

**The Corporation of the  
Town of Shelburne  
Financial Statements  
For the year ended December 31, 2013**

**The Corporation of the Town of Shelburne**  
**Financial Statements**  
**For the year ended December 31, 2013**

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**The Corporation of the Town of Shelburne**

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BDO Canada LLP  
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Orangeville ON L9W 1K1 Canada

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## Independent Auditor's Report

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### To the Members of Council, Inhabitants and Ratepayers of The Corporation of the 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, 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 organization'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 organization'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, 2013 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  
March 20, 2014

# The Corporation of the Town of Shelburne

## Consolidated Statement of Financial Position

| December 31   | 2013                 | 2012                 |
|---|----------------------|----------------------|
|   |                      | (restated)           |
| <b>Assets and Liabilities</b>                             |                      |                      |
| <b>Financial Assets</b>                                   |                      |                      |
| Cash (Note 1)   | \$ 5,241,848         | \$ 2,384,193         |
| Temporary investments (Note 2)                            | 129,800              | 68,564               |
| Taxes receivable  | 683,102              | 730,028              |
| Trade and other receivable                                | 991,103              | 1,167,428            |
| Long-term receivables                                     | 1,820                | 6,528                |
|   | <u>7,047,673</u>     | <u>4,356,741</u>     |
| <b>Liabilities</b>  |                      |                      |
| Temporary borrowings (Note 3)                             | -                    | 1,071,948            |
| Accounts payable and accrued liabilities                  | 822,887              | 688,616              |
| Deferred revenue (Note 4)                                 | 1,823,058            | 1,410,979            |
| Long-term liabilities (Note 5)                            | 4,686,924            | 4,006,626            |
| Landfill site closure and post-closure liability (Note 6) | 614,919              | 528,012              |
|   | <u>7,947,788</u>     | <u>7,706,181</u>     |
| <b>Net financial assets (liabilities)</b>                 | <b>(900,115)</b>     | <b>(3,349,440)</b>   |
| <b>Non-financial Assets</b>                               |                      |                      |
| Inventory of supplies                                     | 58,236               | 59,480               |
| Prepays   | 46,896               | 1,697                |
| Tangible capital assets (Note 7)                          | <u>50,806,802</u>    | <u>50,773,052</u>    |
| <b>Accumulated surplus (Note 8)</b>                       | <b>\$ 50,011,819</b> | <b>\$ 47,484,789</b> |
| Contingent Liabilities (Note 19)                          |                      |                      |

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

| For the year ended December 31  | 2013<br>Budget       | 2013<br>Actual       | 2012<br>Actual<br>(restated) |
|---|----------------------|----------------------|------------------------------|
| <b>Revenue</b>  |                      |                      |                              |
| Taxation  | \$ 4,220,111         | \$ 4,394,203         | \$ 4,354,885                 |
| Fees and user charges   | 2,661,372            | 2,760,633            | 2,679,825                    |
| Grants (Note 14)  | 2,510,021            | 1,580,098            | 1,424,182                    |
| Other income (Note 12)  | 213,578              | 253,799              | 3,628,176                    |
| Development charges and gas tax revenue<br>recognized                   | 412,858              | 2,441,622            | 860,381                      |
|   | <u>10,017,940</u>    | <u>11,430,355</u>    | <u>12,947,449</u>            |
| <b>Expenses</b>   |                      |                      |                              |
| General government  | 1,391,912            | 1,324,603            | 1,221,595                    |
| Protection services   | 2,309,063            | 2,132,453            | 2,080,099                    |
| Transportation services   | 1,683,124            | 1,586,963            | 1,498,108                    |
| Environmental services  | 2,072,395            | 2,063,622            | 2,877,552                    |
| Health services   | 71,542               | 64,484               | 57,981                       |
| Recreation and cultural services  | 1,488,215            | 1,429,486            | 1,394,171                    |
| Planning and development  | 192,179              | 293,402              | 368,860                      |
|   | <u>9,208,430</u>     | <u>8,895,013</u>     | <u>9,498,366</u>             |
|   | 809,510              | 2,535,342            | 3,449,083                    |
| <b>Restatement of opening surplus (Note 20)</b>                         | -                    | (8,312)              | (4,636)                      |
| <b>Annual surplus</b>   | 809,510              | 2,527,030            | 3,444,447                    |
| <b>Accumulated surplus, beginning of year,<br/>as previously stated</b> | 47,484,789           | 47,484,789           | 44,059,165                   |
| <b>Correction of prior period error (Note 21)</b>                       | -                    | -                    | (18,823)                     |
| <b>Accumulated surplus, end of year</b>                                 | <u>\$ 48,294,299</u> | <u>\$ 50,011,819</u> | <u>\$ 47,484,789</u>         |

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

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

| For the year ended December 31                                   | 2013<br>Budget | 2013<br>Actual | 2012<br>Actual |
|--|----------------|----------------|----------------|
| <b>Annual surplus</b>  | \$ 809,510     | \$ 2,527,030   | \$ 3,444,447   |
| Acquisition of tangible capital assets                           | (2,858,290)    | (1,815,810)    | (5,707,339)    |
| Amortization of tangible capital assets                          | 1,782,060      | 1,782,060      | 1,680,252      |
| Gain on sale of tangible capital assets                          | -              | -              | (79,168)       |
| Proceeds on sale of tangible capital assets                      | -              | -              | 79,168         |
|  | (1,076,230)    | (33,750)       | (4,027,087)    |
| Change in prepaids   | -              | (45,199)       | 90,420         |
| Change in inventory of supplies                                  | -              | 1,244          | (22,429)       |
|  | -              | (43,955)       | 67,991         |
| <b>Increase (decrease) in net financial assets</b>               | (266,720)      | 2,449,325      | (514,649)      |
| <b>Net financial assets (liabilities), beginning of the year</b> | (3,349,440)    | (3,349,440)    | (2,834,791)    |
| <b>Net financial assets (liabilities), end of the year</b>       | \$ (3,616,160) | \$ (900,115)   | \$ (3,349,440) |

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

# The Corporation of the Town of Shelburne

## Consolidated Statement of Cash Flows

For the year ended December 31

2013

2012

### Cash provided by (used in)

#### Operating activities

|   |                  |                  |
|---|------------------|------------------|
| Annual surplus  | \$ 2,527,030     | \$ 3,444,447     |
| Items not involving cash  |                  |                  |
| Landfill site closure and post-closure liability                | 86,907           | 230,452          |
| Amortization of tangible capital assets                         | 1,782,060        | 1,680,252        |
| Change in prepaids  | (45,199)         | 90,420           |
| Gain on sale of tangible capital assets                         | -                | (79,168)         |
| Change in inventory of supplies                                 | 1,244            | (22,429)         |
| Income from contribution of tangible capital assets             | -                | (3,286,209)      |
|   | <u>4,352,042</u> | <u>2,057,765</u> |
| Change in non-cash working capital balances                     |                  |                  |
| Decrease in taxes receivable                                    | 46,926           | 79,872           |
| Decrease (increase) in trade and other receivable               | 176,325          | (105,382)        |
| Increase (decrease) in accounts payable and accrued liabilities | 134,271          | (1,339,432)      |
| Increase in deferred revenue                                    | 412,079          | 223,230          |
| Decrease in long-term receivables                               | 4,708            | 3,252            |
|   | <u>5,126,351</u> | <u>919,305</u>   |

#### Capital transactions

|  |                    |                    |
|--|--------------------|--------------------|
| Cash used to acquire tangible capital assets | (1,815,810)        | (2,421,130)        |
| Proceeds on sale of tangible capital assets  | -                  | 79,168             |
|  | <u>(1,815,810)</u> | <u>(2,341,962)</u> |

#### Financing activities

|   |                  |                  |
|---|------------------|------------------|
| Net repayments of long-term liabilities | (391,650)        | (132,011)        |
| Proceeds from debt issued               | -                | 1,240,946        |
|   | <u>(391,650)</u> | <u>1,108,935</u> |

#### Net change in cash and cash equivalents

2,918,891 (313,722)

#### Cash and cash equivalents, beginning of year

2,452,757 2,766,479

#### Cash and cash equivalents, end of year

\$ 5,371,648 \$ 2,452,757

#### Cash and cash equivalents comprised of:

|                       |                     |                     |
|-----------------------|---------------------|---------------------|
| Cash                  | \$ 5,241,848        | \$ 2,384,193        |
| Temporary investments | 129,800             | 68,564              |
|                       | <u>\$ 5,371,648</u> | <u>\$ 2,452,757</u> |

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# The Corporation of the Town of Shelburne

## Summary of Significant Accounting Policies

December 31, 2013

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### 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 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.

### 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 - 48.47%, 2012 - 49.10%)

### 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

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



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

**December 31, 2013**

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**Financial Instruments  
(continued)**

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

**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.

**Inventory of Supplies**

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.

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

**December 31, 2013**

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### **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.

### **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. 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 allowance for anticipated uncollectable amounts.

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.

### **Government Transfers**

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.

### **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 consolidated financial statements.

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

**December 31, 2013**

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### **Trust Funds**

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

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

**December 31, 2013**

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### 1. Cash

The Town's bank and savings accounts are held at one financial institution. All accounts earn interest at the bank's prime rate less 1.85%.

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### 2. Temporary Investments

|   | <u>2013</u>       | <u>2012</u>      |
|---|-------------------|------------------|
| Cashable/non-deemable guaranteed investment certificates earning 0.8% - 1.3% (2012 - 0.8%), maturing January 3, 2014 (2012 - October 22, 2013). | <b>\$ 129,800</b> | <b>\$ 68,564</b> |

Investments have a market value of \$129,800 (2012 - \$68,564) at the end of the year.

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### 3. Temporary Borrowings

|  | <u>2013</u> | <u>2012</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. The interim construction financing was converted to long-term financing during the year. | <b>\$ -</b> | <b>\$ 1,071,948</b> |

At December 31, 2013, 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%.

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# The Corporation of the Town of Shelburne

## Notes to Financial Statements

**December 31, 2013**

### 4. Deferred Revenue

|                             | <u>2013</u>         | <u>2012</u>         |
|-----------------------------|---------------------|---------------------|
| Obligatory reserve funds    |                     |                     |
| Development charges         | \$ 1,818,096        | \$ 1,388,537        |
| Federal gas tax             | 76                  | -                   |
| Other                       |                     |                     |
| Deferred police revenue     | -                   | 17,500              |
| Deferred recreation revenue | 4,886               | 4,942               |
|                             | <u>\$ 1,823,058</u> | <u>\$ 1,410,979</u> |

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

|  | <u>Development<br/>Charges</u> | <u>Federal<br/>Gas Tax</u> |
|--|--------------------------------|----------------------------|
| Obligatory reserve fund, beginning of year | \$ 1,388,537                   | \$ -                       |
| Restricted funds received during the year  | 2,691,471                      | 157,946                    |
| Interest earned                            | 21,764                         | 76                         |
| Expenses recognized during the year        | (2,283,676)                    | (157,946)                  |
| Obligatory reserve fund, end of year       | <u>\$ 1,818,096</u>            | <u>\$ 76</u>               |

# The Corporation of the Town of Shelburne

## Notes to Financial Statements

**December 31, 2013**

### 5. 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>         |
|--|---------------------|---------------------|
| Capital lease for various fire communication equipment, payable \$406 monthly, due June 2013.  | \$ -                | \$ 997              |
| Long-term capital financing for STP Phase II, Ontario Strategic Infrastructure Financing Authority (OSIFA), 2.67%, payable \$56,751 principal and interest semi-annually, due July 2026.     | <b>1,239,758</b>    | 1,318,576           |
| Long-term capital financing for STP Phase III, Ontario Infrastructure Projects Corporation (OIPC), 4.21%, payable \$57,696 principal and interest semi-annually, due December 2030.          | <b>1,391,023</b>    | 1,446,107           |
| Long-term capital financing for Marie and Jane Street, Ontario Infrastructure and Land Corporation (OILC), 2.11%, payable \$131,409 principal and interest semi-annually, due November 2017. | <b>1,003,065</b>    | 1,240,946           |
| Long-term capital financing for new well and water meters, Ontario Infrastructure and Land Corporation (OILC), 3.43%, payable \$37,254 principal and interest semi-annually, due April 2033. | <b>1,053,078</b>    | -                   |
|  | <b>\$ 4,686,924</b> | <b>\$ 4,006,626</b> |

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

|            |            |
|------------|------------|
| 2014       | \$ 420,008 |
| 2015       | 431,119    |
| 2016       | 442,527    |
| 2017       | 454,304    |
| 2018       | 202,196    |
| Thereafter | 2,736,770  |

Interest expense in the amount of \$150,620 (2012 - \$123,595) has been recognized on the consolidated statement of operations and accumulated surplus.

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

**December 31, 2013**

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### **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 \$614,919 at December 31, 2013. The liability was estimated based upon current monitoring costs of \$15,000 annually inflated at a rate of 1.23% per year and discounted at a rate of 3.43% 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.

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

**December 31, 2013**

**7. Tangible Capital Assets**

|   |              |                   |               |              |              |                  |                        | <b>2013</b>   |
|---|--------------|-------------------|---------------|--------------|--------------|------------------|------------------------|---------------|
|   | Land         | Land Improvements | Buildings     | Vehicles     | Equipment    | Roads and Bridge | Water and Sewer System | Total         |
| Cost, beginning of year                     | \$ 3,550,893 | \$ 2,699,224      | \$ 21,058,970 | \$ 2,432,431 | \$ 3,033,693 | \$ 12,233,325    | \$ 24,731,973          | \$ 69,740,509 |
| Additions                                   | 110,816      | 614,686           | 466,519       | 60,512       | 152,092      | 146,681          | 264,504                | 1,815,810     |
| Disposals                                   | -            | -                 | -             | (46,831)     | -            | -                | -                      | (46,831)      |
| Cost, end of year                           | 3,661,709    | 3,313,910         | 21,525,489    | 2,446,112    | 3,185,785    | 12,380,006       | 24,996,477             | 71,509,488    |
| Accumulated amortization, beginning of year | -            | 612,535           | 6,098,535     | 1,082,577    | 1,890,793    | 4,171,524        | 5,111,493              | 18,967,457    |
| Amortization                                | -            | 71,630            | 605,631       | 196,086      | 221,938      | 286,175          | 400,600                | 1,782,060     |
| Disposals                                   | -            | -                 | -             | (46,831)     | -            | -                | -                      | (46,831)      |
| Accumulated amortization, end of year       | -            | 684,165           | 6,704,166     | 1,231,832    | 2,112,731    | 4,457,699        | 5,512,093              | 20,702,686    |
| Net carrying amount, end of year            | \$ 3,661,709 | \$ 2,629,745      | \$ 14,821,323 | \$ 1,214,280 | \$ 1,073,054 | \$ 7,922,307     | \$ 19,484,384          | \$ 50,806,802 |



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

**December 31, 2013**

**7. Tangible Capital Assets (continued)**

|   |              |                   |               |              |              |                  |                        | 2012             |
|---|--------------|-------------------|---------------|--------------|--------------|------------------|------------------------|------------------|
|   | Land         | Land Improvements | Buildings     | Vehicles     | Equipment    | Roads and Bridge | Water and Sewer System | (restated) Total |
| Cost, beginning of year, restated                     | \$ 3,550,893 | \$ 1,705,859      | \$ 20,757,845 | \$ 2,017,094 | \$ 2,895,049 | \$ 11,113,894    | \$ 22,047,503          | \$ 64,088,137    |
| Additions   | -            | 993,365           | 301,125       | 458,015      | 150,933      | 1,119,431        | 2,684,470              | 5,707,339        |
| Disposals   | -            | -                 | -             | (42,678)     | (12,289)     | -                | -                      | (54,967)         |
| Cost, end of year                                     | 3,550,893    | 2,699,224         | 21,058,970    | 2,432,431    | 3,033,693    | 12,233,325       | 24,731,973             | 69,740,509       |
| Accumulated amortization, beginning of year, restated | -            | 548,511           | 5,445,817     | 936,424      | 1,722,848    | 3,888,764        | 4,799,808              | 17,342,172       |
| Amortization  | -            | 64,024            | 652,718       | 188,831      | 180,234      | 282,760          | 311,685                | 1,680,252        |
| Disposals   | -            | -                 | -             | (42,678)     | (12,289)     | -                | -                      | (54,967)         |
| Accumulated amortization, end of year                 | -            | 612,535           | 6,098,535     | 1,082,577    | 1,890,793    | 4,171,524        | 5,111,493              | 18,967,457       |
| Net carrying amount, end of year                      | \$ 3,550,893 | \$ 2,086,689      | \$ 14,960,435 | \$ 1,349,854 | \$ 1,142,900 | \$ 8,061,801     | \$ 19,620,480          | \$ 50,773,052    |

# The Corporation of the Town of Shelburne

## Notes to Financial Statements

**December 31, 2013**

### 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 \$1,298,515 (2012 - \$614,719).

\$Nil (2012 - \$3,286,209) in contributed infrastructure capital assets were recognized as tangible capital asset additions in the consolidated financial statements during the year.

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

\$Nil (2012 - \$11,513) in interest was capitalized to tangible capital assets during the year.

### 8. Accumulated Surplus

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

|  | 2013                            | 2012                            |
|--|---------------------------------|---------------------------------|
|  |                                 | (restated)                      |
| Investment in Tangible Capital Assets  |                                 |                                 |
| Tangible capital assets purchased  | \$ 50,806,802                   | \$ 50,773,052                   |
| Capital assets financed by long-term liabilities, to be funded in future years                       | <u>(4,686,923)</u>              | <u>(4,006,627)</u>              |
|  | <u>46,119,879</u>               | <u>46,766,425</u>               |
| <br>Incomplete capital projects already financed<br>(Incomplete capital projects awaiting financing) | <br><b>36,935</b>               | <br>(870,417)                   |
| Shelburne Library Board  | <b>106,003</b>                  | 107,864                         |
| Centre Dufferin Recreation Complex   | <b>149,181</b>                  | 96,810                          |
| Shelburne Business Improvement Area  | <b>21,282</b>                   | 19,068                          |
| Shelburne and District Fire Department   | <b>33,635</b>                   | 26,366                          |
| Unfunded solid waste closure and post-closure costs  | <u>(614,919)</u>                | <u>(528,012)</u>                |
|  | <u>(267,883)</u>                | <u>(1,148,321)</u>              |
|  | <b>45,851,996</b>               | 45,618,104                      |
| <br>Reserves and reserve funds (Note 9)  | <br><u>4,159,823</u>            | <br>1,866,685                   |
| <br>Accumulated surplus  | <br><u><b>\$ 50,011,819</b></u> | <br><u><b>\$ 47,484,789</b></u> |

During the year, \$284,374 (2012 - \$136,447) was transferred to the contingencies reserve from operating, as approved by Council.

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

**December 31, 2013**

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

|   | <u>2013</u>                | <u>2012</u>                |
|---|----------------------------|----------------------------|
| <b>Reserves</b>   |                            |                            |
| Contingencies   | \$ 362,573                 | \$ 362,573                 |
| Current purposes  | 508,298                    | 345,265                    |
| Capital purposes  | <u>3,179,686</u>           | <u>1,104,768</u>           |
|   | <u>4,050,557</u>           | <u>1,812,606</u>           |
| <b>Reserve funds</b>  |                            |                            |
| Current purposes  | 4,477                      | 21,282                     |
| Capital purposes  | <u>104,789</u>             | <u>32,797</u>              |
|   | <u>109,266</u>             | <u>54,079</u>              |
| <b>Reserves and reserve funds<br/>set aside for specific purpose by Council</b> | <u><u>\$ 4,159,823</u></u> | <u><u>\$ 1,866,685</u></u> |

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

**December 31, 2013**

### 10. Budgets

The budget adopted by Council was not prepared on a basis consistent with that used to report actual results (public sector accounting standards). The budget was prepared on a modified accrual basis while public sector accounting standards now require a full accrual basis. The following is a reconciliation of the budget approved by Council.

|   | 2013<br>Budget | 2013<br>Actual | 2012<br>Actual |
|---|----------------|----------------|----------------|
| Annual surplus (Page 4)                               | \$ 809,510     | \$ 2,527,030   | \$ 3,444,447   |
| Amortization  | 1,782,060      | 1,782,060      | 1,680,252      |
| Change in unfunded liabilities                        | (94,762)       | 86,907         | 230,452        |
| Change in other surpluses                             | -              | (59,993)       | (68,306)       |
|   | 2,496,808      | 4,336,004      | 5,286,845      |
| Net transfers (to) from reserves                      | -              | (2,293,138)    | (455,149)      |
| Capital acquisitions less disposals<br>and write-down | (2,858,290)    | (1,815,810)    | (5,707,339)    |
| Capital projects not funded                           | -              | 680,297        | 1,108,934      |
| Prior year capital projects (funded) expended         | -              | (907,353)      | (291,054)      |
| Proceeds from long-term debt                          | 733,314        | -              | -              |
| Debt principal repayments                             | (371,832)      | -              | -              |
|   | -              | -              | (57,763)       |
| Prior year general surplus                            | -              | -              | 57,763         |
| General surplus (Note 8)                              | \$ -           | \$ -           | \$ -           |

# The Corporation of the Town of Shelburne

## Notes to Financial Statements

**December 31, 2013**

### 11. Financial Instrument Risk Management

#### Credit Risk

The municipality is exposed to credit risk through the possibility of non-collection of its trade and other receivable. The majority of the municipality's receivables are from rate payers and government entities. For trade and other receivable, the municipality measures impairment based on how long the amounts have been outstanding. For amounts outstanding greater than 91 days, an impairment allowance is set up. The amounts outstanding at year end, which is the municipality's maximum exposure to credit risk related to trade and other receivable were as follows:

|                            | <b>0 - 30<br/>days</b> | <b>31 - 90<br/>days</b> | <b>91 to 365<br/>days</b> | <b>1 to 2<br/>years</b> | <b>3 to 10<br/>years</b> |
|----------------------------|------------------------|-------------------------|---------------------------|-------------------------|--------------------------|
| Cash                       | \$ 5,241,848           | \$ -                    | \$ -                      | \$ -                    | -                        |
| Temporary investments      | 129,800                | -                       | -                         | -                       | -                        |
| Trade and other receivable | 830,411                | 160,692                 | -                         | -                       | -                        |
| Long-term receivables      | -                      | -                       | -                         | 1,820                   | -                        |
| Net amount receivable      | <u>\$ 6,202,059</u>    | <u>\$ 160,692</u>       | <u>\$ -</u>               | <u>\$ 1,820</u>         | <u>-</u>                 |

#### Liquidity Risk

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they fall due. The municipality has a planning and budgeting process in place to help determine the funds required to support the municipality's normal operating requirements on an ongoing basis. The municipality ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain an available line of credit balance as approved by the appropriate borrowing bylaw to meet, at a minimum, expected requirements for a period of at least 90 days. The following table set out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

|  | <b>0 - 30<br/>days</b> | <b>31 - 90<br/>days</b> | <b>91 to 365<br/>days</b> | <b>1 to 5<br/>years</b> | <b>6 years<br/>and later</b> |
|--|------------------------|-------------------------|---------------------------|-------------------------|------------------------------|
| Accounts payable and accrued liabilities | \$ 822,887             | \$ -                    | \$ -                      | \$ -                    | -                            |
| Deferred recreation revenue              | 4,886                  | -                       | -                         | -                       | -                            |
| Long-term liabilities                    | -                      | -                       | -                         | 1,950,154               | 2,736,770                    |
| Total financial liabilities              | <u>\$ 827,773</u>      | <u>\$ -</u>             | <u>\$ -</u>               | <u>\$ 1,950,154</u>     | <u>\$ 2,736,770</u>          |

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The municipality is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings and the value of fixed rate long-term liabilities.

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

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

**December 31, 2013**

### 12. Other Income

|                                     | 2013              | 2013              | 2012                |
|-------------------------------------|-------------------|-------------------|---------------------|
|                                     | Budget            | Actual            | Actual              |
| Penalties and interest on taxation  | 114,450           | <b>97,828</b>     | 113,949             |
| Investment income                   | 32,828            | <b>39,292</b>     | 38,403              |
| Rents, concessions and franchises   | 7,250             | <b>12,322</b>     | 9,494               |
| Donations                           | 8,000             | <b>52,498</b>     | 52,954              |
| Contributed tangible capital assets | -                 | -                 | 3,286,209           |
| Gain on sale of assets              | 500               | -                 | 4,168               |
| Other contributions                 | -                 | -                 | 75,000              |
| Other                               | 50,550            | <b>51,859</b>     | 47,999              |
|                                     | <b>\$ 213,578</b> | <b>\$ 253,799</b> | <b>\$ 3,628,176</b> |

### 13. Government Business Partnerships

The following summarizes the financial position and operations of the government business partnerships which have been reported in these consolidated financial statements using the modified equity method:

#### **Shelburne & District Fire Department**

Shelburne & District Fire Department is a joint fire board under the shared control of the Town of Shelburne, the Township of Amaranth, the Township of Melancthon, the Town of Mono and the Township of Mulmur. The consolidated financial statements include the municipality's 48.47% (2012 - 49.1%) proportionate interest of the following:

|                      | 2013                | 2012         |
|----------------------|---------------------|--------------|
| Financial assets     | <b>\$ 295,465</b>   | \$ 260,265   |
| Liabilities          | <b>9,878</b>        | 142,678      |
| Net financial assets | <b>285,587</b>      | 117,587      |
| Non financial assets | <b>1,087,026</b>    | 1,201,855    |
| Accumulated surplus  | <b>\$ 1,372,613</b> | \$ 1,319,442 |
| Revenues             | <b>\$ 513,125</b>   | \$ 878,295   |
| Expenses             | <b>459,954</b>      | 717,812      |
| Annual surplus       | <b>\$ 53,171</b>    | \$ 160,483   |

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

**December 31, 2013**

### 14. Grants

|   | Budget              | 2013                | 2012                |
|---|---------------------|---------------------|---------------------|
| <b>Operating</b>                          |                     |                     |                     |
| Province of Ontario                       |                     |                     |                     |
| Ontario Municipal Partnership Fund (OMPF) | \$ 946,700          | \$ 1,077,900        | \$ 1,031,200        |
| Conditional - Roads                       | 5,000               | 5,806               | 5,180               |
| - Other                                   | 139,728             | 153,673             | 168,009             |
|   | <u>1,091,428</u>    | <u>1,237,379</u>    | <u>1,204,389</u>    |
| Government of Canada                      |                     |                     |                     |
| Conditional - Other                       | <u>3,500</u>        | <u>21,495</u>       | <u>15,207</u>       |
| Other Municipalities                      |                     |                     |                     |
| Conditional - Other                       | <u>191,596</u>      | <u>192,597</u>      | <u>189,642</u>      |
| Total operating grants                    | <u>1,286,524</u>    | <u>1,451,471</u>    | <u>1,409,238</u>    |
| <b>Tangible Capital Asset</b>             |                     |                     |                     |
| Province of Ontario                       |                     |                     |                     |
| - Sewer and water                         | 1,053,726           | -                   | 4,944               |
| - Other                                   | -                   | -                   | 10,000              |
|   | <u>1,053,726</u>    | <u>-</u>            | <u>14,944</u>       |
| Government of Canada                      |                     |                     |                     |
| Conditional - Recreation                  | <u>169,771</u>      | <u>128,627</u>      | <u>-</u>            |
| Total tangible capital asset grants       | <u>1,223,497</u>    | <u>128,627</u>      | <u>14,944</u>       |
| Total grants                              | <u>\$ 2,510,021</u> | <u>\$ 1,580,098</u> | <u>\$ 1,424,182</u> |

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

**December 31, 2013**

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### 15. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 28 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 2013 was \$219,804 (2012 - \$188,973) for current service. The contribution rate for 2013 was 9.0% to 15.9% depending on age and level of income (2012 - 8.3% to 13.9%).

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, 2013. At that time the plan reported a \$8.6 billion actuarial deficit (2012 - \$9.9 billion deficit), based on actuarial liabilities of \$73.0 billion (2012 - \$69.1 billion) and actuarial assets of \$64.4 billion (2012 - \$59.2 billion). There has been a severe decline in financial markets. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

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### 16. 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:

|                    | <u>2013</u>         | <u>2012</u>         |
|--------------------|---------------------|---------------------|
| School boards      | \$ 1,816,391        | \$ 1,771,460        |
| County of Dufferin | <u>2,384,231</u>    | <u>2,180,322</u>    |
|                    | <u>\$ 4,200,622</u> | <u>\$ 3,951,782</u> |

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### 17. Trust Funds

The trust funds administered by the municipality amounting to \$1,479,740 (2012 - \$1,095,538) 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.

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

**December 31, 2013**

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### **18. Contractual Commitments**

The Town of Shelburne has entered into the following contracts:

- a) A one-year extension 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 \$489,559 per year, beginning January 1, 2014, 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 \$100,000 on capital projects in 2014 and beyond on various administration, and recreation capital projects.

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### **19. Contingent Liabilities**

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.

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### **20. Restatement of Opening Surplus**

In the current year, the Town's percentage share of operations of the Shelburne Fire Department decreased to 48.47% (2012 - 49.10%). As a result of the decrease in ownership, there has been a restatement of opening accumulated surplus of (\$8,312) (2012 - (\$4,636)).

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### **21. Correction of Prior Period Error**

During the year, it was discovered that the opening balance of the prior year's accumulated amortization in the Shelburne Library Board was inadvertently understated by \$18,823. As such, a prior period adjustment has been recorded to correct this error. This resulted in a decrease in tangible capital assets as well as a decrease in opening accumulated surplus in the amount of \$18,823. In the current year, the effect of the error was a decrease of opening accumulated surplus of \$18,823.

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### **22. Change in Comparative Information**

Historically, development in trust funds were reported in the Town of Shelburne consolidated financial statements. At year end, management determined that it would be more appropriate to include development in trust funds in the Town of Shelburne Trust Fund Financial Statements. This change has been reported retrospectively. The impact of this change was a decrease in cash of \$773,832 and a corresponding decrease in accounts payable and accrued liabilities of \$773,832.

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# **The Corporation of the Town of Shelburne**

## **Notes to Financial Statements**

**December 31, 2013**

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### **23. 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.

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

**December 31, 2013**

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### **23. 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.

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

**December 31, 2013**

### 23. Segmented Information (continued)

| <b>For the year ended<br/>December 31</b>  | <b>General<br/>Government</b> | <b>Protection<br/>Services</b> | <b>Transportation<br/>Services</b> | <b>Sewer and<br/>Water</b> | <b>Environmental<br/>Services</b> | <b>Health<br/>Services</b> | <b>Recreation<br/>and Cultural<br/>Services</b> | <b>Planning and<br/>Development</b> |                  | <b>2013<br/>Total</b> |
|--|-------------------------------|--------------------------------|------------------------------------|----------------------------|-----------------------------------|----------------------------|---|-------------------------------------|------------------|-----------------------|
| <b>Revenue</b>                             |                               |                                |                                    |                            |                                   |                            |   |                                     |                  |                       |
| Taxation                                   | \$ 878,841                    | \$ 1,581,913                   | \$ 1,274,319                       | \$ -                       | \$ 43,942                         | \$ -                       | \$ 351,536                                      | \$ 219,710                          | \$ 43,942        | \$ 4,394,203          |
| Fees and user charges                      | 31,784                        | 167,399                        | 8,762                              | 1,939,532                  | 15,572                            | 34,621                     | 532,908   | 30,055                              | -                | 2,760,633             |
| Specific grants                            | 58,890                        | 26,297                         | 5,806                              | -                          | 48,537                            | -                          | 362,668   | -                                   | -                | 502,198               |
| OMPF grant                                 | 215,580                       | 388,044                        | 312,591                            | -                          | 10,779                            | -                          | 86,232  | 53,895                              | 10,779           | 1,077,900             |
| Other revenue                              | 134,111                       | 14,295                         | 15,000                             | 3,123                      | -                                 | 3,960                      | 79,070  | 4,240                               | -                | 253,799               |
| Obligatory reserve fund revenue recognized | 20,606                        | -                              | 829,543                            | 1,336,561                  | -                                 | -                          | 254,912   | -                                   | -                | 2,441,622             |
|  | <u>1,339,812</u>              | <u>2,177,948</u>               | <u>2,446,021</u>                   | <u>3,279,216</u>           | <u>118,830</u>                    | <u>38,581</u>              | <u>1,667,326</u>                                | <u>307,900</u>                      | <u>54,721</u>    | <u>11,430,355</u>     |
| <b>Expenses</b>                            |                               |                                |                                    |                            |                                   |                            |   |                                     |                  |                       |
| Salaries and benefits                      | 818,352                       | 1,667,990                      | 533,923                            | 118,139                    | 11,746                            | 31,672                     | 612,803   | 31,934                              | -                | 3,826,559             |
| Interest on debt                           | -                             | -                              | 15,364                             | 135,256                    | -                                 | -                          | -   | -                                   | -                | 150,620               |
| Materials and supplies                     | 274,674                       | 292,915                        | 464,092                            | 394,215                    | 1,140                             | 31,970                     | 439,452   | 38,498                              | -                | 1,936,956             |
| Contracted services                        | 102,077                       | 1,370                          | 113,129                            | 591,273                    | 110,445                           | -                          | 153,305   | 227,370                             | -                | 1,298,969             |
| Other transfers                            | -                             | 33,789                         | -                                  | -                          | -                                 | -                          | (131,535)                                       | (4,400)                             | -                | (102,146)             |
| Rents and financial expenses               | 1,995                         | -                              | -                                  | -                          | -                                 | -                          | -   | -                                   | -                | 1,995                 |
| Amortization                               | 127,504                       | 136,389                        | 460,455                            | 701,408                    | -                                 | 842                        | 355,462   | -                                   | -                | 1,782,060             |
|  | <u>1,324,602</u>              | <u>2,132,453</u>               | <u>1,586,963</u>                   | <u>1,940,291</u>           | <u>123,331</u>                    | <u>64,484</u>              | <u>1,429,487</u>                                | <u>293,402</u>                      | <u>-</u>         | <u>8,895,013</u>      |
| Restatement of opening surplus             | -                             | (8,312)                        | -                                  | -                          | -                                 | -                          | -   | -                                   | -                | (8,312)               |
| <b>Net surplus (deficit)</b>               | <b>\$ 15,210</b>              | <b>\$ 37,183</b>               | <b>\$ 859,058</b>                  | <b>\$ 1,338,925</b>        | <b>\$ (4,501)</b>                 | <b>\$ (25,903)</b>         | <b>\$ 237,839</b>                               | <b>\$ 14,498</b>                    | <b>\$ 54,721</b> | <b>\$ 2,527,030</b>   |

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

December 31, 2013

### 23. Segmented Information (continued)

| For the year ended<br>December 31          | General<br>Government | Protection<br>Services | Transportation<br>Services | Sewer and<br>Water  | Environmental<br>Services | Health Services  | Recreation and<br>Cultural<br>Services | Planning and<br>Development | 2012<br>Total       |
|--|-----------------------|------------------------|----------------------------|---------------------|---------------------------|------------------|--|-----------------------------|---------------------|
| <b>Revenue</b>                             |                       |                        |                            |                     |                           |                  |  |                             |                     |
| Taxation                                   | \$ 1,480,661          | \$ 2,656,479           | \$ 43,549                  | \$ (1,829,052)      | \$ 914,526                | \$ 43,549        | \$ 609,684                             | \$ 435,489                  | \$ 4,354,885        |
| Fees and user charges                      | 78,678                | 130,888                | 15,498                     | 1,788,476           | 958                       | 33,671           | 541,083                                | 90,573                      | 2,679,825           |
| Specific grants                            | 45,000                | 79,081                 | 5,180                      | 4,944               | 46,669                    | -                | 212,108                                | -                           | 392,982             |
| OMPF grant                                 | 350,608               | 629,032                | 10,312                     | (433,104)           | 216,552                   | 10,312           | 144,368                                | 103,120                     | 1,031,200           |
| Other revenue                              | 146,809               | 135,820                | 1,459,476                  | 1,612,242           | 4,070                     | 5,349            | 261,231                                | 3,179                       | 3,628,176           |
| Obligatory reserve fund revenue recognized | -                     | -                      | 158,021                    | 702,113             | -                         | -                | 247                                    | -                           | 860,381             |
|  | <u>2,101,756</u>      | <u>3,631,300</u>       | <u>1,692,036</u>           | <u>1,845,619</u>    | <u>1,182,775</u>          | <u>92,881</u>    | <u>1,768,721</u>                       | <u>632,361</u>              | <u>12,947,449</u>   |
| <b>Expenses</b>                            |                       |                        |                            |                     |                           |                  |  |                             |                     |
| Salaries and benefits                      | 803,166               | 1,609,909              | 527,343                    | 77,581              | 7,816                     | 34,803           | 602,850                                | 31,389                      | 3,694,857           |
| Interest on debt                           | -                     | -                      | 3,327                      | 138,306             | -                         | -                | -                                      | -                           | 141,633             |
| Materials and supplies                     | 257,775               | 302,522                | 523,554                    | 608,419             | 270                       | 22,282           | 447,431                                | 59,390                      | 2,221,643           |
| Contracted services                        | 84,688                | 1,927                  | 105,931                    | 636,556             | 634,603                   | -                | 148,099                                | 282,481                     | 1,894,285           |
| Other transfers                            | -                     | 33,328                 | -                          | -                   | -                         | -                | (165,619)                              | (4,400)                     | (136,691)           |
| Rents and financial Expenses               | 2,385                 | -                      | -                          | -                   | -                         | -                | -                                      | -                           | 2,385               |
| Amortization                               | 73,581                | 132,413                | 337,953                    | 774,001             | -                         | 896              | 361,410                                | -                           | 1,680,254           |
|  | <u>1,221,595</u>      | <u>2,080,099</u>       | <u>1,498,108</u>           | <u>2,234,863</u>    | <u>642,689</u>            | <u>57,981</u>    | <u>1,394,171</u>                       | <u>368,860</u>              | <u>9,498,366</u>    |
| Restatement of opening surplus             | -                     | (4,636)                | -                          | -                   | -                         | -                | -                                      | -                           | (4,636)             |
| <b>Net surplus (deficit)</b>               | <b>\$ 880,161</b>     | <b>\$ 1,546,565</b>    | <b>\$ 193,928</b>          | <b>\$ (389,244)</b> | <b>\$ 540,086</b>         | <b>\$ 34,900</b> | <b>\$ 374,550</b>                      | <b>\$ 263,501</b>           | <b>\$ 3,444,447</b> |

**The Corporation of the Town of Shelburne**  
**Trust Funds**  
**Financial Statements**  
**For the year ended December 31, 2013**

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the trust funds of The Corporation of the Town of Shelburne, which comprise the balance sheet as at December 31, 2013 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 and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. 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 organization's preparation and fair presentation of the 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 organization'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 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 financial statements 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, 2013 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  
March 20, 2014

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

**December 31**

|                                     | Lost<br>Soldiers<br>Fund | Development<br>in Trust | Cemetery<br>Maint &<br>Equipment | Cemetery<br>Perpetual<br>Care | Prepaid<br>Burial<br>Fund | <b>2013<br/>Total</b> | 2012<br>Total       |
|-------------------------------------|--------------------------|-------------------------|----------------------------------|-------------------------------|---------------------------|-----------------------|---------------------|
|                                     |                          |                         |                                  |                               |                           |                       | (restated)          |
| <b>Current assets</b>               |                          |                         |                                  |                               |                           |                       |                     |
| Cash                                | \$ -                     | \$ 1,145,566            | \$ 23,533                        | \$ 45,754                     | \$ 13,068                 | <b>\$ 1,227,921</b>   | \$ 842,749          |
| Due from Town of Shelburne          | -                        | -                       | -                                | -                             | -                         | -                     | 1,950               |
| Investments (Note 2)                | -                        | -                       | 34,941                           | 221,479                       | -                         | <b>256,420</b>        | 257,272             |
|                                     | <b>\$ -</b>              | <b>\$ 1,145,566</b>     | <b>\$ 58,474</b>                 | <b>\$ 267,233</b>             | <b>\$ 13,068</b>          | <b>\$ 1,484,341</b>   | <b>\$ 1,101,971</b> |
| <b>Liabilities and fund balance</b> |                          |                         |                                  |                               |                           |                       |                     |
| Due to Town of Shelburne            | \$ -                     | \$ 3,887                | \$ -                             | \$ -                          | 714                       | <b>\$ 4,601</b>       | \$ 6,433            |
| Fund balance                        | \$ -                     | \$ 1,141,679            | \$ 58,474                        | \$ 267,233                    | \$ 12,354                 | <b>\$ 1,479,740</b>   | \$ 1,095,538        |
|                                     | <b>\$ -</b>              | <b>\$ 1,145,566</b>     | <b>\$ 58,474</b>                 | <b>\$ 267,233</b>             | <b>13,068</b>             | <b>\$ 1,484,341</b>   | <b>\$ 1,101,971</b> |

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



**The Corporation of The Town of Shelburne**  
**Trust Funds**  
**Statement of Continuity**

**December 31**

|                                   | Lost<br>Soldiers<br>Fund | Development<br>in Trust | Cemetery<br>Maint &<br>Equipment | Cemetery<br>Perpetual<br>Care | Prepaid<br>Burial<br>Fund | <b>2013<br/>Total</b> | 2012<br>Total<br>(restated) |
|-----------------------------------|--------------------------|-------------------------|----------------------------------|-------------------------------|---------------------------|-----------------------|-----------------------------|
| <b>Balance, beginning of year</b> | \$ 1,253                 | \$ 767,399              | \$ 56,514                        | \$ 257,449                    | \$ 12,923                 | <b>\$ 1,095,538</b>   | \$ 304,361                  |
| <b>Receipts</b>                   |                          |                         |                                  |                               |                           |                       |                             |
| Fees                              | -                        | 564,073                 | -                                | 9,838                         | -                         | <b>573,911</b>        | 618,436                     |
| Cemetery maintenance fee          | -                        | -                       | 2,076                            | -                             | -                         | <b>2,076</b>          | 1,700                       |
| Interest earned                   | 15                       | 7,887                   | 231                              | 4,288                         | 145                       | <b>12,566</b>         | 7,433                       |
| Transfer from revenue             | -                        | -                       | -                                | -                             | -                         | <b>-</b>              | 538,100                     |
|                                   | 15                       | 571,960                 | 2,307                            | 14,126                        | 145                       | <b>588,553</b>        | 1,165,669                   |
| <b>Expenses</b>                   | 1,268                    | 197,680                 | 347                              | 4,342                         | 714                       | <b>204,351</b>        | 374,492                     |
| <b>Balance, end of year</b>       | \$ -                     | \$ 1,141,679            | \$ 58,474                        | \$ 267,233                    | \$ 12,354                 | <b>\$ 1,479,740</b>   | \$ 1,095,538                |

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

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

**December 31, 2013**

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## **1. Summary of Significant Accounting Policies**

|                                    |  |
|------------------------------------|--|
| <b>Management Responsibility</b>   | The financial information 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.   |
| <b>Use of Estimates</b>            | The preparation of this 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. |
| <b>Basis of Consolidation</b>      | These trust funds have not been consolidated with the consolidated financial statements of the municipality  |
| <b>Accrual Basis of Accounting</b> | 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.   |
| <b>Financial Instruments</b>       | The organization classifies all of its financial instruments at amortized cost. The maximum exposure to credit risk is the carrying value of the financial instruments. These financial instruments include cash, due from/to Town of Shelburne, and investments. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.   |

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

**December 31, 2013**

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**Financial Instruments  
(continued)**

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

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

**December 31, 2013**

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### 2. Investments

|  | <u>2013</u>       | <u>2012</u>       |
|--|-------------------|-------------------|
| Term deposits earning 1% - 2.5%, maturing<br>March 5, 2014 - June 17, 2014 (2012 -<br>March 5, 2013 - June 17, 2014) | <b>\$ 256,420</b> | <b>\$ 257,272</b> |

Investments have a market value of \$259,698 (2012 - \$259,034) at the end of the year.

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### 3. Change in Comparative Information

Historically, development in trust funds were reported in the Town of Shelburne consolidated financial statements. At year end, management determined that it would be more appropriate to include development in trust funds in the Town of Shelburne Trust Fund Financial Statements. This change has been reported retrospectively. The impact of this change was as follows:

Balance Sheet as at December 31, 2012

|                          | As originally<br>reported | Adjustment  | Restated            |
|--------------------------|---------------------------|-------------|---------------------|
| Cash                     | \$ 68,917                 | \$ 773,832  | \$ 842,749          |
| Due to Town of Shelburne | -                         | (6,433)     | (6,433)             |
| Fund balance             | (328,139)                 | (767,399)   | (1,095,538)         |
|                          | <b>\$ (259,222)</b>       | <b>\$ -</b> | <b>\$ (259,222)</b> |

Statement of Continuity for the year ended December 31, 2012

|                 | As originally<br>reported | Adjustment        | Restated          |
|-----------------|---------------------------|-------------------|-------------------|
| Fees            | \$ 22,186                 | \$ 596,250        | \$ 618,436        |
| Interest earned | 1,000                     | 6,433             | 7,433             |
| Expenses        | (1,108)                   | (373,384)         | (374,492)         |
|                 | <b>\$ 22,078</b>          | <b>\$ 229,299</b> | <b>\$ 251,377</b> |

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

**December 31, 2013**

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**4. Financial Instrument Risk Management**

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk arising from its bank balance and amounts due from the Town of Shelburne.

Interest Rate Risk

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

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

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