

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF LAKESHORE**

Year ended December 31, 2012

THE CORPORATION OF THE TOWN OF LAKESHORE

Financial Statements

Year ended December 31, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Lakeshore, which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes, comprising 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 generally accepted accounting principles 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.

Auditors' 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 an 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 our 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, we consider internal controls relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Chartered Accountants, Licensed Public Accountants

June 11, 2013

Windsor, Canada

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THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Statement of Financial Position

December 31, 2012, with comparative figures for 2011

	2012	2011
Financial assets		
Cash and temporary investments	\$ 38,482,545	\$ 20,404,506
Taxes receivable	3,121,257	3,516,080
Trade and other receivables	2,149,941	2,760,672
Water receivables and unbilled revenue	1,917,904	1,819,555
Drainage receivables	2,295,244	2,053,588
Drainage debt recoverable from others	1,414,983	1,420,731
Inventory held for resale	27,415	22,295
Investments (note 2)	588,289	2,491,011
	<u>\$ 49,997,578</u>	<u>\$ 34,488,438</u>
Financial liabilities		
Short term loans (note 4)	\$ 1,023,931	\$ 1,200,000
Accounts payable and accrued liabilities	8,074,905	4,647,589
Deposits	1,176,905	1,275,599
Deferred revenue (note 5)	21,305,240	4,411,443
Accrued interest on long-term liabilities	245,098	240,795
Net long-term liabilities (note 6)	26,780,076	27,893,620
Due to municipalities	26,391	34,403
Post-employment benefits (note 8)	995,772	960,931
Accumulated vested sick leave (note 9)	64,780	64,803
Landfill closure cost liability (note 10)	651,843	668,266
	<u>60,344,941</u>	<u>41,397,449</u>
Net debt	(10,347,363)	(6,909,011)
Non-financial assets		
Tangible capital assets (Schedule 1)	255,369,182	245,618,827
Inventories of supplies	91,596	95,391
Prepaid expenses	208,588	149,978
	<u>255,669,366</u>	<u>245,864,196</u>
Contingencies (note 14)		
Accumulated surplus (Schedule 4)	<u>\$ 245,322,003</u>	<u>\$ 238,955,185</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2012, with comparative figures for 2011

	2012 Budget	2012 Actual	2011 Actual
	(unaudited - note 16)		
Revenue:			
Taxation	\$ 21,315,945	\$ 21,373,462	\$ 20,299,154
User charges:			
Sewer	4,008,527	4,145,819	3,881,537
Water	7,161,850	7,269,733	6,883,784
Recreation	1,312,558	1,529,373	1,402,992
Other	699,622	721,568	366,081
Government transfers	1,326,312	1,954,666	1,433,866
Other (note 11)	1,281,055	1,778,958	2,339,276
Deferred revenue earned (Schedule 2)	990,493	1,537,859	797,466
	<u>38,096,362</u>	<u>40,311,438</u>	<u>37,404,156</u>
Expenses:			
General government	3,685,528	5,918,312	1,774,322
Protection to persons and property	8,474,603	8,402,287	8,031,448
Roadways and street lighting	7,898,114	8,066,643	7,814,185
Environmental services	13,648,773	13,866,341	13,977,178
Recreation and cultural services	3,244,196	3,583,686	3,671,148
Planning and development	1,232,167	1,162,340	1,080,640
	<u>38,183,381</u>	<u>40,999,609</u>	<u>36,348,921</u>
Net revenue (expenses)	(87,019)	(688,171)	1,055,235
Other:			
Grants and revenues (expenses) related to capital:			
Deferred revenue earned (Schedule 2)	2,309,000	2,326,480	2,151,656
Government transfers	600,000	634,191	431,303
Contribution from (payment to) developers	-	4,047,951	(1,115,372)
Other	10,000	46,367	50,000
	<u>2,919,000</u>	<u>7,054,989</u>	<u>1,517,587</u>
Annual surplus	2,831,981	6,366,818	2,572,822
Accumulated surplus, beginning of year	238,955,185	238,955,185	236,382,363
Accumulated surplus, end of year	<u>\$ 241,787,166</u>	<u>\$ 245,322,003</u>	<u>\$ 238,955,185</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Statement of Change in Net Debt

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Annual surplus	\$ 6,366,818	\$ 2,572,822
Amortization of tangible capital assets	7,428,220	7,064,411
Acquisition of tangible capital assets	(17,489,255)	(7,308,469)
Loss on sale of tangible capital assets	285,210	224,742
Proceeds on sale of tangible capital assets	25,470	4,102
	(3,383,537)	2,557,608
Acquisition of inventories	(91,596)	(95,391)
Acquisition of prepaid expenses	(208,588)	(149,978)
Consumption of inventories	95,391	71,073
Consumption of prepaid expenses	149,978	159,778
	(3,438,352)	2,543,090
Change in net debt		
Net debt, beginning of year	(6,909,011)	(9,452,101)
Net debt, end of year	\$ (10,347,363)	\$ (6,909,011)

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Statement of Cash Flows

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 6,366,818	\$ 2,572,822
Items not involving cash:		
Amortization of tangible capital assets	7,428,220	7,064,411
Loss on sale of tangible capital assets	285,210	224,742
Change in non-cash operating working capital:		
Taxes, trade and water receivables	907,205	1,112,167
Prepaid expenses	(58,610)	9,800
Inventories	(1,325)	(10,216)
Drain receivables and debt recoverable from others	(235,908)	(402,550)
Accounts payable, accrued liabilities and deposits	3,328,622	(550,316)
Due to municipalities	(8,012)	(7,648)
Deferred revenue	16,893,797	948,014
Unfunded liabilities - interest, benefits, landfill	22,698	100,437
	34,928,715	11,061,663
Investing:		
Decrease in investments	1,902,722	556,093
	1,902,722	556,093
Capital:		
Acquisition of tangible capital assets	(17,489,255)	(7,308,469)
Proceeds on disposal of tangible capital assets	25,470	4,102
	(17,463,785)	(7,304,367)
Financing:		
Long-term debt issues	503,425	9,447,422
Debenture principal repayments	(1,616,969)	(1,382,635)
	(1,113,544)	8,064,787
Increase in cash and cash equivalents	18,254,108	12,378,176
Cash and cash equivalents, beginning of year	19,204,506	6,826,330
Cash and cash equivalents, end of year	\$ 37,458,614	\$ 19,204,506
Supplemental cash flow information:		
Cash and temporary investments	\$ 38,482,545	\$ 20,404,506
Short term capital loan	(1,023,931)	(1,200,000)
Cash and cash equivalents, end of year	\$ 37,458,614	\$ 19,204,506

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements

Year ended December 31, 2012

1. Significant accounting policies:

(a) Management responsibility:

The consolidated financial statements of The Corporation of the Town of Lakeshore ("Town") are the representations of management, prepared in accordance with accounting principles for local government as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

(b) 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.

(c) Basis of consolidation:

The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenses, reserves, reserve funds, and changes in investment in tangible capital assets of the Town.

The Town's proportionate share in the Union Water Supply System is accounted for on a proportionate consolidation basis, consistent with the Canadian public sector accounting standard's treatment for government units.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(d) Taxes receivable and related revenues:

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Town Council, incorporating amounts to be raised for local services and amounts the Town is required to collect on behalf of the Province of Ontario in respect to education taxes and the County of Essex in respect of upper tier taxes. A normal part of the assessment process is the issuance 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. Assessment and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded based upon management's estimate of the outcome taking into consideration historical trends. 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. Tax revenue is recorded net of reductions. Taxes receivable are reported net of any expense or allowance for doubtful accounts.

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They generally have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net financial assets for the year.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(i) 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. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	20 – 50 years
Buildings	40 – 50 years
Machinery and equipment	10 – 30 years
Vehicles	8 – 20 years
Water and waste plants and networks:	
Underground networks	40 – 100 years
Treatment plants and water storage towers	70 – 75 years
Processing equipment	10 – 60 years
Transportation:	
Roads	10 – 20 years
Bridges and structures	50 – 75 years
Sidewalks	30 years
Storm sewers	25 – 100 years
Trails and walking paths	15 years
Pooled assets	5 – 25 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time it is capitalized.

The Town has a capitalization threshold of \$10,000 – \$25,000, depending on the asset so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pools are computers, bunker gear and other fire equipment, generators, road signs and street lights.

(ii) Contribution of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(iii) Inventories:

Inventories held for consumption are recorded at the lower of cost or replacement cost.

(f) Investments:

Investments are recorded at cost. When there is a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

(g) Inventory:

Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.

(h) 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.

(i) County and school boards:

The municipality collects taxation revenue on behalf of the school boards and the County of Essex. The taxation, other revenues, expenses, assets, and liabilities with respect to the operations of the school boards and the County of Essex are not reflected in these financial statements. Amounts due from/to the County of Essex and the school boards are included in trade and other receivables/accounts payable and accrued liabilities on the consolidated statement of financial position.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(j) Employee future benefits:

The Town has adopted the accrual method for employee future benefits as required by the Canadian Institute of Chartered Accountants. The cost of future benefits earned by employees is determined using the projected benefit method prorated on service and assumption with respect to mortality and termination rates, retirement age and expected inflation rates with respect to employee benefit costs.

(k) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the period. Significant items subject to such estimates and assumptions include valuation allowances for receivables, certain accrued liabilities and liabilities related to employee future benefits, the liability for post closure costs and the carrying value of tangible capital assets. Actual results could differ from these estimates.

(l) Future accounting changes:

Effective for fiscal periods beginning on or after April 1, 2012, all governments will be required to adopt Public Sector Accounting Board Handbook ("PSAB") Section 3510, Tax Revenue. This standard provides guidance to governments on the accounting and reporting of tax revenue in the financial statements.

Effective for fiscal periods beginning on or after April 1, 2012, all governments will be required to adopt PSAB Section 3210, Government Transfers. This standard provides guidance on accounting and reporting of government transfers to both the transferring government and the recipient government.

Effective for fiscal periods beginning on or after April 1, 2012 all governments will be required to adopt PSAB section 3450, Financial Instruments and Section 2601, Foreign Currency Translation. Section 3450, provides guidance on how to account for financial instruments including derivatives. Section 2601, provides guidance on how to account for and report transactions that are denominated in foreign currency in government financial statements.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(l) Future accounting changes (continued):

Effective for fiscal periods beginning on or after April 1, 2014, all governments will be required to adopt PSAB Section 3260, Liability for Contaminated Sites. This standard provides guidance on how to account for and report a liability associated with the remediation of contaminated sites, defines which activities would be included in the liability for remediation, establishes when to recognize and how to measure a liability for remediation and provides guidance on financial statement presentation and disclosure.

Management is currently in the process of evaluating the potential impact of adopting these standards.

2. Investments:

	2012	2011
Own debentures	\$ 131,151	\$ 209,372
Ontario Savings Bonds – 3.0%, due June 2015	457,138	454,746
CIBC – 2.07% to 2.40%, due June 2012 to Feb 2013	–	1,522,738
City of Ottawa - 3.2%, due July 2013	–	304,155
	<u>\$ 588,289</u>	<u>\$ 2,491,011</u>

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2012

3. Equity in the Union Water Systems Board of Management:

The equity in the Union Water System Board of Management is made up as follows:

	2012	2011
Cash and investments	\$ 433,881	\$ 455,396
Accounts receivable	20,287	11,961
Accounts payable	(5,174)	(17,540)
	448,994	449,817
Due to related party	(26,391)	(34,403)
Long-term debt	(538,057)	(575,773)
Tangible capital assets	1,127,775	1,123,189
	1,012,321	962,830
Reserves	53,512	53,512
Reserve funds	395,482	396,305
	448,994	449,817
Tangible Capital Assets - net book value:		
Water – buildings and equipment	609,717	460,398
Water – linear	511,327	512,863
Water – assets under construction	6,731	149,928
	\$ 1,127,775	\$ 1,123,189

Included in the consolidated statement of operations and accumulated surplus is the Union Water System's share of:

	2012	2011
Amortization expense	\$ 26,508	\$ 24,827
Interest on long-term debt	53,691	55,906

The equity interest of each municipality shall be determined according to their proportional water consumption from the system. Lakeshore's equity in the System is 2.73% (2011 - 2.73%). The order also provides for the establishment of a Board of Management to govern the system.

4. Short term loan:

The balance is made up of \$1,023,931 (2011 – \$1,200,000) for capital drains, which carries an interest rate at prime minus 0.25% from TD Canada Trust. This loan is unsecured and due upon demand.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2012

5. Deferred revenue:

	2012	2011
Obligatory reserve funds:		
Development Charges Act and agreements	\$ 2,924,465	\$ 2,269,404
Parking and trees	74,920	43,720
Parkland	1,034,714	830,919
Gas tax	132,700	764,557
Building code	491,317	502,843
	\$ 4,658,116	\$ 4,411,443
Capital grant received but not earned	16,647,124	–
	21,305,240	4,411,443

The net change during the year in the deferred revenue balances is detailed in the Schedule 2 - Deferred Revenue.

6. Long-term liabilities:

The balance of long term liabilities reported on the consolidated statement of financial position comprise of the following:

	2012	2011
Total debentures payable, due 2013 to 2031	\$ 26,242,019	\$ 27,317,848
Share of Union Water System obligations	538,057	575,773
	\$ 26,780,076	\$ 27,893,621

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

2013	\$ 1,760,603
2014	1,764,575
2015	1,796,333
2016	1,787,846
2017	1,741,443
Thereafter	17,929,276

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2012

6. Long-term liabilities (continued):

Principal repayments on long-term debt will be funded as follows:

	2012	2011
Taxation	\$ 937,815	\$ 1,057,986
User taxes:		
Water	13,580,305	14,013,726
Sewer	10,846,973	10,783,075
Benefitting landowners	1,414,983	2,038,834
	<u>\$ 26,780,076</u>	<u>\$ 27,893,621</u>

Interest rates range from 2.64% to 6.95%. Total interest charges reported on the consolidated statement of operations and accumulated surplus is \$1,057,770 (2011 – \$909,322). Of this amount, \$475,329 (2011 - \$314,976) was paid from sewer rates, \$476,372 (2011 - \$496,902) from water rates \$47,767 (2011 - \$54,004) from tax rates and \$58,302 (2011 - \$43,440) from benefitting landowners.

7. Pension agreement:

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan on behalf of members of its staff. The plan is a defined contribution plan, which specifies the amount of the retirement benefits to be received by the employees based on the length of service and rate of pay. The amount contributed to OMERS for 2012 was \$519,835 (2011 – \$462,200).

8. Post employment benefits

Employees who meet the criteria of having a minimum of 10 years of service and are a minimum age of 55 can retire with the municipality paying for dental and health benefits to the age of 65. Assumptions used are as follows:

- a discount factor of 5.5% (2011 – 5.5%) was used
- an annual increase of 4% (2011 – 4%) for health and dental benefits was used
- in addition to the annual increase, inflation of 2% (2011 – 2%) was considered
- an employee will retire when they meet the criteria for a full pension from OMERS
- for those that will not meet the OMERS criteria, assume that they will retire at the age of 60
- all employees will stay until retirement

There are currently 8 former employees who are receiving these benefits.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2012

8. Post employment benefits (continued):

The liability based on the above assumptions at the year-end date is \$995,772 (2011 - \$960,931).

9. Liability for vested sick leave benefits:

Under the sick leave benefit plan, unused sick leave as at January 1, 2000 to a maximum of 100 days may be paid out at 50% when an employee leaves the Town's employment.

Days may be used while waiting for short term disability, to top up short term disability to 100% of their normal wages, and to top up long term disability to 90% of their normal wages.

Subsequent to January 1, 2000, 7 sick days per year are granted, and if unused, may be paid out or accumulated to a maximum of 30 days. At the year end, the liability for the accumulated days amounted to \$153,289 (2011 - \$157,784) and is included in accounts payable.

The liability for these accumulated days, to the extent that they have vested and payment could be taken in cash by an employee upon termination, amounted to \$64,780 (2011 – \$64,803).

10. Landfill closure cost liability:

Essex County Landfill #3 was closed in 1997 and requires care consisting of hauling and treating leachate for an estimated period of 35 to 40 years. This landfill is the joint responsibility of the Town, the Town of Tecumseh and the City of Windsor. The site is administered by the Essex-Windsor Solid Waste Authority. The liability was calculated assuming a 5.5% (2011 – 5.5%) discount rate and a 2% (2011 – 2%) rate of inflation using current annual contributions. Payments are made on a bi-monthly basis. The liability calculated using the above assumptions amounted to \$651,843 at (2011 – \$668,266).

11. Other income:

	2012	2011
Penalties and interest on taxation	\$ 566,297	\$ 613,373
Investment income	541,999	399,800
Permits and licenses	670,662	1,326,103
	<u>\$ 1,778,958</u>	<u>\$ 2,339,276</u>

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2012

12. Operations of School Boards and the County of Essex:

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

	2012	2011
School boards	\$ 13,434,736	\$ 14,049,990
County of Essex	17,263,156	16,447,856
	<u>\$ 30,697,892</u>	<u>\$ 30,497,846</u>

13. Contractual obligation – Ontario Clean Water Agency:

In accordance with a service agreement entered into by the Town with the Ontario Clean Water Agency, the primary sewage system is operated by the Agency. The Town is obligated to meet all operating costs and repay the long term liabilities related to these projects.

14. Contingencies:

In 2009, the Town issued an irrevocable letter of credit to E.L.K. Energy Inc. for an amount not exceeding \$77,000 as a deposit on account of the water treatment plant upgrades. The letter of credit expires in May, 2013.

15. Expenses by object:

The consolidated statement of operations and accumulated surplus presents the consolidated expenses by function. The following is a summary of those same expenses by object:

	2012	2011
Salaries, wages and benefits	\$ 9,318,169	\$ 8,968,453
Net long-term debt interest charges	1,057,770	909,322
Materials and supplies	12,450,881	8,833,614
Contracted services	10,186,136	10,046,081
Rents and financial expenses	101,523	164,043
External transfers	456,910	362,998
Amortization	7,428,220	7,064,410
Total current expenses	<u>\$ 40,999,609</u>	<u>\$ 36,348,921</u>

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2012

16. Budget amounts:

The operating budget approved by Town Council for 2012 is reflected on the Consolidated Statement of Operations. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Town does not budget activity within reserves and reserve funds, with the exception being those transactions, which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements.

THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2012, with comparative figures for 2011

2012	GENERAL			
	Land	Land Improvements	Buildings	Equipment
Cost:				
Beginning of year	\$ 4,979,148	\$ 6,363,073	\$ 10,176,983	\$ 6,277,606
Additions	1,415,761	266,960	-	38,602
Disposals	(767)	(27,633)	(1,383)	(119,083)
Donations and transfers	182,683	327,936	-	-
Balance, end of year	6,576,825	6,930,336	10,175,600	6,197,125
Accumulated amortization:				
Beginning of year	-	1,079,432	3,485,695	2,755,294
Amortization - 2012	-	98,921	213,269	257,853
Accumulated amortization on disposals	-	(27,633)	-	(109,698)
Balance, end of year	-	1,150,720	3,698,964	2,903,449
Net book value of tangible capital assets	\$ 6,576,825	\$ 5,779,616	\$ 6,476,636	\$ 3,293,676

2012 (continued)	GENERAL		INFRASTRUCTURE	
	Vehicles	Pooled	Plants and Facilities	Roads
Cost:				
Beginning of year	\$ 6,860,102	\$ 7,822,570	\$ 82,933,458	\$ 78,510,128
Additions	986,910	278,784	240,126	4,614,770
Disposals	(176,829)	(143,631)	(6,605)	(3,856,911)
Donations and transfers	-	369,783	-	2,882,187
Balance, end of year	7,670,183	8,327,506	83,166,979	82,150,174
Accumulated amortization:				
Beginning of year	3,022,717	4,196,326	8,050,585	48,025,399
Amortization - 2012	473,699	373,435	1,541,418	2,919,328
Accumulated amortization on disposals	(164,001)	(143,631)	(2,906)	(3,597,039)
Balance, end of year	3,332,415	4,426,130	9,589,097	47,347,688
Net book value of tangible capital assets	\$ 4,337,768	\$ 3,901,376	\$ 73,577,882	\$ 34,802,486

2012 (continued)	INFRASTRUCTURE			
	Underground	Bridges	Assets under construction	Totals
Cost:				
Beginning of year	\$ 131,300,988	\$ 6,138,876	\$ 840,005	\$ 342,202,937
Additions	3,170,711	-	7,005,563	18,018,187
Disposals	(92,131)	-	(4,575,501)	(9,000,474)
Donations and transfers	285,362	-	-	4,047,951
Balance, end of year	134,664,930	6,138,876	3,270,067	355,268,601
Accumulated amortization:				
Beginning of year	23,263,475	2,705,187	-	96,584,110
Amortization - 2012	1,461,866	88,431	-	7,428,220
Accumulated amortization on disposals	(68,003)	-	-	(4,112,911)
Balance, end of year	24,657,338	2,793,618	-	99,899,419
Net book value of tangible capital assets	\$ 110,007,592	\$ 3,345,258	\$ 3,270,067	\$ 255,369,182

THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2012, with comparative figures for 2011

GENERAL					
2011	Land	Land Improvements	Buildings	Equipment	
Cost:					
Beginning of year	\$ 4,775,366	\$ 5,536,506	\$ 8,651,618	\$ 5,953,014	
Additions	203,782	941,163	1,525,365	355,571	
Disposals	-	(164,596)	-	(30,979)	
Donations and transfers	-	50,000	-	-	
Balance, end of year	4,979,148	6,363,073	10,176,983	6,277,606	
Accumulated amortization:					
Beginning of year	-	1,025,148	3,277,115	2,487,383	
Amortization - 2011	-	86,686	208,580	284,950	
Accumulated amortization on disposals	-	(32,402)	-	(17,039)	
Balance, end of year	-	1,079,432	3,485,695	2,755,294	
Net book value of tangible capital assets	\$ 4,979,148	\$ 5,283,641	\$ 6,691,288	\$ 3,522,312	

GENERAL		INFRASTRUCTURE			
2011 (continued)	Vehicles	Pooled	Plants and Facilities	Roads	
Cost:					
Beginning of year	\$ 6,853,205	\$ 7,654,396	\$ 82,463,560	\$ 76,010,011	
Additions	32,979	310,171	469,898	3,296,526	
Disposals	(26,082)	(141,997)	-	(796,409)	
Donations and transfers	-	-	-	-	
Balance, end of year	6,860,102	7,822,570	82,933,458	78,510,128	
Accumulated amortization:					
Beginning of year	2,596,776	3,983,403	6,542,683	46,153,955	
Amortization - 2011	452,023	354,920	1,507,902	2,655,765	
Accumulated amortization on disposals	(26,082)	(141,997)	-	(784,321)	
Balance, end of year	3,022,717	4,196,326	8,050,585	48,025,399	
Net book value of tangible capital assets	\$ 3,837,385	\$ 3,626,244	\$ 74,882,873	\$ 30,484,729	

INFRASTRUCTURE				
2011 (continued)	Underground	Bridges	Assets under construction	Totals
Cost:				
Beginning of year	\$ 127,308,980	\$ 6,138,876	\$ 4,877,070	\$ 336,222,602
Additions	4,160,079	-	3,112,725	14,408,259
Disposals	(168,071)	-	(7,149,790)	(8,477,924)
Donations and transfers	-	-	-	50,000
Balance, end of year	131,300,988	6,138,876	840,005	342,202,937
Accumulated amortization:				
Beginning of year	21,935,770	2,616,756	-	90,618,989
Amortization - 2011	1,425,154	88,431	-	7,064,411
Accumulated amortization on disposals	(97,449)	-	-	(1,099,290)
Balance, end of year	23,263,475	2,705,187	-	96,584,110
Net book value of tangible capital assets	\$ 108,037,513	\$ 3,433,689	\$ 840,005	\$ 245,618,827

THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets (continued)

Schedule 1

Year ended December 31, 2012, with comparative figures for 2011

2012	General	Fire	Recreation	Roads
Cost:				
Beginning of year	\$ 2,737,553	\$ 5,824,575	\$ 15,270,566	\$ 127,750,076
Additions	364,937	765,801	1,767,336	6,565,587
Disposals	(41,045)	(68,664)	(174,485)	(3,982,849)
Donations and transfers	87,204	-	-	3,579,460
Balance, end of year	3,148,649	6,521,712	16,863,417	133,912,274
Accumulated amortization:				
Beginning of year	975,948	2,557,194	3,909,554	62,935,033
Amortization - 2012	97,290	313,507	388,357	3,912,842
Accumulated amortization on disposals	(39,664)	(68,664)	(164,753)	(3,710,496)
Balance, end of year	1,033,574	2,802,037	4,133,158	63,137,379
Net book value of tangible capital assets	\$ 2,115,075	\$ 3,719,675	\$ 12,730,259	\$ 70,774,895

2012 (continued)	Water	Sanitary	Assets under construction	Total
Cost:				
Beginning of year	\$ 110,470,524	\$ 79,309,638	\$ 840,005	\$ 342,202,937
Additions	1,517,279	31,684	7,005,563	18,018,187
Disposals	(150,558)	(7,372)	(4,575,501)	(9,000,474)
Donations and transfers	270,510	110,777	-	4,047,951
Balance, end of year	112,107,755	79,444,727	3,270,067	355,268,601
Accumulated amortization:				
Beginning of year	14,830,436	11,375,945	-	96,584,110
Amortization - 2012	1,459,821	1,256,403	-	7,428,220
Accumulated amortization on disposals	(126,429)	(2,905)	-	(4,112,911)
Balance, end of year	16,163,828	12,629,443	-	99,899,419
Net book value of tangible capital assets	\$ 95,943,927	\$ 66,815,284	\$ 3,270,067	\$ 255,369,182

THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets (continued)

Schedule 1

Year ended December 31, 2012, with comparative figures for 2011

2011	General	Fire	Recreation	Roads
Cost:				
Beginning of year	\$ 2,556,128	\$ 5,794,928	\$ 12,758,163	\$ 124,679,483
Additions	247,948	102,620	2,625,053	3,919,851
Disposals	(66,524)	(72,973)	(162,650)	(849,258)
Donations and transfers	-	-	50,000	-
Balance, end of year	2,737,552	5,824,575	15,270,566	127,750,076
Accumulated amortization:				
Beginning of year	932,801	2,320,052	3,596,406	60,137,254
Amortization - 2011	89,915	310,115	349,418	3,633,028
Accumulated amortization on disposals	(46,769)	(72,973)	(36,270)	(835,249)
Balance, end of year	975,947	2,557,194	3,909,554	62,935,033
Net book value of tangible capital assets	\$ 1,761,605	\$ 3,267,381	\$ 11,361,012	\$ 64,815,043

2011 (continued)	Water	Sanitary	Assets under construction	Total
Cost:				
Beginning of year	\$ 106,845,585	\$ 78,711,244	\$ 4,877,070	\$ 336,222,601
Additions	3,801,668	598,394	3,112,725	14,408,259
Disposals	(176,729)	-	(7,149,790)	(8,477,924)
Donations and transfers	-	-	-	50,000
Balance, end of year	110,470,524	79,309,638	840,005	342,202,936
Accumulated amortization:				
Beginning of year	13,506,814	10,125,661	-	90,618,988
Amortization - 2011	1,431,651	1,250,284	-	7,064,411
Accumulated amortization on disposals	(108,029)	-	-	(1,099,290)
Balance, end of year	14,830,436	11,375,945	-	96,584,109
Net book value of tangible capital assets	\$ 95,640,088	\$ 67,933,693	\$ 840,005	\$ 245,618,827

THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Deferred Revenue

Schedule 2

Year ended December 31, 2012, with comparative figures for 2011

	Balance December 31, 2011	Interest earned	Contributions received	Revenue earned- capital	Revenue earned- operating	Other disbursements	Balance December 31, 2012
Parkland	\$ 830,919	\$ 17,391	\$ 182,667	\$ (3,738)	\$ -	\$ -	\$ 1,034,715
Development charges	2,269,404	56,380	2,156,330	37,293	1,520,357	-	2,924,464
Building code	502,843	9,210	-	20,736	-	-	491,317
Federal gas tax	764,557	8,667	1,631,665	2,272,189	-	-	132,700
Trees	21,273	981	47,300	-	17,502	-	52,052
Parking	22,447	421	-	-	-	-	22,868
	\$ 4,411,443	\$ 93,050	\$ 4,017,962	\$ 2,326,480	\$ 1,537,859	\$ -	\$ 4,658,116

THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Reserve and Reserve Funds

Schedule 3

Year December 31, 2012, with comparative figures for 2011

	Balance December 31, 2011	Interest earned	Contributions received	Transfer to capital	Transfer to operating	Balance December 31, 2012
Reserve funds:						
Water	\$ 3,448,155	\$ 67,121	\$ 50,000	\$ 127,442	\$ 90,992	\$ 3,346,842
Union Water System	396,305	4,095	26,177	31,095	-	395,482
Sanitary Sewers	1,095,752	23,761	592,011	31,685	162,514	1,517,325
Future employee benefits	250,116	4,694	343,518	-	-	598,328
Multi-use recreational facility	593,016	162,576	575,000	1,244,901	85,691	-
ELK sale proceeds	573,401	15,965	495,625	723,827	-	361,164
	<u>6,356,745</u>	<u>278,212</u>	<u>2,082,331</u>	<u>2,158,950</u>	<u>339,197</u>	<u>6,219,141</u>
Reserves:						
Working capital	1,342,154	-	-	-	-	1,342,154
Contingencies	1,315,423	-	39,721	-	-	1,355,144
Accumulated sick leave	55,000	-	-	-	-	55,000
Water capital	495,343	-	-	-	-	495,343
Water operating	397,196	-	-	-	-	397,196
Union Water System	53,512	-	-	-	-	53,512
Roads	4,949,349	-	3,532,867	4,588,153	-	3,894,063
Landfill closure	70,550	-	-	-	-	70,550
Acquisition of capital assets	6,097,155	-	1,519,204	2,394,551	196,059	5,025,749
Future operating expenses	1,424,514	-	166,376	-	317,876	1,273,014
	<u>16,200,196</u>	<u>-</u>	<u>5,258,168</u>	<u>6,982,704</u>	<u>513,935</u>	<u>13,961,725</u>
	<u>\$ 22,556,941</u>	<u>\$ 278,212</u>	<u>\$ 7,340,499</u>	<u>\$ 9,141,654</u>	<u>\$ 853,132</u>	<u>\$ 20,180,866</u>

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Schedule of Accumulated Surplus

Schedule 4

December 31, 2012, with comparative figures for 2011

	2012	2011
Reserve and reserve funds:		
Reserve funds (Schedule 3)	\$ 6,219,141	\$ 6,356,745
Reserves (Schedule 3)	13,961,725	16,200,196
	<u>20,180,866</u>	<u>22,556,941</u>
Surpluses:		
Tangible capital assets	230,195,025	218,891,731
General revenue fund	(3,198,824)	421,791
General reduction of user charges	867,120	(361,655)
Benefitting landowners related to special charges and special areas	(764,691)	(618,828)
Unfunded:		
Post-employment liabilities and sick leave	(1,060,552)	(1,025,734)
Landfill closure cost liability	(651,843)	(668,266)
Accrued interest on long-term debt	(245,098)	(240,795)
	<u>225,141,137</u>	<u>216,398,244</u>
Accumulated surplus	<u>\$ 245,322,003</u>	<u>\$ 238,955,185</u>