

**The Corporation of the
Town of Shelburne
Financial Statements
For the year ended December 31, 2011**

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Financial Statements
For the year ended December 31, 2011

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Shelburne

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Shelburne, which comprise the consolidated statement of financial position as at December 31, 2011 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 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 Town of Shelburne as at December 31, 2011 and the results of its operations and accumulated surplus, change in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Orangeville, Ontario
May 4, 2012

The Corporation of the Town of Shelburne Consolidated Statement of Financial Position

December 31	2011	2010
Assets and Liabilities		
Financial Assets		
Cash (Note 1)	\$ 2,618,534	\$ 1,405,876
Temporary investments (Note 2)	147,945	107,324
Taxes receivable	809,900	799,405
Trade and other receivable	1,062,046	1,272,029
Long-term receivables	9,780	7,500
	4,648,205	3,592,134
Liabilities		
Temporary borrowings (Note 3)	1,071,948	600,000
Accounts payable and accrued liabilities	2,028,048	1,536,636
Deferred revenue (Note 4)	1,187,749	639,945
Long-term liabilities (Note 5)	2,897,691	3,141,237
Landfill site closure and post-closure liability (Note 6)	297,560	377,987
	7,482,996	6,295,805
Net financial assets (liabilities)	(2,834,791)	(2,703,671)
Non-Financial Assets		
Inventory of supplies	37,051	40,864
Prepays	92,117	23,230
Tangible capital assets (Note 7)	46,764,788	46,179,551
	47,193,956	46,343,645
Accumulated surplus (Note 8)	\$ 44,059,165	\$ 43,539,974
Contingent Liabilities (Note 17)		

The Corporation of the Town of Shelburne Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	2011 Budget (Unaudited)	2011 Actual	2010 Actual
Revenue			
Taxation	\$ 4,208,575	\$ 4,259,119	\$ 4,220,902
Fees and user charges	2,357,892	2,412,383	2,051,204
Grants (Note 12)	3,636,529	1,785,616	4,001,138
Other income (Note 11)	278,736	239,105	315,851
Development charges and gas tax revenue recognized	528,989	532,011	-
	<u>11,010,721</u>	<u>9,228,234</u>	<u>10,589,095</u>
Expenses			
General government	1,346,392	1,289,672	1,358,605
Protection services	2,181,375	1,926,082	1,913,716
Transportation services	1,529,288	1,481,482	1,413,365
Environmental services	2,178,847	2,081,142	2,064,950
Health services	83,758	78,428	85,559
Recreation and cultural services	1,497,359	1,612,023	1,188,798
Planning and development	216,664	238,082	207,845
	<u>9,033,683</u>	<u>8,706,911</u>	<u>8,232,838</u>
	1,977,038	521,323	2,356,257
Restatement of opening surplus (Note 19)	-	(2,132)	6,951
Annual surplus	1,977,038	519,191	2,363,208
Accumulated surplus, beginning of year	43,539,974	43,539,974	41,176,766
Accumulated surplus, end of year	<u>\$ 45,517,012</u>	<u>\$ 44,059,165</u>	<u>\$ 43,539,974</u>

**The Corporation of the Town of Shelburne
Consolidated Statement of Changes in Net Debt**

For the year ended December 31	2011 Budget	2011 Actual	2010 Actual
Annual surplus	\$ 1,977,038	\$ 519,191	\$ 2,363,208
Acquisition of tangible capital assets	(6,925,749)	(2,144,087)	(4,573,966)
Amortization of tangible capital assets	1,499,972	1,499,972	1,374,484
Loss on sale of tangible capital assets	-	45,336	18,866
Proceeds on disposal of capital assets	-	13,542	8,600
	<u>(5,425,777)</u>	<u>(585,237)</u>	<u>(3,172,016)</u>
Change in prepaid expenses	-	(68,887)	(22,800)
Change in inventory of supplies	-	3,813	(7,497)
	<u>-</u>	<u>(65,074)</u>	<u>(30,297)</u>
Increase (decrease) in net financial assets	(3,448,739)	(131,120)	(839,105)
Net financial assets (liabilities), beginning of the year	<u>(2,703,671)</u>	<u>(2,703,671)</u>	<u>(1,864,566)</u>
Net financial assets (liabilities), end of the year	<u>\$ (6,152,410)</u>	<u>\$ (2,834,791)</u>	<u>\$ (2,703,671)</u>

The Corporation of the Town of Shelburne Consolidated Statement of Cash Flows

For the year ended December 31

2011

2010

Cash provided by (used in)

Operating activities

Annual surplus	\$ 519,191	\$ 2,363,208
Items not involving cash		
Landfill site closure and post-closure liability	(80,427)	22,624
Amortization	1,499,972	1,374,484
Change in prepaid expenses	(68,887)	(22,800)
Loss on sale of capital assets	45,336	18,866
Change in inventory of supplies	3,813	(7,497)
	<u>1,918,998</u>	<u>3,748,885</u>
Change in non-cash working capital balances		
Decrease (increase) in taxes receivable	(10,495)	246,970
(Increase) decrease in trade and other receivable	209,983	(729,005)
Increase in accounts payable and accrued liabilities	491,412	348,074
Increase in deferred revenue	547,804	441,548
(Increase) in long-term receivables	(2,280)	(7,500)
	<u>3,155,422</u>	<u>4,048,972</u>

Capital transactions

Cash used to acquire capital assets	(2,144,087)	(4,573,966)
Proceeds on sale of capital assets	13,542	8,600
	<u>(2,130,545)</u>	<u>(4,565,366)</u>

Financing activities

Net repayments of long-term financing	(243,546)	(199,396)
Proceeds from debt issued	471,948	600,596
	<u>228,402</u>	<u>401,200</u>

Net change in cash and cash equivalents	1,253,279	(115,194)
Cash and cash equivalents, beginning of year	1,513,200	1,628,394
Cash and cash equivalents, end of year	\$ 2,766,479	\$ 1,513,200

Cash and cash equivalents comprised of:

Cash	\$ 2,618,534	\$ 1,405,876
Temporary investments	147,945	107,324
	<u>\$ 2,766,479</u>	<u>\$ 1,513,200</u>

The Corporation of the Town of Shelburne

Summary of Significant Accounting Policies

December 31, 2011

Management Responsibility

The consolidated financial statements of The Corporation of the Town of Shelburne are the representations 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 statements in accordance with Canadian generally accepted accounting principles 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.

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 and municipal enterprises owned or controlled by Council have been consolidated:

Town of Shelburne Public Library Board
Town of Shelburne Business Improvement Area
Centre Dufferin Recreation Complex
Shelburne and District Fire Department (proportionate -
49.50%, 2010 - 49.70%)

Basis of Accounting

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

Financial Instruments

Financial instruments consist of cash, temporary investments, taxes receivable, trade and other receivables, long-term receivables, temporary borrowings, accounts payable and accrued liabilities, and long-term liabilities. Unless otherwise noted, it is management's opinion that the municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

The Corporation of the Town of Shelburne Summary of Significant Accounting Policies

December 31, 2011

Cash and Cash Equivalents The Town considers all short term, highly liquid investments with an original maturity of three months or less to be cash equivalents.

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

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

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

Roads and Bridges	10 - 50 years
Land Improvements	15 - 60 years
Water and Sewer Systems	10 - 100 years
Buildings	15 - 100 years
Vehicles	3 - 15 years
Equipment	5 - 50 years

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

Non-Financial Assets Non-financial assets have useful lives that extend beyond the current year and are not intended for sale in the ordinary course of business.

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

Revenue Recognition Fees and user charges are recognized when the related service is provided.

Contributions are recognized based on the terms of the grant or the year that the related expenses occur.

Other income is recognized when receivable.

The Corporation of the Town of Shelburne Summary of Significant Accounting Policies

December 31, 2011

Taxation and Related Revenues Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by Town Council, incorporating amounts to be raised for local services. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Town determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known.

The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

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

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

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2011

1. Cash

Cash consists of and savings accounts held at one financial institution. All accounts earn interest at the bank's prime rate less 1.85%.

2. Temporary Investments

	<u>2011</u>	<u>2010</u>
Cashable guaranteed investment certificates earning 0.75% - 1% (2010 - 0.9%), maturing July 5, 2012 - October 22, 2012 (2010 - October 22, 2011).	<u>\$ 147,945</u>	<u>\$ 107,324</u>

Investments have a market value of \$147,945 (2010 - \$107,324) at the end of the year.

3. Temporary Borrowings

	<u>2011</u>	<u>2010</u>
Interim construction financing, Ontario Infrastructure Projects Corporation (OIPC) for water meters and the new well water source. Interest is calculated at OIPC's cost of funds plus OIPC's prevailing spread with interest payable monthly, with no pre-determined date of repayment. The Town of Shelburne has been approved for financing up to \$5,079,345. Repayment terms of principal and interest will be determined upon completion of the water meters and new well water source projects.	<u>\$ 1,071,948</u>	<u>\$ 600,000</u>

At December 31, 2011, the municipality had undrawn credit capacity under an operating loan facility of approximately \$500,000 with interest at the bank's prime rate less 0.75%.

**The Corporation of the Town of Shelburne
Notes to Financial Statements**

December 31, 2011

4. Deferred Revenue

	<u>2011</u>	<u>2010</u>
Obligatory reserve funds		
Development charges	\$ 1,169,722	\$ 454,643
Recreational land	247	247
Federal gas tax	-	160,055
Other		
Deferred police revenue	17,500	17,500
Deferred recreation revenue	280	7,500
	<u>\$ 1,187,749</u>	<u>\$ 639,945</u>

The net change during the year in the obligatory reserve fund balances is made up as follows:

	<u>Development Charges</u>	<u>Recreational Land</u>	<u>Federal Gas Tax</u>
Obligatory reserve fund, beginning of year	\$ 454,643	\$ 247	\$ 160,055
Restricted funds received during the year	921,063	-	157,946
Interest earned	7,113	-	913
Expenses recognized during the year	(213,097)	-	(318,914)
Obligatory reserve fund, end of year	<u>\$ 1,169,722</u>	<u>\$ 247</u>	<u>\$ -</u>

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2011

5. Long-Term Liabilities

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

	2011	2010
Long-term capital financing, 2.48%, payable \$10,201 principal and interest monthly, due December 2011.	\$ -	\$ 115,683
Capital lease for various fire communication equipment, payable \$406 monthly, due June 2013.	3,417	5,853
Long-term capital financing, Ontario Strategic Infrastructure Financing Authority (OSIFA), 2.67%, payable \$56,751 principal and interest semi-annually, due July 2026.	1,395,330	1,470,076
Long-term capital financing, Ontario Infrastructure Projects Corporation (OIPC), 4.21%, payable \$57,696 principal and interest semi-annually, due December 2030.	1,498,944	1,549,625
	\$ 2,897,691	\$ 3,141,237

Principal payments for the next 5 fiscal years and thereafter are estimated as follows:

2012	\$ 132,003
2013	134,908
2014	138,364
2015	142,983
2016	147,744
Thereafter	2,201,689

Interest expense in the amount of \$104,921 (2010 - \$57,359) has been recognized on the consolidated statement of operations and accumulated surplus.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2011

6. Landfill Site Closure and Post-Closure Liability

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 Town of Shelburne has estimated the closure and post-closure liability to be \$297,560 at December 31, 2011. The liability was estimated based upon current monitoring costs of \$13,000 annually inflated at a rate of 1.5% per year and discounted at a rate of 4.5% for an indefinite period. The post closure care period has been assumed to be indefinite with the Town currently working with the Ministry of the Environment to reduce monitoring costs and monitoring period.

**The Corporation of the Town of Shelburne
Notes to Financial Statements**

December 31, 2011

7. Tangible Capital Assets

	2011							
	Land Improvements	Land	Buildings	Vehicles	Equipment	Roads and Bridge	Water and Sewer System	Total
Cost, beginning of year	\$ 3,518,487	\$ 1,675,134	\$ 20,730,254	\$ 1,967,208	\$ 2,687,494	\$ 10,817,312	\$ 21,037,788	\$ 62,433,677
Additions	32,406	30,725	27,591	344,161	216,995	392,330	1,099,879	2,144,087
Disposals	-	-	-	(294,275)	(9,439)	(95,748)	(90,164)	(489,626)
Cost, end of year	3,550,893	1,705,859	20,757,845	2,017,094	2,895,050	11,113,894	22,047,503	64,088,138
Accumulated amortization, beginning of year	-	492,329	4,878,667	1,075,319	1,537,211	3,719,441	4,551,159	16,254,126
Amortization	-	55,697	567,680	145,025	172,768	242,783	316,019	1,499,972
Disposals	-	-	-	(283,920)	(5,998)	(73,460)	(67,370)	(430,748)
Accumulated amortization, end of year	-	548,026	5,446,347	936,424	1,703,981	3,888,764	4,799,808	17,323,350
Net carrying amount, end of year	\$ 3,550,893	\$ 1,157,833	\$ 15,311,498	\$ 1,080,670	\$ 1,191,069	\$ 7,225,130	\$ 17,247,695	\$ 46,764,788

**The Corporation of the Town of Shelburne
Notes to Financial Statements**

December 31, 2011

7. Tangible Capital Assets (continued)

	2010							
	Land	Land	Buildings	Vehicles	Equipment	Roads and	Water and	Total
	Improvements	Improvements				Bridge	Sewer System	
Cost, beginning of year	\$ 3,518,487	\$ 1,549,803	\$ 17,824,112	\$ 1,891,306	\$ 2,622,213	\$ 10,756,207	\$ 19,864,783	\$ 58,026,911
Additions	-	140,630	3,004,906	75,902	118,418	61,105	1,173,005	4,573,966
Disposals	-	(15,299)	(98,764)	-	(53,137)	-	-	(167,200)
Cost, end of year	3,518,487	1,675,134	20,730,254	1,967,208	2,687,494	10,817,312	21,037,788	62,433,677
Accumulated amortization, beginning of year	-	448,559	4,501,236	936,259	1,406,032	3,471,816	4,255,474	15,019,376
Amortization	-	52,175	470,697	139,060	169,242	247,625	295,685	1,374,484
Disposals	-	(8,405)	(93,266)	-	(38,063)	-	-	(139,734)
Accumulated amortization, end of year	-	492,329	4,878,667	1,075,319	1,537,211	3,719,441	4,551,159	16,254,126
Net carrying amount, end of year	\$ 3,518,487	\$ 1,182,805	\$ 15,851,587	\$ 891,889	\$ 1,150,283	\$ 7,097,871	\$ 16,486,629	\$ 46,179,551

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2011

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 \$1,759,787 (2010 - \$300,451).

The municipality holds various works of art at the Town Hall gallery. These items are not recorded as assets in the financial statements.

8. Accumulated Surplus

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

	2011	2010
Investment in Tangible Capital Assets		
Tangible capital assets purchased	\$ 46,764,788	\$ 46,179,551
Capital assets financed by long-term liabilities, to be funded in future years	<u>(2,897,692)</u>	<u>(3,141,237)</u>
	<u>43,867,096</u>	<u>43,038,314</u>
General surplus	57,763	178,448
Incomplete capital projects awaiting financing	(1,161,472)	(1,184,090)
Library	112,739	97,038
Centre Dufferin Recreation Complex	24,173	(11,315)
Business improvement area	18,723	14,086
Fire	26,166	21,495
Unfunded solid waste closure and post-closure costs	<u>(297,560)</u>	<u>(377,987)</u>
	<u>(1,219,468)</u>	<u>(1,262,325)</u>
	42,647,628	41,775,989
Reserves and reserve funds (Note 9)	<u>1,411,537</u>	<u>1,763,985</u>
Accumulated surplus	<u>\$ 44,059,165</u>	<u>\$ 43,539,974</u>

During the year, \$4,035 (2010 - (\$66,138)) was transferred to/(from) the contingencies reserve to operating, as approved by Council.

During the year, the Fiddleville festival resulted in a deficit balance of \$22,237. This deficit balance has been funded in the current year by the general surplus. It is anticipated that the deficit will be recovered from future years' surplus balances from the Fiddleville festival.

**The Corporation of the Town of Shelburne
Notes to Financial Statements**

December 31, 2011

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

	<u>2011</u>	<u>2010</u>
Reserves		
Contingencies	\$ 363,595	\$ 344,518
Current purposes	300,238	164,382
Capital purposes	408,639	984,249
	<u>1,072,472</u>	<u>1,493,149</u>
Reserve funds		
Current purposes	21,014	20,680
Capital purposes	318,051	250,156
	<u>339,065</u>	<u>270,836</u>
Reserves and reserve funds set aside for specific purpose by Council	<u>\$ 1,411,537</u>	<u>\$ 1,763,985</u>

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2011

10. Budgets

Under Canadian generally accepted accounting principles, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus, and changes in net debt for comparative purposes. The 2011 budget amounts for the The Corporation of the Town of Shelburne approved by Council have been restated to conform to the presentation of the consolidated statements of operations and accumulated surplus, and changes in net debt. The following is a reconciliation of the budget approved by Council. The budget figures have not been audited.

	2011 Budget
Annual surplus	\$ 1,977,038
Transfers to reserves	(170,220)
Transfers from reserves for operations	55,977
Transfers from reserves for capital	904,448
Capital acquisitions and disposals	(6,925,749)
Amortization	1,499,972
Proceeds from long-term debt	2,813,770
	155,236
Prior year capital projects funded	(283,078)
	(127,842)
Surplus (deficit) before prior year surplus	(127,842)
Prior year surplus general and consolidated boards	127,842
	\$ -

11. Other Income

	2011	2011	2010
	Budget (Unaudited)	Actual	Actual
Penalties and interest on taxation	\$ 118,023	\$ 111,621	\$ 123,776
Investment income	21,697	32,306	25,474
Rents, concessions and franchises	4,501	8,546	4,791
Donations	17,925	67,369	101,278
Gain (loss) on sale of assets	27,500	(45,336)	(18,866)
Other	89,090	64,599	79,398
	\$ 278,736	\$ 239,105	\$ 315,851

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2011

12. Grants

	Budget	2011	2010
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,004,300	\$ 1,004,300	\$ 858,100
Conditional - Roads	3,800	6,425	5,635
- Other	159,393	204,361	163,022
	<u>1,167,493</u>	<u>1,215,086</u>	<u>1,026,757</u>
Government of Canada			
Conditional - Other	3,900	11,458	3,996
Other Municipalities			
Conditional - Other	196,685	197,227	170,503
Total operating grants	<u>1,368,078</u>	<u>1,423,771</u>	<u>1,201,256</u>
Tangible Capital Asset			
Province of Ontario			
Conditional - Recreation	-	92,489	907,511
- Sewer and water	2,267,451	147,892	552,695
- Other	1,000	28,975	92,165
	<u>2,268,451</u>	<u>269,356</u>	<u>1,552,371</u>
Government of Canada			
Conditional - Recreation	-	92,489	907,511
Other Municipalities			
Conditional - Recreation	-	-	340,000
Total tangible capital asset grants	<u>2,268,451</u>	<u>361,845</u>	<u>2,799,882</u>
Total grants	<u>\$ 3,636,529</u>	<u>\$ 1,785,616</u>	<u>\$ 4,001,138</u>

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2011

13. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 31 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2011 was \$172,459 (2010 - \$156,800) for current service. The contribution rate for 2011 was 7.4% to 10.7% depending on age and level of income (2010 - 6.4% to 9.7%).

OMERS is a multi-employer pension 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 December 31, 2011. At that time the plan reported a \$7.3 billion actuarial deficit (2010 - \$4.5 billion deficit), based on actuarial liabilities of \$64.5 billion (2010 - \$60.0 billion) and actuarial assets of \$57.2 billion (2010 - \$55.5 billion). Ongoing adequacy of the current contribution rates will need to be monitored and the recent severe decline in the financial markets may lead to increased future funding requirements.

14. Operations of School Boards and the County of Dufferin

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

	2011	2010
School boards	\$ 1,891,793	\$ 1,939,732
County of Dufferin	2,187,112	2,217,683
	<u>\$ 4,078,905</u>	<u>\$ 4,157,415</u>

15. Trust Funds

The trust funds administered by the municipality amounting to \$304,361 (2010 - \$295,305) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations and accumulated surplus.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2011

16. Contractual Commitments

The Town of Shelburne has entered into the following contracts:

- a) A one-year contract for waste collection and disposal, at an approximate cost of \$257,000 per year, beginning January 1, 2012.
- b) A one-year contract for collection of recyclable material, at an approximate cost of \$105,000 per year, beginning January 1, 2012.
- c) A contract for the treatment and maintenance of the Shelburne Water Supply and operations and maintenance of the Shelburne Waste Water Treatment, at an approximate cost of \$492,675 per year, beginning January 1, 2011, with the annual cost adjusted by the CPI index and any new costs impacted by new regulations.

The Town of Shelburne has committed to spend approximately \$1,430,311 on capital projects in 2012 and beyond on various transportation services and environmental services capital projects.

17. Contingencies

A number of appeals of the current value assessment of properties in the municipality are currently in process. The impact on taxation revenue as a result of settlement of these appeals is not determinable at this time. The effect on taxation of the settlement of these appeals will be recorded in the fiscal year in which they can be determined.

The Town has been served with various claims as a result of accidents and other incidents. The Town is not aware of any possible settlements in excess of its liability insurance coverage. The outcomes of these claims are not determinable at this time. Should any liability be determined and not covered by insurance, it will be recognized in the period when determined.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2011

18. Subsequent Event

Subsequent to year end, the Town received an additional \$500,000 in temporary borrowing from the Ontario Infrastructure Projects Corporation (OIPC) for the Jane and Marie Street capital project. Interest is calculated at OIPC's cost of funds plus OIPC's prevailing spread with interest payable monthly, with no pre-determined date of repayment. Repayment terms of principal and interest will be determined upon completion of the Jane and Marie Street project.

19. Restatement of Opening Surplus

In the current year, the Town's percentage share of ownership of the Shelburne Fire Department decreased to 49.50% (2010 - 49.70%). As a result of the decrease in ownership, there has been a restatement of opening accumulated surplus of (\$2,132) (2010 - \$6,951).

The Corporation of the Town of Shelburne

Notes to Financial Statements

December 31, 2011

20. Segmented Information

The Corporation of the Town of Shelburne is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, environmental, planning, community, and water services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Community Services

This service area provides services meant to improve the health and development of the municipality's citizens. Recreational programs and cultural programs like swimming and skating lessons are provided at the recreation complex. Also, the municipality provides library services to assist with its citizens' informational needs.

Environmental

Environmental services consists of providing waste disposal to citizens.

Health

Health services are comprised of public health services which works to improve the overall health of the population and overcome health inequalities by providing services to individuals and communities. Also, the municipality provides cemetery services including cemetery maintenance and care.

Planning and Development

This department provides a number of services including town planning, maintenance and enforcement of building and construction codes and review of all property development plans through its application process. This department also includes the economic development committee and the downtown business improvement area.

Protection to Persons and Property

Protection is comprised of police services, fire protection and bylaw enforcement. The police services works to ensure the safety and protection of the citizens and their property. The fire department is responsible for providing fire suppression services, fire prevention programs, training, and education. The by-law enforcement department works to ensure that citizens and their property are protected by ensuring the Town's bylaws are being adhered to.

Transportation

Transportation is responsible for providing the municipality with road maintenance, winter control services, street light maintenance, parking lots, and equipment maintenance.

Water and Waste Water

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

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2011

20. Segmented Information (continued)

General Government

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

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The revenues and expenses and equity in government business enterprises and government business partnerships that are directly attributable to a particular segment are allocated to that segment. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation, payments in-lieu and penalties and interest

allocated to those segments that are funded by these amounts based on the net surplus for the year.

OMPF Grant

allocated to segments based on the net surplus for the year.

The Corporation of the Town of Shelburne

Notes to Financial Statements

December 31, 2011

20. Segmented Information (continued)

For the year ended December 31 Revenue	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2011 Total
Taxation	\$ 851,824	\$ 1,362,918	\$ 1,192,553	\$ -	\$ 255,547	\$ 42,591	\$ 383,321	\$ 170,365	\$ 4,259,119
Fees and user charges	32,747	123,250	12,827	1,637,266	951	30,450	553,238	21,654	2,412,383
Specific grants	41,708	107,949	6,425	147,891	43,456	-	433,887	-	781,316
OMPF grant	200,860	321,376	281,204	-	60,258	10,043	90,387	40,172	1,004,300
Other revenue	137,792	3,049	7,857	787	(55,437)	5,888	135,770	3,399	239,105
Obligatory reserve fund revenue recognized	-	-	318,914	213,097	-	-	-	-	532,011
Expenses	1,264,931	1,918,542	1,819,780	1,999,041	304,775	88,972	1,596,603	235,590	9,228,234
Salaries and benefits	864,573	1,530,654	492,310	75,065	5,085	48,880	658,433	28,649	3,703,649
Interest on debt	-	-	-	125,552	-	-	-	-	125,552
Materials and supplies	283,214	269,162	515,735	366,339	6,941	28,778	511,285	56,070	2,037,524
Contracted services	70,039	2,081	101,405	589,862	305,175	-	136,391	157,763	1,362,716
Other transfers	-	32,940	-	-	-	-	(53,128)	(4,400)	(24,588)
Rents and financial expenses	2,086	-	-	-	-	-	-	-	2,086
Amortization	69,760	91,245	372,032	607,123	-	770	359,042	-	1,499,972
	1,289,672	1,926,092	1,481,482	1,763,941	317,201	78,428	1,612,023	238,082	8,706,911
Restatement of opening surplus	-	(2,132)	-	-	-	-	-	-	(2,132)
Net surplus (deficit)	\$ (24,741)	\$ (9,672)	\$ 338,298	\$ 235,100	\$ (12,426)	\$ 10,544	\$ (15,420)	\$ (2,492)	\$ 519,191

The Corporation of the Town of Shelburne

Notes to Financial Statements

December 31, 2011

20. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2010 Total
Revenue									
Taxation	\$ 1,688,361	\$ 2,532,541	\$ 2,152,660	\$ (422,090)	\$ 548,717	\$ 42,209	\$ (2,574,750)	\$ 253,254	\$ 4,220,902
Fees and user charges	45,301	129,532	19,521	1,399,814	1,716	42,930	390,552	21,838	2,051,204
Specific grants	69,000	127,699	5,635	552,694	39,237	-	2,338,773	10,000	3,143,038
OMP grant	343,240	514,860	437,631	(85,810)	111,553	8,581	(523,441)	51,486	858,100
Other revenue	168,068	28,801	-	-	(1,560)	9,657	109,965	920	315,851
	<u>2,313,970</u>	<u>3,333,433</u>	<u>2,615,447</u>	<u>1,444,608</u>	<u>699,663</u>	<u>103,377</u>	<u>(258,901)</u>	<u>337,498</u>	<u>10,589,095</u>
Expenses									
Salaries and benefits	881,389	1,508,670	480,579	87,584	3,175	54,933	510,452	27,202	3,553,984
Interest on debt	416	-	-	56,943	-	-	-	-	57,359
Materials and supplies	349,427	281,811	478,134	377,072	-	29,894	372,720	79,294	1,968,352
Contracted services	63,381	2,470	80,298	570,048	381,823	-	1,707	104,499	1,204,226
Other transfers	-	31,926	-	-	-	-	43,660	(3,150)	72,436
Rents and financial expenses	1,997	-	-	-	-	-	-	-	1,997
Amortization	61,995	88,839	374,354	588,305	-	732	260,259	-	1,374,484
	<u>1,368,605</u>	<u>1,913,716</u>	<u>1,413,965</u>	<u>1,679,952</u>	<u>384,998</u>	<u>85,559</u>	<u>1,188,798</u>	<u>207,845</u>	<u>8,232,838</u>
Restatement of opening surplus	-	6,951	-	-	-	-	-	-	6,951
Net surplus (deficit)	\$ 955,365	\$ 1,426,668	\$ 1,202,082	\$ (235,344)	\$ 314,665	\$ 17,818	\$ (1,447,699)	\$ 129,653	\$ 2,363,208

**The Corporation of the Town of Shelburne
Trust Funds
Financial Statements
For the year ended December 31, 2011**



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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the The Corporation of the Town of Shelburne

We have audited the accompanying financial information of the trust funds of The Corporation of the Town of Shelburne, which comprise the balance sheet as at December 31, 2011 and the statement of continuity of the trust funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Information

Management is responsible for the preparation of these 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 present fairly, in all material respects, the financial position of the trust funds of The Corporation of the Town of Shelburne as at December 31, 2011 and the continuity of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Orangeville, Ontario
May 4, 2012

**The Corporation of The Town of Shelburne
Trust Funds
Balance Sheet**

December 31, 2011

	Total	Lost Soldiers Fund	Cemetery Maint & Equipment	Cemetery Perpetual Care
Current assets				
Cash	\$ 46,235	\$ 910	\$ 18,878	\$ 26,447
Due from Town of Shelburne	854	-	421	433
Investments, at cost (Note 2)	<u>257,272</u>	-	34,941	222,331
	<u>\$ 304,361</u>	\$ 910	\$ 54,240	\$ 249,211
Current liabilities				
Fund balance	<u>\$ 304,361</u>	\$ 910	\$ 54,240	\$ 249,211

Statement of Continuity

December 31, 2011

	Total	Lost Soldiers Fund	Cemetery Maint. & Equipment	Cemetery Perpetual Care
Balance, beginning of year	<u>\$ 295,305</u>	\$ 899	\$ 51,620	\$ 242,786
Receipts				
Fees	6,425	-	-	6,425
Cemetery maintenance fee	2,163	-	2,163	-
Interest earned	468	11	457	-
	<u>9,056</u>	11	2,620	6,425
Balance, end of year	<u>\$ 304,361</u>	\$ 910	\$ 54,240	\$ 249,211

**The Corporation of the Town of Shelburne
Trust Funds
Notes to Financial Statements**

December 31, 2011

1. Summary of Significant Accounting Policies

Management Responsibility	The financial statements of the The Corporation of the Town of Shelburne 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 except that tangible capital assets are expensed in the statement of continuity in the year of acquisition.
Use of Estimates	The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.
Basis of Consolidation	These trust funds have not been consolidated with the financial statements of the municipality
Accrual Basis of Accounting	Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

2. Investments

	2011	2010
Term deposits, at cost	\$ 257,272	\$ 257,272

Investments have a market value of \$259,024 (2010 - \$259,356) at the end of the year.
