

**The Corporation of the
Town of Shelburne
Financial Statements
For the year ended December 31, 2014**

The Corporation of the Town of Shelburne
Financial Statements
For the year ended December 31, 2014

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Tel: 519 941 0681
Fax: 519 941 8272
www.bdo.ca

BDO Canada LLP
77 Broadway
Orangeville ON L9W 1K1 Canada

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, 2014 and the consolidated statements of operations and accumulated surplus, changes in net financial assets 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, 2014 and the results of its operations and accumulated surplus, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Orangeville, Ontario
March 17, 2015

The Corporation of the Town of Shelburne

Consolidated Statement of Financial Position

December 31	2014	2013
Assets and Liabilities		
Financial Assets		
Cash (Note 1)	\$ 8,515,076	\$ 5,241,848
Temporary investments (Note 2)	130,024	129,800
Taxes receivable	699,980	683,102
Trade and other receivable	969,274	991,103
Long-term receivables	5,115	1,820
	<u>10,319,469</u>	<u>7,047,673</u>
Liabilities		
Accounts payable and accrued liabilities	674,086	822,887
Deferred revenue (Note 3)	4,152,362	1,823,058
Long-term liabilities (Note 4)	4,266,916	4,686,924
Landfill site closure and post-closure liability (Note 5)	327,914	614,919
	<u>9,421,278</u>	<u>7,947,788</u>
Net financial assets (liabilities)	898,191	(900,115)
Non-financial Assets		
Inventory of supplies	80,205	58,236
Prepays	360	46,896
Tangible capital assets (Note 6)	50,490,414	50,806,802
Accumulated surplus (Note 7)	\$ 51,469,170	\$ 50,011,819
Contingent Liabilities (Note 18)		

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

For the year ended December 31	2014 Budget	2014 Actual	2013 Actual
Revenue			
Taxation	\$ 4,521,820	\$ 4,902,138	\$ 4,394,203
Fees and user charges	2,720,323	3,015,748	2,760,633
Grants (Note 13)	4,306,433	1,688,975	1,580,098
Other income (Note 11)	205,159	496,579	253,799
Development charges and gas tax revenue recognized (Note 3)	297,215	652,249	2,441,622
	<u>12,050,950</u>	<u>10,755,689</u>	<u>11,430,355</u>
Expenses			
General government	1,328,954	1,242,836	1,324,603
Protection services	2,476,475	2,442,618	2,132,453
Transportation services	1,761,919	1,827,134	1,586,963
Environmental services	2,174,033	1,859,194	2,063,622
Health services	55,342	51,125	64,484
Recreation and cultural services	1,590,619	1,439,830	1,429,486
Planning and development	382,926	428,875	293,402
	<u>9,770,268</u>	<u>9,291,612</u>	<u>8,895,013</u>
	2,280,682	1,464,077	2,535,342
Restatement of opening surplus (Note 19)	<u>-</u>	<u>(6,726)</u>	<u>(8,312)</u>
Annual surplus	2,280,682	1,457,351	2,527,030
Accumulated surplus, beginning of year	<u>50,011,819</u>	<u>50,011,819</u>	<u>47,484,789</u>
Accumulated surplus, end of year	<u>\$ 52,292,501</u>	<u>\$ 51,469,170</u>	<u>\$ 50,011,819</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 Financial Assets

For the year ended December 31	2014 Budget	2014 Actual	2013 Actual
Annual surplus	\$ 2,280,682	\$ 1,457,351	\$ 2,527,030
Acquisition of tangible capital assets	(5,791,167)	(1,437,361)	(1,815,810)
Amortization of tangible capital assets	1,753,749	1,753,749	1,782,060
Gain on sale of tangible capital assets	-	(1,057)	-
Proceeds on sale of tangible capital assets	-	1,057	-
	<u>(4,037,418)</u>	<u>316,388</u>	<u>(33,750)</u>
Change in prepaids	-	46,536	(45,199)
Change in inventory of supplies	-	(21,969)	1,244
	<u>-</u>	<u>24,567</u>	<u>(43,955)</u>
Increase (decrease) in net financial assets	(1,756,736)	1,798,306	2,449,325
Net financial assets (liabilities), beginning of the year	<u>(900,115)</u>	<u>(900,115)</u>	<u>(3,349,440)</u>
Net financial assets (liabilities), end of the year	<u>\$ (2,656,851)</u>	<u>\$ 898,191</u>	<u>\$ (900,115)</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 Cash Flows

For the year ended December 31

2014

2013

Cash provided by (used in)

Operating activities

Annual surplus	\$ 1,457,351	\$ 2,527,030
Items not involving cash		
Landfill site closure and post-closure liability	(287,005)	86,907
Amortization of tangible capital assets	1,753,749	1,782,060
Change in prepaids	46,536	(45,199)
Gain on sale of tangible capital assets	(1,057)	-
Change in inventory of supplies	(21,969)	1,244
Income from contribution of tangible capital assets	(170,481)	-
	<u>2,777,124</u>	<u>4,352,042</u>
Change in non-cash working capital balances		
Decrease (increase) in taxes receivable	(16,878)	46,926
Decrease in trade and other receivable	21,829	176,325
Increase (decrease) in accounts payable and accrued liabilities	(148,801)	134,271
Increase in deferred revenue	2,329,304	412,079
Decrease (increase) in long-term receivables	(3,295)	4,708
	<u>4,959,283</u>	<u>5,126,351</u>

Capital transactions

Cash used to acquire tangible capital assets	(1,266,880)	(1,815,810)
Proceeds on sale of tangible capital assets	1,057	-
	<u>(1,265,823)</u>	<u>(1,815,810)</u>

Financing activities

Net repayments of long-term liabilities	(420,008)	(391,650)
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Net change in cash and cash equivalents

3,273,452 2,918,891

Cash and cash equivalents, beginning of year

5,371,648 2,452,757

Cash and cash equivalents, end of year

\$ 8,645,100 \$ 5,371,648

Cash and cash equivalents comprised of:

Cash	\$ 8,515,076	\$ 5,241,848
Temporary investments	130,024	129,800

\$ 8,645,100 \$ 5,371,648

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

December 31, 2014

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 Professional 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 -
47.98%, 2013 - 48.47%)

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.

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

December 31, 2014

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, 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.

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.

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

December 31, 2014

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	<p>Fees and user charges are recognized when the related service is provided.</p> <p>Contributions are recognized based on the terms of the grant or the year that the related expenses occur.</p> <p>Other income is recognized when receivable.</p>
Taxation and Related Revenues	<p>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.</p> <p>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.</p> <p>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.</p>
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.

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

December 31, 2014

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.

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.

The Corporation of the Town of Shelburne

Notes to Financial Statements

December 31, 2014

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%.

2. Temporary Investments

	2014	2013
Cashable/non-deemable guaranteed investment certificates earning 0.8% - 1.3% (2013 - 0.8% - 1.3%), maturing January 3, 2015 (2013 - January 3, 2014).	\$ 130,024	\$ 129,800

Investments have a market value of \$130,024 (2013 - \$129,800) at the end of the year.

3. Deferred Revenue

	2014	2013
Obligatory reserve funds		
Development charges	\$ 4,130,012	\$ 1,818,096
Federal gas tax	15,967	76
	4,145,979	1,818,172
Other		
Deferred recreation revenue	6,383	4,886
	\$ 4,152,362	\$ 1,823,058

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

	Development Charges	Federal Gas Tax	Total
Obligatory reserve fund, beginning of year	\$ 1,818,096	\$ 76	\$ 1,818,172
Restricted funds received during the year	2,770,784	173,494	2,944,278
Interest earned	35,435	343	35,778
Expenses recognized during the year	(494,303)	(157,946)	(652,249)
Obligatory reserve fund, end of year	\$ 4,130,012	\$ 15,967	\$ 4,145,979

The Corporation of the Town of Shelburne

Notes to Financial Statements

December 31, 2014

4. Long-term Liabilities

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

	<u>2014</u>	<u>2013</u>
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.	\$ 1,158,821	\$ 1,239,758
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.	1,333,595	1,391,023
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.	760,138	1,003,065
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.	<u>1,014,362</u>	<u>1,053,078</u>
	<u>\$ 4,266,916</u>	<u>\$ 4,686,924</u>

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

2015	\$ 431,119
2016	442,527
2017	454,304
2018	202,196
2019	209,035
Thereafter	2,527,735

Interest expense in the amount of \$143,886 (2013 - \$150,620) 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, 2014

5. 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 \$327,914 at December 31, 2014 (2013 - \$614,919). The liability was estimated based upon current monitoring costs of \$15,000 (2013 - \$15,000) annually inflated at a rate of 1.26% (2013 - 1.26%) per year and discounted at a rate of 3.43% (2013 - 3.43%) for 28 years (2013 - an indefinite period).

The Corporation of the Town of Shelburne
Notes to Financial Statements

December 31, 2014

6. Tangible Capital Assets

								2014
	Land	Land Improvements	Buildings	Vehicles	Equipment	Roads and Bridges	Water and Sewer Systems	Total
Cost, beginning 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
Additions	114,286	262,098	302,904	12,950	182,564	232,027	330,532	1,437,361
Disposals	-	-	-	(77,366)	-	-	-	(77,366)
Cost, end of year	3,775,995	3,576,008	21,828,393	2,381,696	3,368,349	12,612,033	25,327,009	72,869,483
Accumulated amortization, beginning of year	-	684,165	6,704,166	1,231,832	2,112,731	4,457,699	5,512,093	20,702,686
Amortization	-	56,806	623,675	189,411	178,794	336,971	368,092	1,753,749
Disposals	-	-	-	(77,366)	-	-	-	(77,366)
Accumulated amortization, end of year	-	740,971	7,327,841	1,343,877	2,291,525	4,794,670	5,880,185	22,379,069
Net carrying amount, end of year	\$ 3,775,995	\$ 2,835,037	\$ 14,500,552	\$ 1,037,819	\$ 1,076,824	\$ 7,817,363	\$ 19,446,824	\$ 50,490,414

The Corporation of the Town of Shelburne
Notes to Financial Statements

December 31, 2014

6. Tangible Capital Assets (continued)

								2013
	Land	Land Improvements	Buildings	Vehicles	Equipment	Roads and Bridges	Water and Sewer Systems	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, 2014

6. 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 \$1,004,998 (2013 - \$1,298,515).

\$170,481 (2013 - \$NIL) in contributed land improvement 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.

7. Accumulated Surplus

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

	2014	2013
Investment in Tangible Capital Assets		
Tangible capital assets purchased	\$ 50,490,414	\$ 50,806,802
Capital assets financed by long-term liabilities, to be funded in future years	(4,266,916)	(4,686,923)
	<u>46,223,498</u>	<u>46,119,879</u>
Incomplete capital projects already financed	36,935	36,935
Shelburne Library Board	106,003	106,003
Centre Dufferin Recreation Complex	120,909	149,181
Shelburne Business Improvement Area	15,883	21,282
Shelburne and District Fire Department	29,822	33,635
Unfunded solid waste closure and post-closure costs	(327,914)	(614,919)
	<u>(18,362)</u>	<u>(267,883)</u>
	46,205,136	45,851,996
Reserves and reserve funds (Note 8)	<u>5,264,034</u>	<u>4,159,823</u>
Accumulated surplus	<u>\$ 51,469,170</u>	<u>\$ 50,011,819</u>

During the year, \$382,907 (2013 - \$284,374) was transferred to reserves, as approved by Council.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2014

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

	<u>2014</u>	<u>2013</u>
Reserves		
Contingencies	\$ 362,572	\$ 362,573
Current purposes	409,652	508,298
Capital purposes	<u>4,303,407</u>	<u>3,179,686</u>
	<u>5,075,631</u>	<u>4,050,557</u>
 Reserve funds		
Current purposes	5,102	4,477
Capital purposes	<u>183,301</u>	<u>104,789</u>
	<u>188,403</u>	<u>109,266</u>
 Reserves and reserve funds set aside for specific purpose by Council	 <u>\$ 5,264,034</u>	 <u>\$ 4,159,823</u>

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2014

9. Budgets

Under Canadian Public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net financial assets for comparative purposes. The 2014 budget amounts for the Town of Shelburne approved by Council have been reclassified to conform to the presentation of the consolidated statement of operations and changes in net financial assets. The following is a reconciliation of the budget approved by Council.

	2014 Budget	2014 Actual	2013 Actual
Annual surplus (Page 4)	\$ 2,280,682	\$ 1,457,351	\$ 2,527,030
Amortization	1,753,749	1,753,749	1,782,060
Change in unfunded liabilities	-	(287,005)	86,907
Change in other surpluses	-	37,484	(59,993)
	4,034,431	2,961,579	4,336,004
Net transfers (to) from reserves	62,416	(1,104,211)	(2,293,138)
Capital acquisitions less disposals and write-down	(5,791,167)	(1,437,361)	(1,815,810)
Capital projects not funded	-	-	680,297
Prior year capital projects (funded) expended	-	-	(907,353)
Proceeds from long-term debt	2,114,327	-	-
Debt principal repayments	(420,007)	(420,007)	-
General surplus (Note 7)	\$ -	\$ -	\$ -

The Corporation of the Town of Shelburne

Notes to Financial Statements

December 31, 2014

10. 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:

	0 - 30 days	31 - 90 days	91 to 365 days	1 to 2 years	3 to 10 years
Cash	\$ 8,515,076	\$ -	\$ -	\$ -	-
Temporary investments	130,024	-	-	-	-
Trade and other receivable	872,670	96,604	-	-	-
Long-term receivables	-	-	-	5,115	-
Net amount receivable	<u>\$ 9,517,770</u>	<u>\$ 96,604</u>	<u>\$ -</u>	<u>\$ 5,115</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:

	0 - 30 days	31 - 90 days	91 to 365 days	1 to 5 years	6 years and later
Accounts payable and accrued liabilities	\$ 674,086	\$ -	\$ -	\$ -	-
Deferred recreation revenue	6,383	-	-	-	-
Long-term liabilities	-	-	-	1,739,181	2,527,735
Total financial liabilities	<u>\$ 680,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,739,181</u>	<u>\$ 2,527,735</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, 2014

11. Other Income

	2014	2014	2013
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 96,539	\$ 100,357	\$ 97,828
Investment income	35,470	76,857	39,292
Rents, concessions and franchises	10,150	28,850	12,322
Donations	5,000	27,815	52,498
Contributed tangible capital assets	-	170,481	-
Gain on sale of assets	-	1,057	-
Other	58,000	91,162	51,859
	<u>\$ 205,159</u>	<u>\$ 496,579</u>	<u>\$ 253,799</u>

12. 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 47.98% (2013 - 48.47%) proportionate interest of the following:

	2014	2013
Financial assets	\$ 452,053	\$ 295,465
Liabilities	7,861	9,878
Net financial assets	444,192	285,587
Non-financial assets	988,593	1,087,026
Accumulated surplus	<u>\$ 1,432,785</u>	<u>\$ 1,372,613</u>
Revenues	\$ 524,710	\$ 513,125
Expenses	464,538	459,954
Annual surplus	<u>\$ 60,172</u>	<u>\$ 53,171</u>

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2014

13. Grants

	2014	2014	2013
	Budget	Actual	Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 840,700	\$ 840,700	\$ 1,077,900
Conditional - Roads	5,100	5,367	5,806
- Other	99,046	134,699	153,673
	944,846	980,766	1,237,379
Government of Canada			
Conditional - Other	10,500	10,997	21,495
Other Municipalities			
Conditional - Other	297,361	196,061	192,597
Total operating grants	1,252,707	1,187,824	1,451,471
Tangible Capital Asset			
Province of Ontario			
Conditional - Roads	2,000,000	-	-
- Sewer and water	526,863	230,003	-
	2,526,863	230,003	-
Government of Canada			
Conditional - Sewer and water	526,863	230,003	-
- Recreation	-	41,145	128,627
	526,863	271,148	128,627
Total tangible capital asset grants	3,053,726	501,151	128,627
Total grants	\$ 4,306,433	\$ 1,688,975	\$ 1,580,098

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2014

14. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 32 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 2014 was \$256,112 (2013 - \$219,804) 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.

15. 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:

	2014	2013
School boards	\$ 1,926,769	\$ 1,816,391
County of Dufferin	2,647,406	2,384,231
	<u>\$ 4,574,175</u>	<u>\$ 4,200,622</u>

16. Trust Funds

The trust funds administered by the municipality amounting to \$1,954,280 (2013 - \$1,479,740) 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, 2014

17. Contractual Commitments

The Town of Shelburne has entered into the following contracts:

- a) A five-year 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 \$497,622 per year, beginning January 1, 2015, 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 \$2,228,000 on capital projects in 2015 and beyond on various administration, and recreation capital projects.

18. 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.

19. Restatement of Opening Surplus

In the current year, the Town's percentage share of operations of the Shelburne Fire Department decreased to 47.98% (2013 - 48.47%). As a result of the decrease in percentage, there has been a restatement of opening accumulated surplus of (\$6,726) (2013 - (\$8,312)).

The Corporation of the Town of Shelburne

Notes to Financial Statements

December 31, 2014

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, 2014

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 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, 2014

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	2014 Total
Revenue									
Taxation	\$ 980,428	\$ 2,304,005	\$ 1,764,770	\$ (588,257)	\$ (294,128)	\$ -	\$ 441,192	\$ 294,128	\$ 4,902,138
Fees and user charges	44,617	135,903	6,824	2,185,325	15,938	56,158	513,692	57,291	3,015,748
Specific grants	35,352	8,800	5,367	495,747	44,775	-	258,234	-	848,275
OMPF grant	168,140	395,129	302,652	(100,884)	(50,442)	-	75,663	50,442	840,700
Other revenue	172,971	27,024	-	8,293	-	3,488	229,870	54,933	496,579
Obligatory reserve fund revenue recognized	54,206	-	267,203	194,559	-	-	136,281	-	652,249
	<u>1,455,714</u>	<u>2,870,861</u>	<u>2,346,816</u>	<u>2,194,783</u>	<u>(283,857)</u>	<u>59,646</u>	<u>1,654,932</u>	<u>456,794</u>	<u>10,755,689</u>
Expenses									
Salaries and benefits	889,128	1,845,001	599,406	147,570	8,968	38,098	596,156	44,642	4,168,969
Interest on debt	-	-	12,011	131,875	-	-	-	-	143,886
Materials and supplies	253,767	427,139	650,360	464,049	3,420	12,185	448,832	74,874	2,334,626
Contracted services	35,507	3,497	97,430	630,008	(239,758)	-	5,633	313,759	846,076
Other transfers	-	33,897	-	-	-	-	12,963	(4,400)	42,460
Rents and financial expenses	1,846	-	-	-	-	-	-	-	1,846
Amortization	62,588	133,084	467,927	713,062	-	842	376,246	-	1,753,749
	<u>1,242,836</u>	<u>2,442,618</u>	<u>1,827,134</u>	<u>2,086,564</u>	<u>(227,370)</u>	<u>51,125</u>	<u>1,439,830</u>	<u>428,875</u>	<u>9,291,612</u>
Restatement of opening surplus	-	(6,726)	-	-	-	-	-	-	(6,726)
Net surplus (deficit)	\$ 212,878	\$ 421,517	\$ 519,682	\$ 108,219	\$ (56,487)	\$ 8,521	\$ 215,102	\$ 27,919	\$ 1,457,351

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2014

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	2013 Total
Revenue									
Taxation	\$ 878,841	\$ 1,581,913	\$ 1,318,261	\$ -	\$ 43,942	\$ -	\$ 351,536	\$ 219,710	\$ 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	323,370	-	10,779	-	86,232	53,895	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>2,500,742</u>	<u>3,279,216</u>	<u>118,830</u>	<u>38,581</u>	<u>1,667,326</u>	<u>307,900</u>	<u>11,430,355</u>
Expenses									
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	-	7,870	227,370	1,153,534
Other transfers	-	33,789	-	-	-	-	13,900	(4,400)	43,289
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>8,895,013</u>
Restatement of opening surplus	-	(8,312)	-	-	-	-	-	-	(8,312)
Net surplus (deficit)	\$ 15,210	\$ 37,183	\$ 913,779	\$ 1,338,925	\$ (4,501)	\$ (25,903)	\$ 237,839	\$ 14,498	\$ 2,527,030

**The Corporation of the Town of Shelburne
Trust Funds
Financial Information
For the year ended December 31, 2014**



Tel: 519 941 0681
Fax: 519 941 8272
www.bdo.ca

BDO Canada LLP
77 Broadway
Orangeville ON L9W 1K1 Canada

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 financial information of the trust funds of The Corporation of the Town of Shelburne, which comprise the balance sheet as at December 31, 2014 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 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 are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 are 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 organization'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 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 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, 2014 and the continuity of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Orangeville, Ontario
March 17, 2015

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

December 31

	Development in Trust	Cemetery Maint & Equipment	Cemetery Perpetual Care	Prepaid Burial Fund	2014 Total	2013 Total
Current Assets						
Cash	\$ 1,601,679	\$ 26,233	\$ 58,190	\$ 11,758	\$1,697,860	\$ 1,227,921
Investments (Note 2)	-	34,941	221,479	-	256,420	256,420
	\$ 1,601,679	\$ 61,174	\$ 279,669	\$ 11,758	\$1,954,280	\$ 1,484,341
Liabilities and Fund Balance						
Due to Town of Shelburne	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,601
Fund balance	1,601,679	61,174	279,669	11,758	1,954,280	1,479,740
	\$ 1,601,679	\$ 61,174	\$ 279,669	11,758	\$1,954,280	\$ 1,484,341

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

	Development in Trust	Cemetery Maint & Equipment	Cemetery Perpetual Care	Prepaid Burial Fund	2014 Total	2013 Total
Balance, beginning of year	\$ 1,141,679	\$ 58,474	\$ 267,233	\$ 12,354	\$1,479,740	\$ 1,095,538
Receipts						
Fees	468,000	-	12,436	-	480,436	573,911
Cemetery maintenance fee	-	2,700	-	-	2,700	2,076
Interest earned	16,754	314	4,143	159	21,370	12,566
	484,754	3,014	16,579	159	504,506	588,553
Expenses	24,754	314	4,143	755	29,966	204,351
Balance, end of year	\$ 1,601,679	\$ 61,174	\$ 279,669	\$ 11,758	\$1,954,280	\$ 1,479,740

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 Summary of Significant Accounting Policies

December 31, 2014

Management Responsibility	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 Professional 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 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.
Basis of Consolidation	These trust funds have not been consolidated with the consolidated 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.
Financial Instruments	<p>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 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.</p> <p>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.</p>

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

December 31, 2014

1. Investments

	<u>2014</u>	<u>2013</u>
Term deposits earning 1.2% - 1.55% (2013 - 1% - 2.5%), maturing March 7, 2015 - April 25, 2017 (2013 - March 5, 2014 - June 17, 2014)	<u>\$ 256,420</u>	<u>\$ 256,420</u>

Investments have a market value of \$260,145 (2013 - \$259,698) at the end of the year.

2. 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.

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.
