

The Corporation of the
City of Owen Sound
Financial Information
For the year ended December 31, 2013

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Financial Information
December 31, 2013

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Independent Auditor's Report

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, 2013 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.



Basis for Qualified Opinion

The City's opening cost and accumulated amortization amounts of tangible capital assets were restated as of January 1, 2012. Management did not restate the 2012 amortization for the additional tangible capital assets added as a result of the restatement. Accordingly, amortization would have been increased by \$3,687,800 annual surplus, tangible capital assets and accumulated surplus would have been also been reduced by \$3,687,800.

We were unable to obtain sufficient appropriate evidence about the completeness of tangible capital assets because City management is unable to determine if all tangible capital assets have been recorded. Accordingly, our verification of these assets was limited to the amounts recorded in the records of the City. We were unable to determine whether adjustments were necessary to the tangible capital assets, amortization, annual surplus and accumulated surplus.

Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Owen Sound as at December 31, 2013 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
May 27, 2014

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

December 31	2013	2012
	ACTUAL	ACTUAL (RESTATED) (NOTE 21)
<i>FINANCIAL ASSETS</i>		
CASH (NOTE 1)	\$ 6,872,283	\$ 4,592,245
TEMPORARY INVESTMENTS (NOTE 2)	4,138,915	3,773,777
TAXES RECEIVABLE	1,895,900	1,934,301
TRADE AND OTHER RECEIVABLES	5,342,888	4,191,792
INVENTORY HELD FOR RESALE	50,474	65,987
OTHER RECEIVABLES (NOTE 3)	75,000	75,000
	18,375,460	14,633,102
<i>FINANCIAL LIABILITIES</i>		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	5,336,660	4,703,424
SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES (NOTE 5)	2,843,024	3,583,657
POST-EMPLOYMENT BENEFITS (NOTE 16)	3,322,334	3,576,687
DEFERRED REVENUE (PAGE 42)	3,274,977	3,074,953
NET LONG TERM LIABILITIES (NOTE 6)	20,797,638	23,041,717
	35,574,633	37,980,438
<i>NET DEBT</i>	<i>(17,199,173)</i>	<i>(23,347,336)</i>
<i>NON-FINANCIAL ASSETS</i>		
INVENTORY OF SUPPLIES	408,071	380,862
PREPAID EXPENSES	123,580	92,288
TANGIBLE CAPITAL ASSETS (NOTE 7)	181,132,661	183,555,699
<i>ACCUMULATED SURPLUS (NOTE 8)</i>	<i>\$ 164,465,139</i>	<i>\$ 160,681,513</i>

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

For the year ended December 31	2013	2013	2012
	BUDGET (NOTE 10)	ACTUAL	ACTUAL (RESTATED) (NOTE 21)
<i>REVENUE</i>			
TAXATION	\$ 24,225,005	\$ 24,263,073	\$ 23,005,231
FEES AND USER CHARGES	12,474,956	12,420,459	11,708,642
OTHER INCOME (NOTE 11)	2,686,292	4,505,023	4,022,191
CANADA TRANSFERS (NOTE 14)	1,187,532	808,153	314,799
ONTARIO TRANSFERS (NOTE 14)	3,556,734	3,726,152	3,478,887
MUNICIPAL TRANSFERS (NOTE 14)	1,380,657	1,446,159	1,279,686
OBLIGATORY RESERVE FUND REVENUE	1,814,200	871,712	814,124
	<u>47,325,376</u>	<u>48,040,731</u>	<u>44,623,560</u>
<i>EXPENSES</i>			
GENERAL GOVERNMENT	4,865,618	4,434,345	4,142,302
PROTECTION SERVICES	12,618,926	13,028,628	13,877,106
TRANSPORTATION SERVICES	6,602,417	6,999,103	4,789,804
ENVIRONMENTAL SERVICES	9,475,168	9,364,097	10,823,939
HEALTH SERVICES	446,642	311,818	394,653
RECREATION AND CULTURAL SERVICES	6,343,605	8,865,531	8,353,857
PLANNING AND DEVELOPMENT	1,258,172	1,253,583	1,180,856
TRANSFER TO OBLIGATORY RESERVE FUND	-	-	53,352
	<u>41,610,548</u>	<u>44,257,105</u>	<u>43,615,869</u>
ANNUAL SURPLUS (NOTE 10)	5,714,828	3,783,626	1,007,691
ACCUMULATED SURPLUS, Beginning of the year	160,681,513	160,681,513	159,673,822
ACCUMULATED SURPLUS, End of the year	<u>\$ 166,396,341</u>	<u>\$ 164,465,139</u>	<u>\$ 160,681,513</u>

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

For the year ended December 31	2013	2013	2012
	BUDGET	ACTUAL	ACTUAL
	(NOTE 10)		(RESTATED)
			(NOTE 21)
ANNUAL SURPLUS (Page 6)	\$ 5,714,828	\$ 3,783,626	\$ 1,007,691
Acquisition of tangible capital assets	(8,267,100)	(4,403,647)	(8,959,417)
Amortization of tangible capital assets	-	5,880,638	5,029,093
Proceeds on disposal of assets	-	365,623	212,113
Loss on disposal of assets	-	580,424	506,957
	(8,267,100)	2,423,038	(3,211,254)
Use of prepaid expenses	-	(31,292)	(30,309)
Change in inventory of supplies	-	(27,209)	(5,180)
	-	(58,501)	(35,489)
Decrease (increase) in net debt	(2,552,272)	6,148,164	(2,239,052)
Net debt, beginning of the year	(23,347,336)	(23,347,336)	(21,108,284)
Net debt, end of the year	(\$25,899,608)	(\$17,199,173)	(\$23,347,336)

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

For the year ended December 31	2013	2012
		(RESTATED) (NOTE 21)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
ANNUAL SURPLUS	\$ 3,783,626	\$ 1,007,691
ITEMS NOT INVOLVING CASH		
AMORTIZATION	5,880,638	5,029,093
POST-EMPLOYMENT BENEFITS	(254,353)	213,497
SOLID WASTE LANDFILL LIABILITY	(740,633)	(153,822)
DEFERRED REVENUE RECOGNIZED	(1,700,242)	(1,741,139)
INVENTORY OF SUPPLIES	(27,209)	(5,180)
GAIN ON DISPOSAL OF ASSETS	580,424	506,957
	7,522,251	4,857,097
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
TAXES RECEIVABLE	38,401	(582,065)
TRADE AND OTHER RECEIVABLES	(1,151,096)	8,105,075
INVENTORY HELD FOR RESALE	15,513	(30,545)
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	633,236	(4,047,724)
DEFERRED REVENUE RECEIVED	1,900,266	2,250,353
PREPAID EXPENSES	(31,292)	(30,309)
	8,927,279	10,521,882
CAPITAL TRANSACTIONS		
CASH USED TO ACQUIRE CAPITAL ASSETS	(4,403,647)	(8,959,417)
PROCEEDS ON SALE OF CAPITAL ASSETS	365,623	212,113
	(4,038,024)	(8,747,304)
FINANCING ACTIVITIES		
ADDITIONS TO LONG-TERM LIABILITIES	-	4,851,929
REPAYMENT OF LONG-TERM LIABILITIES	(2,244,079)	(1,750,497)
DECREASE IN TEMPORARY BORROWINGS	-	(1,740,000)
	(2,244,079)	1,361,432
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,645,176	3,136,010
CASH AND EQUIVALENTS, BEGINNING OF THE YEAR	8,366,022	5,230,012
CASH AND EQUIVALENTS, END OF THE YEAR	\$ 11,011,198	\$ 8,366,022
CASH AND EQUIVALENTS ARE COMPRISED OF:		
CASH (BANK INDEBTEDNESS)	\$ 6,872,283	\$ 4,592,245
TEMPORARY INVESTMENTS	4,138,915	3,773,777
	\$ 11,011,198	\$ 8,366,022

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

December 31, 2013

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, solid waste landfill post-closure liabilities and taxation revenue.

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

December 31, 2013

Revenue Recognition

Revenues are recognized as follows:

- a) Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.
- b) Fines and donations are recognized when collected.
- c) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- 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.
- e) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.
- 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 operations in the year in which it is used for the specified purpose

Cash and Cash Equivalents

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

Temporary Investments

Temporary investments are recorded at cost or amortized 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.

The Corporation of the City of Owen Sound

Summary of Significant Accounting Policies

December 31, 2013

County and School Board	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.												
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.												

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

December 31, 2013

Post-Employment Benefits

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.

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit plan, are expensed when contributions are due.

**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.

NOTE 1. CASH AND BANK INDEBTEDNESS

	2013	2012
Unrestricted	\$ 6,872,283	\$ 4,592,245

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.

NOTE 2. TEMPORARY INVESTMENTS

	2013	2012
		(RESTATED) (NOTE 21)
Unrestricted	\$ 4,138,915	\$ 3,773,777

Investments are comprised of government bonds, municipal debentures and commercial paper from chartered banks with effective interest rates ranging from 2.85% to 4.875%. Interest is receivable on a semi-annual basis. Investments have a market value of \$4,283,682 (2012 - \$4,011,376) at the end of the year.

NOTE 3. OTHER RECEIVABLES

	<u>2013</u>	<u>2012</u>
Loan, non-interest bearing, due on demand	\$ 75,000	\$ 75,000

NOTE 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, 2013, the City had a \$15,000,000 unused credit facility.

NOTE 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 \$2,843,024 (2012 - \$3,583,657) and represents the present value of post-closure costs for the closed site, using the City's most recently obtained long-term borrowing rate of 3.7%. The total estimated future expenditures for post closure care are \$4,291,349 leaving an amount to be recognized of \$1,448,325. Post-closure care is estimated to continue for a period of 25 years.

NOTE 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>2013</u>	<u>2012</u>
Debentures Payable, 2.27% to 5.48% principal and interest payable semi-annually, various maturities.	\$ 23,331,683	\$ 24,658,977
Less: Debentures issued to reserve funds	<u>(2,534,045)</u>	<u>(1,617,260)</u>
	<u>\$ 20,797,638</u>	<u>\$ 23,041,717</u>

Principal Payments over the next five years and thereafter are as follows:

2014	\$ 2,322,358
2015	\$ 2,289,855
2016	\$ 2,255,518
2017	\$ 2,339,082
2018	\$ 1,925,624
Thereafter	<u>\$ 9,665,201</u>
	<u>\$ 20,797,638</u>

Interest paid during the year on long-term debt was \$847,570 (2012 - \$1,006,757).

NOTE 7. TANGIBLE CAPITAL ASSETS

2013

	LAND	LAND IMPROVEMENTS	BUILDINGS AND STRUCTURES	VEHICLES, MACHINERY AND EQUIPMENT	ROADS AND SIDEWALKS	BRIDGES, CULVERTS AND RETAINING WALLS	WATER AND SEWER INFRASTRUCTURE	
Cost, beginning of the year	\$ 6,199,263	\$ 12,352,919	\$ 81,504,990	\$ 24,632,987	\$ 69,350,054	\$ 9,386,849	\$ 84,713,541	\$ 288,140,603
Additions	-	105,256	2,630,858	759,907	59,922	-	847,704	4,403,647
Disposals	(50,001)	-	(981,280)	(1,097,887)	-	(14,908)	-	(2,144,076)
Cost, end of the year	6,149,262	12,458,175	83,154,568	24,295,007	69,409,976	9,371,941	85,561,245	290,400,174
Accumulated amortization, beginning of the year	-	4,419,937	19,808,032	11,202,187	27,056,191	1,503,809	40,594,748	104,584,904
Amortization Adjustments	-	274,654	1,759,821	1,575,913	1,313,552	124,485	832,213	5,880,638
	-	-	(575,139)	(622,147)	-	(743)	-	(1,198,029)
Accumulated amortization, end of the year	-	4,694,591	20,992,714	12,155,953	28,369,743	1,627,551	41,426,961	109,267,513
Net Carrying Amount, end of the year	\$ 6,149,262	\$ 7,763,584	\$ 62,161,854	\$ 12,139,054	\$ 41,040,233	\$ 7,744,390	\$ 44,134,284	\$ 181,132,661

NOTE 7. TANGIBLE CAPITAL ASSETS (CONTINUED)

	2012							
	LAND	LAND IMPROVEMENTS	BUILDINGS AND STRUCTURES	VEHICLES, MACHINERY AND EQUIPMENT	ROADS AND SIDEWALKS	BRIDGES, CULVERTS AND RETAINING WALLS	WATER AND SEWER INFRASTRUCTURE	(RESTATED) (NOTE 21)
Cost, beginning of the year	\$ 5,987,352	\$ 12,027,510	\$ 76,724,519	\$ 25,325,747	\$ 68,950,054	\$ 9,386,849	\$ 83,642,192	\$ 282,044,223
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	6,199,263	12,352,919	81,504,990	24,632,987	69,350,054	9,386,849	84,713,541	288,140,603
Accumulated amortization, beginning of the year	-	4,273,627	18,293,655	11,704,862	26,273,079	1,361,933	39,792,622	101,699,778
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	-	4,419,937	19,808,032	11,202,187	27,056,191	1,503,809	40,594,748	104,584,904
Net Carrying Amount, end of the year	\$ 6,199,263	\$ 7,932,982	\$ 61,696,958	\$ 13,430,800	\$ 42,293,863	\$ 7,883,040	\$ 44,118,793	\$ 183,555,699

NOTE 7. TANGIBLE CAPITAL ASSETS (CONTINUED)

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$2,639,502 (2012 - \$414,790).

Interest of \$NIL (2012 - \$238,726) 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.

NOTE 8. ACCUMULATED SURPLUS

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

	2013	2012 (RESTATED) (NOTE 21)
INVESTED IN TANGIBLE CAPITAL ASSETS		
TANGIBLE CAPITAL ASSETS AT COST LESS AMORTIZATION	\$ 181,132,661	\$ 183,555,699
UNFINANCED CAPITAL ASSETS	(14,823,510)	(17,548,729)
CAPITAL ASSETS FINANCED BY LONG-TERM LIABILITIES AND TO BE FUNDED IN FUTURE YEARS (NOTE 6)	<u>(23,331,683)</u>	<u>(24,658,977)</u>
TOTAL INVESTED IN CAPITAL ASSETS	142,977,468	141,347,993
UNFUNDED POST-EMPLOYMENT BENEFITS	(3,322,334)	(3,576,687)
UNFUNDED SOLID WASTE CLOSURE AND POST-CLOSURE COSTS	(2,843,024)	(3,583,657)
GENERAL SURPLUS (NOTE 10)	330,995	911,887
LIBRARY ADULT LEARNING CENTRE SURPLUS	<u>58,544</u>	<u>59,007</u>
	137,201,649	135,158,543
RESERVES AND RESERVE FUNDS (NOTE 9)	<u>27,263,490</u>	<u>25,522,970</u>
ACCUMULATED SURPLUS	<u>\$ 164,465,139</u>	<u>\$ 160,681,513</u>

NOTE 9. RESERVES AND RESERVE FUNDS SET ASIDE FOR SPECIFIC PURPOSE BY COUNCIL

	2013	2012
		(RESTATED) (NOTE 21)
RESERVES		
Working Funds	\$ 992,054	\$ 640,188
Capital Purposes	2,127,500	2,374,263
	<u>3,119,554</u>	<u>3,014,451</u>
RESERVE FUNDS		
Insurance, sick leave, WSIB	88,700	119,289
Capital Purposes	24,055,236	22,389,230
	<u>24,143,936</u>	<u>22,508,519</u>
Total Reserves and Reserve Funds	<u>\$ 27,263,490</u>	<u>\$ 25,522,970</u>

NOTE 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 2013 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.

	2013 BUDGET	2013 ACTUAL	2012 ACTUAL (RESTATED) (NOTE 21)
ANNUAL SURPLUS (Page 6)	\$ 5,714,828	\$ 3,783,626	\$ 1,007,691
Prior year general surplus	892,450	911,887	561,953
Transfers to reserves	(3,665,212)	(4,435,070)	(4,348,684)
Transfers from reserves	4,475,521	2,694,550	4,123,608
Capital acquisitions, disposals and write-downs	(8,267,100)	(3,457,600)	(8,240,347)
Amortization	-	5,880,638	5,029,093
Proceeds from long-term debt	3,692,667	1,441,490	4,851,929
Debt principal repayments	(2,843,154)	(2,768,784)	(2,421,231)
Change in unfunded liabilities	-	(994,986)	59,675
Change in other surpluses	-	463	(5,022)
	-	3,056,214	618,665
Capital Projects not funded	-	(2,725,219)	293,222
Operating Surplus	\$ -	\$ 330,995	\$ 911,887

NOTE 11. OTHER INCOME

	2013	2013	2012
	BUDGET	ACTUAL	ACTUAL
PENALTIES AND INTEREST ON TAXATION	\$ 235,000	\$ 262,208	\$ 239,718
OTHER FINES AND PENALTIES	204,000	247,179	193,495
INVESTMENT INCOME	241,500	403,596	687,673
LICENCES, PERMITS AND RENT	1,498,292	1,416,913	1,452,313
DONATIONS	404,300	2,707,494	1,502,049
GAIN (LOSS) ON DISPOSAL OF ASSETS	34,000	(580,424)	(506,957)
CONTRIBUTIONS FROM DEVELOPERS	-	-	404,284
CONTRIBUTIONS FROM NON-CONSOLIDATED ENTITIES	28,000	30,382	31,604
OTHER	41,200	17,675	18,012
	<u>\$ 2,686,292</u>	<u>\$ 4,505,023</u>	<u>\$ 4,022,191</u>

NOTE 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.

	<u>2013</u>	<u>2012</u>
FINANCIAL ASSETS	\$ 128,270	\$ 146,776
LIABILITIES	<u>18,121</u>	<u>16,164</u>
NET FINANCIAL ASSETS	110,149	130,612
NON-FINANCIAL ASSETS	<u>37,136</u>	<u>43,615</u>
ACCUMULATED SURPLUS	<u>\$ 147,285</u>	<u>\$ 174,227</u>
REVENUES	\$ 250,696	\$ 284,685
EXPENSES	<u>277,638</u>	<u>234,961</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ (26,942)</u>	<u>\$ 49,724</u>

NOTE 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.

	2013	2012
FINANCIAL ASSETS	\$ 990,879	\$ 1,020,667
LIABILITIES	586,126	641,956
NET FINANCIAL ASSETS	404,753	378,711
NON-FINANCIAL ASSETS	918,083	966,855
ACCUMULATED SURPLUS	\$ 1,322,836	\$ 1,345,566
REVENUES	\$ 2,239,730	\$ 2,120,381
EXPENSES	2,262,460	2,138,032
ANNUAL DEFICIT	\$ (22,730)	\$ (17,651)

NOTE 14. GOVERNMENT TRANSFERS

	2012 BUDGET	2012 ACTUAL	2012 ACTUAL
<i>OPERATING</i>			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,131,200	\$ 1,131,200	\$ 1,256,800
Other	1,317,917	1,836,370	1,900,426
	<u>2,449,117</u>	<u>2,967,570</u>	<u>3,157,226</u>
Government of Canada			
Other	120,865	135,871	122,507
Other Municipalities			
Roads	107,000	112,499	122,727
Other	1,273,657	1,330,660	1,156,959
	<u>1,380,657</u>	<u>1,443,159</u>	<u>1,279,686</u>
Total Operating Transfers	<u>3,950,639</u>	<u>4,546,600</u>	<u>4,559,419</u>
<i>TANGIBLE CAPITAL ASSETS</i>			
Province of Ontario			
Sewer and water	1,066,667	678,864	-
Other	40,950	79,718	321,661
	<u>1,107,617</u>	<u>758,582</u>	<u>321,661</u>
Government of Canada			
Sewer and water	1,066,667	672,282	192,292
Other Municipalities			
Library	-	3,000	-
Total Tangible Capital Asset Transfers	<u>2,174,284</u>	<u>1,433,864</u>	<u>513,953</u>
Total Transfers	<u>\$ 6,124,923</u>	<u>\$ 5,980,464</u>	<u>\$ 5,073,372</u>

NOTE 15. PENSION AGREEMENTS

The municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of 258 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. The amount contributed to OMERS for 2013 was \$1,762,229 (2012 - \$1,584,870). The contribution rate for 2013 was 9% to 15.9% depending on age at retirement and income level (2012 - 8.3% to 13.9%).

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. The municipality does not recognize any share of the OMERS pension surplus or deficit. The last available actuarial report for the OMERS plan was as of December 31, 2013. At that time the plan reported an \$8.6 billion actuarial deficit (2012 - \$9.9 billion actuarial deficit), based on actuarial liabilities of \$73.0 billion (2012 - \$69.1 billion) and actuarial assets of \$64.4 billion (2012 - \$59.2 billion). Ongoing adequacy of the current contribution rates will need to be monitored as fluctuations in the financial markets may lead to increased future funding requirements.

NOTE 16. POST EMPLOYMENT BENEFITS

	2013		2012
Sick Leave Liability	\$ 80,679	\$	87,589
Vacation Pay Liability	926,501		832,391
Post-employment Benefits	2,315,154		2,656,707
	<u>\$ 3,322,334</u>	<u>\$</u>	<u>3,576,687</u>

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, 2013 less vacations used. 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 using the assumption of a 4.25% per year borrowing rate and a 2% per year inflation rate. This amount has not been funded.

	2013	2012
Current period benefit cost	\$ 81,135	\$ 111,060
Interest costs	99,584	130,323
Total expense for the year	<u>\$ 180,719</u>	<u>\$ 241,383</u>

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 liability for any award made under the Act that relates to an injury sustained prior to January 1, 2010.

Correspondence from the Workplace Safety and Insurance Board advised that a valuation has not been provided because the City has had zero estimate of future costs for the last two years relating to Schedule II claims.

NOTE 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:

	2013	2012
School Boards	\$ 7,916,936	\$ 7,906,925
County of Grey	7,951,812	7,887,628
	<u>\$ 15,868,748</u>	<u>\$ 15,794,553</u>

NOTE 18. TRUST FUNDS

The trust funds administered by the City have not been included in the consolidated statement of financial position nor have operations been included in the consolidated statement of financial activities. At December 31, 2013, the trust fund balances are as follows:

	2013	2012
Cemetery Care and Maintenance Funds	\$ 1,179,028	\$ 1,159,282
Art Collection and Gallery Building Trust	110,732	109,705
Ontario Home Renewal Program	-	15,949
	<u>\$ 1,289,760</u>	<u>\$ 1,284,936</u>

NOTE 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 dependant on 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.

NOTE 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 September 20, 2021 for the operation of the City's transit system including regular and specialized transit services.

The Corporation of the City of Owen Sound has entered into an agreement, expiring March 31, 2015 for recycling and the operation of a solid waste landfill facility.

The Corporation of the City of Owen Sound has entered into an agreement, expiring May 31, 2015 for the collection of Municipal solid waste.

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 entered into construction contracts for the purposes of road works and the construction of the waste water treatment plant as well as some other smaller capital projects. At December 31, 2013, \$13,451,476 remains on these contracts.

NOTE 21. PRIOR PERIOD RESTATEMENT

In order to meet the Provincial Guidelines as set out in the Building Together Guide for Municipal Asset Management Plans, the City of Owen Sound undertook a project to inventory and obtain condition assessments for Roads, Sidewalk, Stormwater, Water and Wastewater infrastructure. The data collected was more comprehensive and detailed than the data that was used to estimate the historical costs and accumulated depreciation of those assets in 2009 when PSAB 3150 balances were first reported. As a result there has been an adjustment to the cost base and accumulated depreciation amounts as more accurate information was obtained. The impact of these adjustments are summarized as follows:

Consolidated Balance Sheet	<u>2012</u>
Increase in non-financial assets - tangible capital assets	<u>\$45,982,008</u>
Increase in accumulated surplus	<u>\$45,982,008</u>

An investment held by the Tom Thomson Art Gallery was transferred to the Tom Thomson Art Gallery Foundation in 2012. This transfer was not recorded. The impact of this adjustment is as follows:

Consolidated Balance Sheet	<u>2012</u>
Decrease in temporary investments	<u>(\$405,944)</u>
Decrease in accumulated surplus	<u>(\$405,944)</u>

Statement of Operations	<u>2012</u>
Increase in operating expenses	
Recreation and Cultural Services	<u>\$405,944</u>
Decrease in annual surplus	<u>(\$405,944)</u>

NOTE 22. COMPARATIVE AMOUNTS

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

NOTE 23. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2013, the municipality adopted on a prospective basis, the new accounting standards PS3410 Government Transfers and PS3510 Tax Revenue from the Chartered Professional Accountants of Canada Handbook.

Government transfers are recognized when authorized and eligibility criteria have been met unless the transfer contains stipulations that create a liability. If the transfer contains stipulations that create a liability, the related revenue is recognized over the period that the liability is extinguished.

The prospective application of this change in accounting policy did not have an impact on the financial statements of the municipality.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. The prospective application of this change in accounting policy resulted in a decrease of \$248,448 in taxes receivable, \$159,042 in accounts payable and \$89,406 in taxation revenue.

NOTE 24. 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 and environmental services. Included in this item are Transportation Infrastructure, Water and Waste Water Services, Engineering, Transit, Air Transportation, Street Lighting 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.

Economic Development

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

NOTE 24. SEGMENTED INFORMATION (CONTINUED)

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.

NOTE 24. SEGMENTED INFORMATION (CONTINUED)

	ADMISTRATION SERVICES	OPERATION SERVICES	COMMUNITY SERVICES	PARKS AND CEMETERIES	ECONOMIC DEVELOPMENT	PROTECTION SERVICES	CULTURAL SERVICES	2013 TOTAL
REVENUE								
TAXATION	\$ 4,244,681	\$ 1,835,160	\$ -	\$ 1,215,960	\$ 1,251,185	\$ 12,917,634	\$ 2,798,453	\$ 24,263,073
FEES AND USER CHARGES	150,386	10,688,263	248,583	399,647	237,986	478,675	216,919	12,420,459
SPECIFIC GRANTS	31,133	1,673,826	3,100	-	405,054	1,120,657	1,615,429	4,849,199
OMPF GRANT	197,962	85,559	-	56,691	58,333	602,250	130,470	1,131,265
OTHER INCOME	256,858	128,139	3,345,828	171,200	60,855	274,293	267,850	4,505,023
TRANSFERS FROM OBLIGATORY RESERVES	50,000	587,587	1,013	6,936	-	226,176	-	871,712
	4,931,020	14,998,534	3,598,524	1,850,434	2,013,413	15,619,685	5,029,121	48,040,731
EXPENSES								
SALARIES & BENEFITS	2,144,118	4,845,534	1,322,185	1,130,366	611,740	10,929,723	2,151,605	23,135,271
MATERIALS AND SUPPLIES	851,226	4,104,243	1,020,800	353,673	414,190	1,065,396	741,323	8,550,851
CONTRACTED SERVICES	642,444	3,682,049	351,212	142,917	324,313	367,310	45,793	5,556,038
INTEREST ON DEBT	546,513	352,046	12,868	10,024	214	15,034	-	936,699
RENTS AND FINANCIAL EXPENSES	24,926	42,836	15,020	16,002	54,729	23,945	20,548	198,006
AMORTIZATION	129,536	3,338,007	1,140,084	386,081	3,289	559,605	323,638	5,880,240
	4,338,763	16,364,715	3,862,169	2,039,063	1,408,475	12,961,013	3,282,907	44,257,105
ANNUAL SURPLUS (DEFICIT)	\$ 592,257	\$ (1,366,181)	\$ (263,645)	\$ (188,629)	\$ 604,938	\$ 2,658,672	\$ 1,746,214	\$ 3,783,626

NOTE 24. SEGMENTED INFORMATION (CONTINUED)

	ADMISTRATION SERVICES	OPERATION SERVICES	COMMUNITY SERVICES	PARKS AND CEMETERIES	ECONOMIC DEVELOPMENT	PROTECTION SERVICES	CULTURAL SERVICES	2012 TOTAL
								(RESTATED) (NOTE 21)
REVENUE								
TAXATION	\$ 4,416,738	\$ 4,835,646	\$ 887,901	\$ 1,156,548	\$ 586,868	\$ 10,197,202	\$ 924,328	\$ 23,005,231
FEES AND USER CHARGES	149,231	9,992,641	215,131	390,187	158,384	555,414	247,654	11,708,642
SPECIFIC GRANTS	-	738,087	72,843		357,118	1,059,468	1,538,732	3,766,248
OMPF GRANT	253,582	277,633	50,978	66,402	19,999	585,461	53,069	1,307,124
OTHER INCOME	994,571	424,854	2,344,565	173,065	40,283	(125,607)	170,460	4,022,191
TRANSFERS FROM OBLIGATORY RESERVES	-	774,972	34,473	4,679	-	-	-	814,124
	5,814,122	17,043,833	3,605,891	1,790,881	1,162,652	12,271,938	2,934,243	44,623,560
EXPENSES								
SALARIES & BENEFITS	1,697,379	4,743,349	1,287,502	1,202,369	579,103	11,284,189	1,916,847	22,710,738
MATERIALS AND SUPPIES	1,223,089	3,007,427	969,375	381,442	333,188	926,692	679,994	7,521,207
CONTRACTED SERVICES	379,790	5,312,866	46,798	151,899	257,756	430,600	119,874	6,699,583
INTEREST ON DEBT	494,149	468,711	6,079	26,213	-	11,605	-	1,006,757
RENTS AND FINANCIAL EXPENSES	51,143	27,268	1,600	13,214	55,911	22,596	423,406	595,138
AMORTIZATION	265,296	2,688,774	906,269	342,835	3,427	473,140	349,353	5,029,094
TRANSFERS TO OBLIGATORY RESERVES	-	-	-	-	-	53,352	-	53,352
	4,110,846	16,248,395	3,217,623	2,117,972	1,229,385	13,202,175	3,489,474	43,615,869
ANNUAL SURPLUS (DEFICIT)	\$ 1,703,276	\$ 795,438	\$ 388,268	\$ (327,091)	\$ (66,733)	\$ (930,237)	\$ (555,231)	\$ 1,007,691

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

For the year ended December 31, 2013

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending Balance
<i>Obligatory Reserve Funds</i>					
Federal Gas Tax	\$ 403,714	\$ 667,273	\$ 4,657	\$ 299,443	\$ 776,201
Provincial Transit Gas Tax	888,738	271,503	10,809	335,808	835,242
Development Charges	1,165,778	158,857	13,837	14,846	1,323,626
Recreational lands	137,901	11,770	1,465	-	151,136
Parking Revenues	219,277	-	2,498	221,775	-
	2,815,408	1,109,403	33,266	871,872	3,086,205
<i>Other</i>					
Other Deferred Revenues	259,545	757,597	-	828,370	188,772
	\$ 3,074,953	\$ 1,867,000	\$ 33,266	\$ 1,700,242	\$ 3,274,977

**The Corporation of the City of Owen Sound
Trust Funds
Financial Information
For the year ended December 31, 2013**

The Corporation of the City of Owen Sound
Trust Funds Financial Information
For the year ended December 31, 2013

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The Corporation of the City of Owen Sound

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Independent Auditor's Report

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, 2013, 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, 2013 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
May 27, 2014

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

December 31, 2013

	Cemetery Care and Maintenance	Art Collection and Gallery Building Trust	Ontario Home Renewal Plan	Total 2013	Total 2012
Assets					
Cash	\$ 212,591	\$ 110,732	\$ 120	\$ 323,443	\$ 106,110
Investments (Note 2)	855,819	-	-	855,819	948,969
O.H.R.P. loans	-	-	-	-	20,444
	1,068,410	110,732	120	1,179,262	1,075,523
Other					
Due from City of Owen Sound	110,618	-	-	110,618	214,377
	\$ 1,179,028	\$ 110,732	\$ 120	\$ 1,289,880	\$ 1,289,900
Liabilities					
Due to City of Owen Sound	\$ -	\$ -	\$ 120	\$ 120	\$ 4,964
Capital					
General capital	1,179,028	110,732	-	1,289,760	1,284,936
	\$ 1,179,028	\$ 110,732	\$ 120	\$ 1,289,880	\$ 1,289,900

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

For the year ended December 31, 2013

	Cemetery Care and Maintenance	Art Collection and Gallery Building Trust	Ontario Home Renewal Plan	Total 2013	Total 2012
Balance, beginning of the year	\$ 1,159,282	\$ 109,705	\$ 15,949	\$1,284,936	\$ 1,256,844
Receipts					
Share of plot sales	19,746	-	-	19,746	26,978
Interest earned	30,382	1,027	2	31,411	32,718
Loan repayment	-	-	7,386	7,386	-
	50,128	1,027	7,388	58,543	59,696
Expenditures					
Transfer to City of Owen Sound	30,382	-	314	30,696	31,604
Bad debts	-	-	15,951	15,951	-
Transfer to Province	-	-	7,072	7,072	-
	30,382	-	23,337	53,719	31,604
Balance, end of the year	\$ 1,179,028	\$ 110,732	\$ -	\$1,289,760	\$ 1,284,936

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

December 31, 2013

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.

Basis of Accounting 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 Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

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.

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.

2. Investments

The total investments of \$855,819 (2012 - \$948,969) reported on the Balance Sheet at cost have a market value of approximately \$855,819 (2012 - \$948,969) at the end of the year.

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

December 31, 2013

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.

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.

Ontario Home Renewal Program loans receivable at December 31, 2013 comprise repayable loans of \$NIL (2012 - \$20,444) and forgivable loans of \$NIL (2012 - \$NIL). During the year the City remitted \$7,072 to the Province of Ontario and recognized bad debts of \$15,951 to close their OHRP accounts.
