to 1.45%. Investments have a market value of \$4,417,320 (2011 - \$4,488,615) at the end of the year.

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3. Other Receivables

	<u>2012</u>	<u>2011</u>
Loan, non-interest bearing, due on demand	<u>\$ 75,000</u>	<u>\$ 75,000</u>

4. Temporary Borrowings

The City of Owen Sound has a demand operating facility with a financial institution at prime plus 0.75%. At December 31, 2012, the City had a \$15,000,000 unused credit facility.

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2012

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5. Solid Waste Landfill Closure and Post-Closure Liabilities

Solid waste landfill closure and post-closure care requirements have been 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.

The landfill was closed May 2005. The liability for the landfill site is recorded at \$3,583,657 (2011 - \$3,737,479) and represents the present value of post-closure costs for the closed site, using the Government of Canada's average long-term borrowing rate of 3.7%. The total estimated future expenditures for post-closure care are \$5,575,661 leaving an amount to be recognized of \$1,992,004. Post-closure care is estimated to continue for a period of 22 years.

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6. Long-Term Liabilities

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

	<u>2012</u>	<u>2011</u>
Debentures payable, 2.27% - 5.48%, principal and interest payable semi- annually, various maturities	\$ 24,658,977	\$ 22,228,279
Less: Debentures issued to reserve funds	<u>(1,617,260)</u>	<u>(2,287,994)</u>
	<u>\$ 23,041,717</u>	<u>\$ 19,940,285</u>

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

2013	\$ 2,244,080
2014	\$ 2,322,358
2015	\$ 2,289,855
2016	\$ 2,255,518
2017	\$ 2,075,581
Thereafter	\$ 11,854,325

Interest paid during the year on long-term debt was \$1,006,757 (2011 - \$907,427).

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31

7. Tangible Capital Assets

								2012
	Land	Land Improvement	Buildings and Structures	Vehicles, Machinery and Equipment	Roads and Sidewalks	Bridges	Water and Sewer Infrastructure	Total
Cost, beginning of the year	\$ 5,987,352	\$ 12,027,510	\$ 76,724,519	\$ 38,287,715	\$ 33,358,775	\$ 9,386,849	\$ 33,703,505	\$ 209,476,225
Additions	211,915	562,939	4,780,472	1,932,742	400,000	-	1,071,349	8,959,417
Disposals	(4)	(237,530)	(1)	(2,625,502)	-	-	-	(2,863,037)
Cost, end of the year	<u>6,199,271</u>	<u>12,352,919</u>	<u>81,504,992</u>	<u>37,594,955</u>	<u>33,758,775</u>	<u>9,386,849</u>	<u>34,774,854</u>	<u>215,572,605</u>
Accumulated amortization, beginning of the year	-	4,273,627	18,274,612	16,777,147	20,254,690	1,361,933	14,171,779	75,113,788
Amortization	-	251,582	1,514,377	1,536,020	783,112	141,876	802,126	5,029,093
Disposals	-	(105,272)	-	(2,038,695)	-	-	-	(2,143,967)
Accumulated amortization, end of the year	<u>-</u>	<u>4,419,937</u>	<u>19,788,989</u>	<u>16,274,472</u>	<u>21,037,802</u>	<u>1,503,809</u>	<u>14,973,905</u>	<u>77,998,914</u>
Net carrying amount, end of the year	<u>\$ 6,199,271</u>	<u>\$ 7,932,982</u>	<u>\$ 61,716,003</u>	<u>\$ 21,320,483</u>	<u>\$ 12,720,973</u>	<u>\$ 7,883,040</u>	<u>\$ 19,800,949</u>	<u>\$ 137,573,691</u>

The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31

7. Tangible Capital Assets - (continued)

								2011
	Land	Land Improvement	Buildings and Structures	Vehicles, Machinery and Equipment	Roads and Sidewalks	Bridges	Water and Sewer Infrastructure	Total
Cost, beginning of the year	\$5,937,352	\$ 12,010,746	\$54,061,159	\$ 37,043,135	\$ 29,979,717	\$ 8,879,136	\$ 33,270,763	\$ 181,182,008
Additions	50,000	16,764	22,663,360	2,424,906	3,379,058	507,713	432,742	29,474,543
Disposals		-	-	(1,180,326)	-	-	-	(1,180,326)
Cost, end of the year	5,987,352	12,027,510	76,724,519	38,287,715	33,358,775	9,386,849	33,703,505	209,476,225
Accumulated amortization, beginning of the year	-	4,005,847	17,174,464	16,021,892	19,479,578	1,231,215	13,546,292	71,459,288
Amortization		267,780	1,100,148	1,893,281	775,112	130,718	625,487	4,792,526
Disposals		-	-	(1,138,026)	-	-	-	(1,138,026)
Accumulated amortization, end of the year	-	4,273,627	18,274,612	16,777,147	20,254,690	1,361,933	14,171,779	75,113,788
Net carrying amount, end of the year	\$5,987,352	\$ 7,753,883	\$58,449,907	\$ 21,510,568	\$ 13,104,085	\$ 8,024,916	\$ 19,531,726	\$ 134,362,437

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2012

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7. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction is (or development or have been removed from service) \$414,790 (2011 - \$36,603,038).

Interest of \$238,726 (2011 - \$527,907) was capitalized to tangible capital assets during the year.

The municipality holds various works of art and historical treasures. 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.

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8. Accumulated Surplus

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

	2012	2011
		(restated)
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$ 137,573,691	\$ 134,362,437
Unfinanced capital assets	(17,548,728)	(17,255,506)
Capital assets financed by long-term liabilities and to be funded in future years (Note 6)	(24,658,978)	(22,228,278)
Total invested in capital assets	95,365,985	94,878,653
Unfunded post-employment benefits	(3,576,687)	(3,363,190)
Unfunded solid waste closure and post-closure costs	(3,583,657)	(3,737,479)
General surplus (Note 10)	911,887	561,953
Library Adult Learning Centre surplus	59,007	53,983
	89,176,535	88,393,920
Reserves and reserve funds (Note 9)	25,928,914	25,297,894
Accumulated surplus	\$ 115,105,449	\$ 113,691,814

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2012

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

	<u>2012</u>	<u>2011</u>
		(restated)
Reserves		
Working funds	\$ 662,809	\$ 128,559
Capital purposes	<u>2,351,642</u>	<u>2,105,881</u>
	<u>3,014,451</u>	<u>2,234,440</u>
Reserve funds		
Insurance, sick leave, WSIB	119,289	116,521
Current purposes	405,944	439,715
Capital purposes	<u>22,389,230</u>	<u>22,507,218</u>
	<u>22,914,463</u>	<u>23,063,454</u>
Total reserves and reserve funds	<u>\$ 25,928,914</u>	<u>\$ 25,297,894</u>

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2012

10. Budgets

Under Canadian Public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net debt for comparative purposes. The 2012 budget amounts for the City of Owen Sound approved by Council have been reclassified to conform to the presentation of the consolidated statements of operations 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)	\$ 6,371,687	\$ 1,413,635	\$ 18,296,128 (restated)
Prior year general surplus	561,953	561,953	610,366
Transfers to reserves	(3,301,011)	(4,348,684)	(4,256,475)
Transfers from reserves	5,167,405	3,717,664	6,846,256
Capital acquisitions, disposals and write-down	(6,151,556)	(8,240,347)	(29,472,723)
Amortization	-	5,029,093	4,792,526
Proceeds from long-term debt	609,000	4,851,929	11,349,739
Debt principal repayments	(3,206,024)	(2,421,231)	(2,900,940)
Change in unfunded liabilities	-	59,675	(467,469)
Change in other surpluses	-	(5,022)	1,839
Capital projects not funded (funded)	51,454	618,665	4,799,247
	-	293,222	(4,237,294)
	<u>\$ 51,454</u>	<u>\$ 911,887</u>	<u>\$ 561,953</u>

The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2012

11. Other Income

	2012 Budget	2012 Actual	2011 Actual (restated)
Penalties and interest on taxation	\$ 240,000	\$ 239,718	\$ 245,782
Other fines and penalties	236,000	193,495	181,316
Investment income	248,565	687,673	1,228,776
Licenses, permits and rents	1,488,023	1,452,313	1,307,886
Donations	315,700	1,502,049	1,897,694
Gain (loss) on disposal of capital assets	-	(506,957)	106,701
Contributions from developers	-	404,284	80,000
Contributions from non-consolidated entities	30,000	31,604	15,115
Other	-	18,012	6,005
	<u>\$ 2,558,288</u>	<u>\$ 4,022,191</u>	<u>\$ 5,069,275</u>

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2012

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12. Owen Sound Downtown Improvement Area

The following summarizes the financial position and operations of the Owen Sound Downtown Improvement Area, which is controlled by the municipality. The Owen Sound Downtown Improvement Area has been consolidated into these financial statements.

	2012	2011
Financial assets	\$ 146,776	\$ 126,744
Liabilities	16,164	19,415
Net financial assets	130,612	107,329
Non-financial assets	43,615	17,174
Accumulated surplus	\$ 174,227	\$ 124,503
Revenues	\$ 284,685	\$ 252,457
Expenses	234,961	208,355
Annual surplus	\$ 49,724	\$ 44,102

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13. Owen Sound & North Grey Union Public Library

The following summarizes the financial position and operations of the Owen Sound & North Grey Union Public Library, which is controlled by the municipality. The Owen Sound & North Grey Union Public Library has been consolidated into these financial statements.

	2012	2011
Financial assets	\$ 1,020,667	\$ 871,456
Liabilities	641,956	566,651
Net financial assets	378,711	304,805
Non-financial assets	966,855	1,058,412
Accumulated surplus	\$ 1,345,566	\$ 1,363,217
Revenues	\$ 2,120,381	\$ 2,148,357
Expenses	2,138,032	2,157,536
Annual deficit	\$ (17,651)	\$ (9,179)

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**The Corporation of the City of Owen Sound**  
Notes to Financial Statements

December 31, 2012

14. Government Contributions

	2012 Budget	2012 Actual	2011 Actual
			(restated)
<b>Operating</b>			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF) \$	1,256,800	\$ 1,256,800	\$ 1,464,500
- Other	1,169,770	1,900,426	1,920,308
	<u>2,426,570</u>	<u>3,157,226</u>	<u>3,384,808</u>
Government of Canada			
- Roads	-	-	208,790
- Other	105,905	122,507	116,549
	<u>105,905</u>	<u>122,507</u>	<u>325,339</u>
Other municipalities			
- Roads	92,000	122,727	101,907
- Other	1,086,691	1,156,959	845,099
	<u>1,178,691</u>	<u>1,279,686</u>	<u>947,006</u>
<b>Total operating contributions</b>	<u>3,711,166</u>	<u>4,559,419</u>	<u>4,657,153</u>
<b>Capital</b>			
Province of Ontario			
- Recreation facility	-	-	6,584,321
- Roads	40,000	-	608,727
- Other	763,000	321,661	7,066
	<u>803,000</u>	<u>321,661</u>	<u>7,200,114</u>
Government of Canada			
- Recreation facility	-	-	6,584,321
- Roads	667,273	-	458,483
- Other	558,000	192,292	60,000
	<u>1,225,273</u>	<u>192,292</u>	<u>7,102,804</u>
<b>Total capital contributions</b>	<u>2,028,273</u>	<u>513,953</u>	<u>14,302,918</u>
<b>Total contributions</b>	<u>\$ 5,739,439</u>	<u>\$ 5,073,372</u>	<u>\$ 18,960,071</u>

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2012

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15. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 264 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement income to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed to OMERS for 2012 by the City was \$1,584,870 (2011 - \$1,450,856). The contribution rate for 2012 was 8.3 to 13.9% depending on age and income level (2011 - 7.4% to 14.1%).

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was on December 31, 2012. At that time the plan reported a \$9.9 billion actuarial deficit (2011 - \$7.3 billion), based on actuarial liabilities of \$69.1 billion (2011 - \$64.5 billion) and actuarial assets of \$59.2 billion (2011 - \$57.2 billion). There has been a severe decline in financial markets. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2012

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16. Post Employment Benefits

	2012	2011
Sick leave liability	\$ 87,589	\$ 91,941
Vacation pay liability	832,391	738,318
Post-employment benefits	2,656,707	2,532,931
	\$ 3,576,687	\$ 3,363,190

- a) Sick leave liability includes amounts earned by employees as defined by applicable union contract but not taken during the year. This amount is funded through reserves.
- b) The vacation liability includes vacation earned. The vacation year for an employee beginning either on their "start date" anniversary or the date defined by the applicable union contract. The vacation liability includes all carry-forward amounts from the previous vacation year and vacation earned from the vacation start date to December 31, 2012. This amount is not funded.
- c) The City pays certain life insurance, health and dental benefits on behalf of its retired employees to the age of 65. The City recognizes these post-employment costs in the period in which the employees rendered the services. An actuarial valuation has been performed at December 31, 2009. This amount has not been funded.

The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 5%. For future salaries, a 3% annual rate of increase was used for 2012 and forwards. For dental, travel and vision premiums, a 4% annual rate of increase was assumed for 2012 and forwards. For health care premiums, a 7% increase was used for 2012.

	2012	2011
Current period benefit cost	\$ 103,698	\$ 96,823
Interest costs	124,035	117,597
Total expense for the year	\$ 227,733	\$ 214,420

- d) The City became a Schedule I employer under the Workplace Safety Insurance Act effective January 1, 2010. Prior to that date the City was a Schedule II employer and as such assumed a liability for any award made under the Act that relates to an injury sustained prior to January 1, 2010.
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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2012

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17. Operations of School Boards and the County of Grey

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

	<u>2012</u>	<u>2011</u>
School boards	\$ 7,906,925	\$ 8,036,853
County of Grey	7,887,628	7,636,075
	<u>\$ 15,794,553</u>	<u>\$ 15,672,928</u>

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18. Trust Funds

The trust funds administered by the City have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At December 31, 2012, the trust fund balances are as follows:

	<u>2012</u>	<u>2011</u>
Cemetery Care and Maintenance Funds	\$ 1,159,282	\$ 1,132,305 (restated)
Art Collection and Gallery Building Trust	109,705	108,595
Ontario Home Renewal Program	15,949	15,947
	<u>\$ 1,284,936</u>	<u>\$ 1,256,847</u>

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19. Contingencies

The City of Owen Sound owns parcels of properties which have undergone Phase II Environmental Site Assessments. The Site Assessments identified environmental contamination which will require future clean-up. The extent of the clean-up on the properties if sold will be dependent on the future use of the properties. The net proceeds/cost of a future sale of the properties net of clean-up expenses cannot be determined at this time.

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2012

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20. Contractual Commitments

The Corporation of the City of Owen Sound has entered into an agreement expiring December 2017, for administration of biosolids disposal, reporting and inspection of sanitary sewers.

The Corporation of the City of Owen Sound has entered into a contract expiring March 31, 2013 for the operation of the City's transit system including regular and specialized transit services and the operation of the transit terminal.

The Corporation of the City of Owen Sound has entered into an agreement, expiring December 2014, for recycling and the operation of a solid waste landfill facility.

The Corporation of the City of Owen Sound has entered into a contract expiring December 2015, for the operation of the Animal Shelter and enforcement of animal control bylaws.

The Corporation of the City of Owen Sound has entered into a contract expiring June 2014, for the operation of the Billy Bishop Regional Airport.

The Corporation of the City of Owen Sound has awarded contracts for the purposes of road works, infrastructure mapping and wastewater treatment plant design and engineering. At December 31, 2012 \$5,551,786 remains on these contracts.

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**The Corporation of the City of Owen Sound**  
Notes to Financial Statements

December 31, 2012

21. Prior Period Restatement

In reviewing the inventory of land assets it was determined that four parcels of land had been incorrectly excluded from capitalization of tangible assets as part of adopting Section 3150. The impact of adjusting for these additional parcels is as follows:

	2011
Increase in non-financial assets - tangible capital assets	\$ 1,081,017
Increase in accumulated surplus	\$ 1,081,017

Subdivider's deposits formerly reported as a non consolidated trust fund have been consolidated with the City financials and the balance of deposits held is included as a liability. The impact of the consolidation is as follows:

	2011
Increase in cash	\$ 846,859
Decrease in trade and other receivables	(72,040)
Increase in accounts payable and accrued liabilities	(772,380)
Increase in accumulated surplus	\$ 2,439
	2011
Increase in other income - investment income	\$ 10,505
Increase in operating expenses General government	(18,735)
Decrease in annual surplus	(8,230)
Increase in opening accumulated surplus	10,669
	\$ 2,439

Provincial and Federal grants receivable were overstated at the end of the year. The impact of the adjustment is as follows:

	2011
Decrease in trade and other receivables	\$ (525,702)
Decrease in accumulated surplus	\$ (525,702)
	2011
Decrease in provincial grant revenue	\$ (262,851)
Decrease in federal grant revenue	(262,851)
Decrease in annual surplus	\$ (525,702)

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2012

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21. Prior Period Restatement - (continued)

Classification of unspent provincial and gas tax monies has been changed from reserve and reserve funds to deferred revenue as obligatory reserve funds. The impact of the change in classification is as follows:

	<u>2011</u>
Increase in deferred revenue - obligatory reserve funds	\$ (1,097,726)
Decrease in accumulated surplus	<u>\$ (1,097,726)</u>
	<u>2011</u>
Increase in obligatory reserve fund revenue	\$ 763,483
Decrease in provincial grant revenue	(272,777)
Decrease in federal grant revenue	<u>(667,273)</u>
Decrease in annual surplus	(176,567)
Decrease in opening accumulated surplus	<u>(921,159)</u>
	<u>\$ (1,097,726)</u>

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2012

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22. Segmented Information

The Corporation of the City of Owen Sound is a diversified municipal government institution that provides a wide range of services to its citizens such as policing, fire protection, clean water and waste water treatment, waste collection and disposal, recreation and cultural services, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segment and activities they encompass are as follows:

**Administration Services**

This item relates to the revenues and expenses that are generated and incurred by the governance operations and are not specifically attributed to a specific segment. This item includes City Council, Clerk and Legal Services, Human Resources, Financial Services and Information Technology.

**Operation Services**

This item includes all revenues and expenditures as they related to the City's Operations departments. Included in this item are Transportation Infrastructure, Water and Waste Water Services, Engineering, Transit, Air Transportation and Street Lighting.

**Waste Services**

This item includes revenues and expenses as they relate to environmental services including waste and recycling collection and disposal as well as ongoing costs associated with the Landfill.

**Community Services**

This service area encompasses revenues and expenses associated with services provided to the community that are meant to improve the health and development of the municipality's citizens. Included in Community Services are the Building and Planning Departments as well as Recreation Programs and Facilities.

**Parks and Cemeteries**

This service area encompasses revenues and expenses associated with Greenspaces including Parks, Cemeteries and Playgrounds.

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2012

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22. Segmented Information - (continued)

Economic Development

The departments included under the item Economic Development are responsible for Tourism, Small Business Support Services and Downtown Revitalization.

Protection Services

This item includes the services in place to ensure the safety and protection of the citizens and their property. Protection is comprised of police services, fire protection, parking and bylaw enforcement, and animal control.

Cultural Services

This item includes the revenues and expenses generated by both the Art Gallery and the Consolidated Library Board.

Taxation, payments-in lieu and penalties and interest as well as the Ontario Municipal Partnership Fund Grant are allocated to each segment based on the funding requirements for total expenses less segment specific revenues. Amortization expenses are not included in determining this allocation.

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

For the year ended December 31	Administratio n Services	Operation Services	Waste Services	Community Services	Parks and Cemeteries	Economic Development	Protection Services	Cultural Services	2012 Total
<b>Revenue</b>									
Taxation	\$ 4,416,738	\$ 3,947,745	\$ 887,901	\$ 887,901	\$ 1,156,548	\$ 586,868	\$ 10,197,202	\$ 924,328	\$ 23,005,231
Fees and user charges	149,231	9,247,034	745,607	215,131	390,187	158,384	555,414	247,654	11,708,642
Specific grants	-	507,311	230,776	72,843	-	357,118	1,059,468	1,538,732	3,766,248
OMPF grant	253,582	226,655	50,978	50,978	66,402	19,999	585,461	53,069	1,307,124
Other revenue	994,571	364,352	60,502	2,344,565	173,065	40,283	(125,607)	170,460	4,022,191
Transfers from obligatory reserve	-	774,972	-	34,473	4,679	-	-	-	814,124
	<u>5,814,122</u>	<u>15,068,069</u>	<u>1,975,764</u>	<u>3,605,891</u>	<u>1,790,881</u>	<u>1,162,652</u>	<u>12,271,938</u>	<u>2,934,243</u>	<u>44,623,560</u>
<b>Expenses</b>									
Salaries and benefits	1,697,379	4,346,626	396,723	1,287,502	1,202,369	579,103	11,284,189	1,916,847	22,710,738
Interest on debt	494,149	468,711	-	6,079	26,213	-	11,605	-	1,006,757
Materials and supplies	1,223,089	2,706,370	301,057	969,375	381,442	333,188	926,692	679,994	7,521,207
Contracted services	379,790	4,540,219	772,647	46,798	151,899	257,756	430,600	119,874	6,699,583
Rents and financial expenses	51,143	27,126	142	1,600	13,214	55,911	22,596	17,462	189,194
Amortization	265,296	2,600,212	88,562	906,269	342,835	3,427	473,140	349,353	5,029,094
Other	-	-	-	-	-	-	53,352	-	53,352
	<u>4,110,846</u>	<u>14,689,264</u>	<u>1,559,131</u>	<u>3,217,623</u>	<u>2,117,972</u>	<u>1,229,385</u>	<u>13,202,174</u>	<u>3,083,530</u>	<u>43,209,925</u>
<b>Annual surplus (deficit)</b>	<b>\$ 1,703,276</b>	<b>\$ 378,805</b>	<b>\$ 416,633</b>	<b>\$ 388,268</b>	<b>\$ (327,091)</b>	<b>\$ (66,733)</b>	<b>\$ (930,236)</b>	<b>\$ (149,287)</b>	<b>\$ 1,413,635</b>

The Corporation of the City of Owen Sound  
Notes to Financial Statements

For the year ended December 31	Administration Services	Operation Services	Waste Services	Community Services	Parks and Cemeteries	Economic Development	Protection Services	Cultural Services	2011 Total
<b>Revenue</b>									
Taxation	\$ 2,093,199	\$ 981,066	\$ 712,686	\$ -	\$ 1,637,373	\$ 1,139,331	\$ 13,038,426	\$ 2,442,560	\$ 22,044,641
Fees and user charges	85,633	8,495,405	854,902	302,467	388,061	156,664	623,168	385,821	11,292,121
Specific grants	15,936	1,390,576	257,929	13,239,364	-	399,743	665,592	1,526,431	17,495,571
OMPF grant	139,058	65,176	47,346	-	108,776	75,690	866,187	162,268	1,464,501
Other revenue	1,770,843	131,523	2,346	2,633,916	110,078	43,979	239,608	136,982	5,069,275
Transfers from obligatory reserve	-	913,483	-	92,576	-	-	64,352	-	1,070,411
	<u>4,104,669</u>	<u>11,977,229</u>	<u>1,875,209</u>	<u>16,268,323</u>	<u>2,244,288</u>	<u>1,815,407</u>	<u>15,497,333</u>	<u>4,654,062</u>	<u>58,436,520</u>
<b>Expenses</b>									
Salaries and benefits	1,416,524	4,369,385	414,516	1,334,529	1,115,777	577,932	10,985,806	1,921,058	22,135,527
Interest on debt	279,379	426,148	-	18,735	1,468	-	181,697	-	907,427
Materials and supplies	1,370,379	1,112,525	303,008	774,263	388,163	382,533	1,073,830	637,217	6,041,918
Contracted services	581,562	3,527,894	772,522	160,355	435,746	205,272	239,073	114,318	6,036,742
Rents and financial expenses	68,957	36,328	600	5,067	12,197	47,483	34,589	21,030	226,251
Amortization	231,852	2,776,095	99,540	310,441	363,075	3,288	673,058	335,178	4,792,527
	<u>3,948,653</u>	<u>12,248,375</u>	<u>1,590,186</u>	<u>2,603,390</u>	<u>2,316,426</u>	<u>1,216,508</u>	<u>13,188,053</u>	<u>3,028,801</u>	<u>40,140,392</u>
<b>Annual surplus (deficit)</b>	<u>\$ 156,016</u>	<u>\$ (271,146)</u>	<u>\$ 285,023</u>	<u>\$ 13,664,933</u>	<u>\$ (72,138)</u>	<u>\$ 598,899</u>	<u>\$ 2,309,280</u>	<u>\$ 1,625,261</u>	<u>\$ 18,296,128</u>

**The Corporation of the City of Owen Sound**  
**Schedule of Deferred Revenue**

For the year ended December 31, 2012

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
<b>Obligatory Reserve Funds</b>					
Federal Gas Tax	\$ 316,724	\$ 667,273	\$ 1,653	\$ (581,936)	\$ 403,714
Provincial Transit Gas Tax	781,003	278,698	14,037	(185,000)	888,738
Development charges	918,769	281,895	12,302	(47,188)	1,165,778
Recreational land	50,378	86,816	707	-	137,901
Parking revenues	163,991	53,352	1,934	-	219,277
	2,230,865	1,368,034	30,633	(814,124)	2,815,408
<b>Other</b>					
Other deferred revenues	334,874	851,686	-	(927,015)	259,545
	\$ 2,565,739	\$ 2,219,720	\$ 30,633	\$(1,741,139)	\$3,074,953

**The Corporation of the City of Owen Sound  
Trust Funds  
Financial Information  
For the year ended December 31, 2012**

The Corporation of the City of Owen Sound  
Trust Funds Financial Information  
For the year ended December 31, 2012

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The Corporation of the City of Owen Sound

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Tel: 519 376 6110  
Fax: 519 376 4741  
www.bdo.ca

BDO Canada LLP  
1717 2nd Avenue E, Third Floor  
PO Box 397  
Owen Sound ON N4K 5P7 Canada

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## Independent Auditor's Report

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To the Members of Council, Inhabitants and Ratepayers  
of the Corporation of the City of Owen Sound

We have audited the accompanying financial information for the trust funds of the City of Owen Sound, which comprise the balance sheet as at December 31, 2012, the statement of continuity for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Information

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

### Auditor's Responsibility

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

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

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



## Opinion

In our opinion, the financial information presents fairly, in all material respects, the balance sheet for the trust funds of the City of Owen Sound as at December 31, 2012 and the statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario  
July 10, 2013

The Corporation of the City of Owen Sound  
Trust Funds  
Balance Sheet

December 31, 2012

	Cemetery Care and Maintenance	Art Collection and Gallery Building Trust	Ontario Home Renewal Plan	Total 2012	Total 2011 (restated)
<b>Assets</b>					
Cash	\$ 97,949	\$ 8,042	\$ 119	\$ 106,110	\$ 15,246
Investments (Note 2)	948,969	-	-	948,969	1,000,000
O.H.R.P. loans	-	-	20,444	20,444	20,444
	1,046,918	8,042	20,563	1,075,523	1,035,690
<b>Other</b>					
Due from City of Owen Sound	112,364	102,013	-	214,377	225,771
	\$ 1,159,282	\$ 110,055	\$ 20,563	\$1,289,900	\$ 1,261,461
<b>Liabilities</b>					
Due to City of Owen Sound	\$ -	\$ 350	\$ 4,614	\$ 4,964	\$ 4,614
<b>Capital</b>					
General capital	1,159,282	109,705	15,949	1,284,936	1,256,847
	\$ 1,159,282	\$ 110,055	\$ 20,563	\$1,289,900	\$ 1,261,461

The Corporation of the City of Owen Sound  
Trust Funds  
Statement of Continuity

For the year ended December 31, 2012

	Cemetery Care and Maintenance	Art Collection and Gallery Building Trust	Ontario Home Renewal Plan	Total 2012	Total 2011 (restated)
Balance, beginning of the year	\$ 1,132,304	\$ 108,594	\$ 15,946	\$1,256,844	\$ 1,230,343
Receipts					
Share of plot sales	26,978	-	-	26,978	26,758
Interest earned	31,604	1,111	3	32,718	14,860
	58,582	1,111	3	59,696	41,618
Expenditures					
Grant to City of Owen Sound	31,604	-	-	31,604	15,114
Balance, end of the year	\$ 1,159,282	\$ 109,705	\$ 15,949	\$1,284,936	\$ 1,256,847

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The Corporation of the City of Owen Sound  
Trust Funds  
Notes to the Financial Statements

December 31, 2012

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1. Summary of Significant Accounting Policies

Basis of Consolidation	These trust funds have not been consolidated with the financial statements of the City of Owen Sound.
Accrual Basis of Accounting	The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.
Management Responsibility	The financial statements of the Corporation of the City of Owen Sound Trust Funds are the representation of management. They have been 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.
Use of Estimates	The preparation of financial information 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 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.

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2. Investments

The total investments of \$948,969 (2011 - \$1,000,000) reported on the Balance Sheet at cost have a market value of approximately \$948,969 (2011 - \$1,000,000) at the end of the year.

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The Corporation of the City of Owen Sound  
Trust Funds  
Notes to the Financial Statements

December 31, 2012

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3. Ontario Home Renewal Program

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to \$7,500, of which the maximum forgivable portion is \$4,000.

Ontario Home Renewal Program loans receivable at December 31, 2012 comprise repayable loans of \$20,444 (2011 - \$20,444) and forgivable loans of \$Nil (2011 - \$Nil). Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continuous ownership and occupancy. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balance of the repayable loan and the unearned forgivable loan immediately becomes due and payable by the homeowner.

As of July 16, 1993 the Ontario Home Renewal Program was discontinued and municipalities were prohibited from issuing further loans as of this date. All OHRP funds held in municipal trust accounts as of December 31, 1993 were remitted to the Province on March 1, 1994. Any loans receivable under the program which are collected subsequent to December 31, 1993 are to be remitted to the Province by March 1 of the following year. However, municipalities will be provided an administration fee of five per cent of the balances collected after December 31, 1993 and are permitted to retain the interest earned on unremitted OHRP trust account balances.

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4. Prior Period restatement

During the year it was determined that amounts formerly shown in trust for subdivider's deposits were actually a liability of the City of Owen Sound. The amounts have been included as a liability on the consolidated financial statements of the City of Owen Sound.

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