

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF LAKESHORE**

Year ended December 31, 2013

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Financial Statements

Year ended December 31, 2013

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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, 2013 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 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.

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, 2013, and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

June 10, 2014
Windsor, Canada

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THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Financial assets		
Cash and temporary investments	\$ 18,080,381	\$ 38,482,545
Taxes receivable	3,325,391	3,121,257
Trade and other receivables	11,532,752	2,149,941
Water receivables and unbilled revenue	1,920,320	1,917,904
Drainage receivables	2,741,797	2,295,244
Drainage debt recoverable from others	1,162,483	1,414,983
Inventory held for resale	27,399	27,415
Investments (note 2)	615,704	588,289
	\$ 39,406,227	\$ 49,997,578
Financial liabilities		
Short-term loan (note 4)	\$ 2,125,001	\$ 1,023,931
Accounts payable and accrued liabilities	12,855,729	8,074,905
Deposits	1,218,891	1,176,905
Deferred revenue (note 5)	13,619,940	21,305,240
Accrued interest on long-term liabilities	231,340	245,098
Net long-term liabilities (note 6)	25,150,456	26,780,076
Due to municipalities	19,911	26,391
Post-employment benefits (note 8)	1,184,352	995,772
Accumulated vested sick leave (note 9)	58,128	64,780
Landfill closure cost liability (note 10)	895,190	651,843
	57,358,938	60,344,941
Net debt	(17,952,711)	(10,347,363)
Non-financial assets		
Tangible capital assets (Schedule 1)	283,477,279	255,369,182
Inventories of supplies	104,190	91,596
Prepaid expenses	177,469	208,588
	283,758,938	255,669,366
Contractual obligations, commitments and contingencies (notes 13, 16, 17)		
Accumulated surplus (Schedule 4)	\$ 265,806,227	\$ 245,322,003

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, 2013, with comparative information for 2012

	2013 Budget (note 15)	2013 Actual	2012 Actual
Revenue:			
Taxation	\$ 22,398,694	\$ 22,524,785	\$ 21,373,462
User charges:			
Sewer	4,214,592	4,090,333	4,145,819
Water	7,356,468	7,395,533	7,269,733
Recreation	1,346,628	1,644,501	1,529,373
Other	666,945	1,143,726	721,568
Government transfers	1,362,612	1,317,117	1,954,666
Other (note 11)	1,417,161	1,627,073	1,778,958
Deferred revenue earned (Schedule 2)	1,248,117	1,597,923	1,537,859
	<u>40,011,217</u>	<u>41,340,991</u>	<u>40,311,438</u>
Expenses:			
General government	1,840,670	1,822,110	5,918,312
Protection to persons and property	8,712,169	8,197,975	8,402,287
Roadways and street lighting	8,712,536	9,229,240	8,066,643
Environmental services	14,393,416	14,513,902	13,866,341
Recreation and cultural services	3,489,825	4,113,443	3,583,686
Planning and development	1,320,611	1,166,477	1,162,340
	<u>38,469,227</u>	<u>39,043,147</u>	<u>40,999,609</u>
Net revenue (expenses)	1,541,991	2,297,844	(688,171)
Other:			
Grants and revenues (expenses) related to capital:			
Loss on sale of capital assets	-	(191,980)	-
Deferred revenue earned (Schedule 2)	2,310,100	2,973,954	2,326,480
Government transfers	14,000,000	13,813,535	634,191
Donations	-	10,720	-
Contribution from developers	-	1,534,145	4,047,951
Other	-	46,006	46,367
	<u>16,310,100</u>	<u>18,186,380</u>	<u>7,054,989</u>
Annual surplus	17,852,091	20,484,224	6,366,818
Accumulated surplus, beginning of year	245,322,003	245,322,003	238,955,185
Accumulated surplus, end of year	\$ 263,174,094	\$ 265,806,227	\$ 245,322,003

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, 2013, with comparative information for 2012

	2013	2012
Annual surplus	\$ 20,484,224	\$ 6,366,818
Amortization of tangible capital assets	7,840,864	7,428,220
Acquisition of tangible capital assets	(36,186,835)	(17,489,255)
Loss on sale of tangible capital assets	191,979	285,210
Proceeds on sale of tangible capital assets	45,895	25,470
	(7,623,873)	(3,383,537)
Acquisition of inventories	(104,190)	(91,596)
Acquisition of prepaid expenses	(177,469)	(208,588)
Consumption of inventories	91,596	95,391
Consumption of prepaid expenses	208,588	149,978
Change in net debt	(7,605,348)	(3,438,352)
Net debt, beginning of year	(10,347,363)	(6,909,011)
Net debt, end of year	\$ (17,952,711)	\$ (10,347,363)

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 20,484,224	\$ 6,366,818
Items not involving cash:		
Amortization of tangible capital assets	7,840,864	7,428,220
Loss on sale of tangible capital assets	191,979	285,210
Change in non-cash operating working capital:		
Taxes, trade and water receivables	(9,589,361)	907,205
Prepaid expenses	31,119	(58,610)
Inventories	(12,578)	(1,325)
Drain receivables and debt recoverable from others	(194,053)	(235,908)
Accounts payable, accrued liabilities and deposits	4,822,810	3,328,622
Due to municipalities	(6,480)	(8,012)
Deferred revenue	(7,685,300)	16,893,797
Unfunded liabilities - interest, benefits, landfill	411,517	22,698
	<u>16,294,741</u>	<u>34,928,715</u>
Investing:		
Increase (decrease) in investments	(27,415)	1,902,722
	<u>(27,415)</u>	<u>1,902,722</u>
Capital:		
Acquisition of tangible capital assets	(36,186,835)	(17,489,255)
Proceeds on disposal of tangible capital assets	45,895	25,470
	<u>(36,140,940)</u>	<u>(17,463,785)</u>
Financing:		
Long-term debt issued	158,383	503,425
Debenture principal repayments	(1,788,003)	(1,616,969)
	<u>(1,629,620)</u>	<u>(1,113,544)</u>
Increase (decrease) in cash and cash equivalents	(21,503,234)	18,254,108
Cash and cash equivalents, beginning of year	37,458,614	19,204,506
<u>Cash and cash equivalents, end of year</u>	<u>\$ 15,955,380</u>	<u>\$ 37,458,614</u>
Supplemental cash flow information:		
Cash and temporary investments	\$ 18,080,381	\$ 38,482,545
Short term capital loan	(2,125,001)	(1,023,931)
<u>Cash and cash equivalents, end of year</u>	<u>\$ 15,955,380</u>	<u>\$ 37,458,614</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements

Year ended December 31, 2013

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 Chartered Professional Accountants Canada.

(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, 2013

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 debt for the year.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2013

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, 2013

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 Town 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 consolidated 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, 2013

1. Significant accounting policies (continued):

(j) Employee future benefits:

The Town has adopted the accrual method for employee future benefits as required by the Chartered Professional Accountants Canada. 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, 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.

Effective for fiscal periods beginning on or after April 1, 2015 all governments will be required to adopt PSAB Section 3460, 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.

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

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2013

2. Investments:

	2013	2012
Own debentures	\$ 156,781	\$ 131,151
Ontario Savings Bonds – 3.0%, due June 2015	458,923	457,138
	<u>\$ 615,704</u>	<u>\$ 588,289</u>

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:

	2013	2012
Cash and investments	\$ 462,571	\$ 433,881
Accounts receivable	17,183	20,287
Accounts payable	(5,709)	(5,174)
	<u>474,045</u>	<u>448,994</u>
Due to related party	(19,911)	(26,391)
Long-term debt	(550,173)	(538,057)
Tangible capital assets	1,251,444	1,127,775
	<u>1,155,405</u>	<u>1,012,321</u>
Reserves	59,196	53,512
Reserve funds	414,849	395,482
	<u>474,045</u>	<u>448,994</u>
Tangible Capital Assets - net book value:		
Water – buildings and equipment	679,157	609,717
Water – linear	555,572	511,327
Water – assets under construction	16,715	6,731
	<u>\$ 1,241,444</u>	<u>\$ 1,127,775</u>

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2013

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

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

	2013	2012
Amortization expense	\$ 31,776	\$ 26,508
Interest on long-term debt	56,541	53,691

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 3.02% (2012 - 2.73%). The order also provides for the establishment of a Board of Management to govern the system. The change in equity ownership results in an increase in net assets of \$107,536 which is reflected in water revenues included in the consolidated statement of operations and accumulated surplus.

4. Short term loan:

The balance is made up of \$2,125,001 (2012 - \$1,023,931) 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.

5. Deferred revenue:

	2013	2012
Obligatory reserve funds:		
Development Charges Act and agreements	\$ 2,120,339	\$ 2,924,465
Parking and trees	107,488	74,920
Parkland	1,187,373	1,034,714
Gas tax	59	132,700
Building code	494,571	491,317
	3,909,830	4,658,116
Capital grant received but not earned	9,710,110	16,647,124
	\$ 13,619,940	\$ 21,305,240

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

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2013

6. Long-term liabilities:

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

	2013	2012
Total debentures payable, due 2014 to 2032	\$ 24,600,283	\$ 26,242,019
Share of Union Water System obligations	550,173	538,057
	\$ 25,150,456	\$ 26,780,076

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

2014	\$ 1,782,142
2015	1,813,286
2016	1,806,069
2017	1,760,323
2018	1,789,956
Thereafter	16,198,680

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

	2013	2012
Taxation	\$ 789,694	\$ 937,815
User taxes:		
Water	12,954,683	13,580,305
Sewer	10,243,596	10,846,973
Benefitting landowners	1,162,483	1,414,983
	\$ 25,150,456	\$ 26,780,076

Interest rates range from 2.64% to 6.95%. Total interest charges reported on the consolidated statement of operations and accumulated surplus is \$1,026,915 (2012 - \$1,057,770). Of this amount, \$465,086 (2012 - \$475,329) was paid from sewer rates, \$466,057 (2012 - \$476,372) from water rates \$41,233 (2012 - \$47,767) from tax rates and \$54,539 (2012 - \$58,302) from benefitting landowners.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2013

7. Pension agreement:

The Town 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 provides defined pension benefits to employees based upon their length of credited service and rates of pay. However, as OMERS does not segregate its pension assets and liabilities information by individual employer, there is not sufficient information to enable the Town to account for the plan as a defined benefit plan. The amount contributed to OMERS for 2013 was \$583,801 (2012 - \$519,835).

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 Town paying for dental and health benefits to the age of 65. Assumptions used are as follows:

- (a) a discount factor of 4.0% (2012 - 5.5%) was used
- (b) an annual increase of 5.6% (2012 - 4.0%) for health and dental benefits was used
- (c) in addition to the annual increase, inflation of 2% (2012 - 2%) was considered
- (d) an employee will retire when they meet the criteria for a full pension from OMERS
- (e) for those that will not meet the OMERS criteria, assume that they will retire at the age of 60
- (f) all employees will stay until retirement

There are currently 6 former employees who are receiving these benefits.

The liability based on the above assumptions at the year-end date is \$1,184,352 (2012 - \$995,772).

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 \$176,120 (2012 - \$153,289) 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 \$58,128 (2012 - \$64,780).

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2013

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 4% (2012 - 5.5%) discount rate and a 2% (2012 - 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 \$895,190 at (2012 - \$651,843).

11. Other income:

	2013	2012
Penalties and interest on taxation	\$ 552,743	\$ 566,297
Investment income	444,303	541,999
Permits and licenses	630,027	670,662
	<u>\$ 1,627,073</u>	<u>\$ 1,778,958</u>

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:

	2013	2012
School boards	\$ 13,029,149	\$ 13,434,736
County of Essex	17,792,296	17,263,156
	<u>\$ 30,821,445</u>	<u>\$ 30,697,892</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.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2013

14. 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:

	2013	2012
Salaries, wages and benefits	\$ 9,393,541	\$ 9,318,169
Net long-term debt interest charges	1,026,915	1,057,770
Materials and supplies	9,316,752	12,450,881
Contracted services	10,904,396	10,186,136
Rents and financial expenses	75,313	101,523
External transfers	485,366	456,910
Amortization	7,840,864	7,428,220
Total current expenses	\$ 39,043,147	\$ 40,999,609

15. Budget amounts:

The operating budget approved by Town Council for 2013 is reflected on the consolidated statement of operations and accumulated surplus. 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 consolidated financial statements to comply with PSAB reporting requirements.

16. Commitments:

The Town has the following commitments as at December 31, 2013:

	Contract amount	Earned to December 31, 2013	Future commitments
Multi use recreation facility	\$ 37,718,342	\$ 18,757,769	\$ 18,960,573
Water tower	5,435,000	3,178,651	2,256,349
Millen centre	1,990,920	-	1,990,920
	\$ 45,144,262	\$ 21,936,420	\$ 23,207,842

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2013

17. Contingencies:

During the normal course of operations, the Town may be subject to various legal actions. The settlement of these actions, if any, is not expected to have a material effect on the consolidated financial statements of the Town.

THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2013, with comparative information for 2012

2013	GENERAL			
	Land	Land Improvements	Buildings	Equipment
Cost:				
Beginning of year	\$ 6,576,825	\$ 6,930,336	\$ 10,175,600	\$ 6,197,125
Additions	236,370	142,781	131,166	251,369
Disposals	(7,442)	-	-	(130,238)
Donations and transfers	-	-	-	-
Balance, end of year	6,805,753	7,073,117	10,306,766	6,318,256
Accumulated amortization:				
Beginning of year	-	1,150,720	3,698,964	2,903,449
Amortization - 2013	-	104,371	224,740	258,207
Accumulated amortization on disposals	-	-	-	(83,189)
Balance, end of year	-	1,255,091	3,923,704	3,078,467
Net book value of tangible capital assets	\$ 6,805,753	\$ 5,818,026	\$ 6,383,062	\$ 3,239,789

2013 (continued)	GENERAL		INFRASTRUCTURE	
	Vehicles	Pooled	Plants and Facilities	Roads
Cost:				
Beginning of year	\$ 7,670,183	\$ 8,327,506	\$ 83,166,979	\$ 82,150,174
Additions	128,713	1,054,397	214,736	5,303,322
Disposals	(452,363)	(114,230)	(473)	(683,113)
Donations and transfers	-	-	-	-
Balance, end of year	7,346,533	9,267,673	83,381,242	86,770,383
Accumulated amortization:				
Beginning of year	3,332,415	4,426,130	9,589,097	47,347,688
Amortization - 2013	475,960	390,025	1,530,350	3,254,902
Accumulated amortization on disposals	(424,131)	(114,230)	30,014	(647,299)
Balance, end of year	3,384,244	4,701,925	11,149,461	49,955,291
Net book value of tangible capital assets	\$ 3,962,289	\$ 4,565,748	\$ 72,231,781	\$ 36,815,092

2013 (continued)	INFRASTRUCTURE			Totals
	Underground	Bridges	Assets under construction	
Cost:				
Beginning of year	\$ 134,664,930	\$ 6,138,876	\$ 3,270,067	\$ 355,268,601
Additions	3,347,346	-	30,706,963	41,517,163
Disposals	(186,589)	-	(6,814,243)	(8,388,691)
Donations and transfers	1,534,145	-	-	1,534,145
Balance, end of year	139,359,832	6,138,876	27,162,787	389,931,218
Accumulated amortization:				
Beginning of year	24,657,338	2,793,618	-	99,899,419
Amortization - 2013	1,513,878	88,431	-	7,840,864
Accumulated amortization on disposals	(47,509)	-	-	(1,286,344)
Balance, end of year	26,123,707	2,882,049	-	106,453,939
Net book value of tangible capital assets	\$ 113,236,125	\$ 3,256,827	\$ 27,162,787	\$ 283,477,279

THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2013, with comparative information for 2012

GENERAL					
2012	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	

GENERAL		INFRASTRUCTURE		
2012 (continued)	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

INFRASTRUCTURE				
2012 (continued)	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 (continued)

Schedule 1

Year ended December 31, 2013, with comparative information for 2012

2013	General	Fire	Recreation	Roads
Cost:				
Beginning of year	\$ 3,148,649	\$ 6,521,712	\$ 16,863,417	\$ 133,912,274
Additions	29,217	126,046	484,104	7,805,420
Disposals	(33,302)	(312,305)	(28,362)	(1,125,186)
Donations and transfers	-	-	-	154,265
Balance, end of year	3,144,564	6,335,453	17,319,159	140,746,773
Accumulated amortization:				
Beginning of year	1,033,574	2,802,037	4,133,158	63,137,379
Amortization - 2013	92,285	317,183	408,327	4,269,316
Accumulated amortization on disposals	(27,400)	(284,073)	(27,243)	(936,966)
Balance, end of year	1,098,459	2,835,147	4,514,242	66,469,729
Net book value of tangible capital assets	\$ 2,046,105	\$ 3,500,306	\$ 12,804,917	\$ 74,277,044

2013 (continued)	Water	Sanitary	Assets under construction	Total
Cost:				
Beginning of year	\$ 112,107,755	\$ 79,444,727	\$ 3,270,067	\$ 355,268,601
Additions	2,015,486	349,927	30,706,963	41,517,163
Disposals	(74,873)	(420)	(6,814,243)	(8,388,691)
Donations and transfers	484,071	895,809	-	1,534,145
Balance, end of year	114,532,439	80,690,043	27,162,787	389,931,218
Accumulated amortization:				
Beginning of year	16,163,828	12,629,443	-	99,899,419
Amortization - 2013	1,487,671	1,266,082	-	7,840,864
Accumulated amortization on disposals	(10,662)	-	-	(1,286,344)
Balance, end of year	17,640,837	13,895,525	-	106,453,939
Net book value of tangible capital assets	\$ 96,891,602	\$ 66,794,518	\$ 27,162,787	\$ 283,477,279

THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets (continued)

Schedule 1

Year ended December 31, 2013, with comparative information for 2012

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 Deferred Revenue

Schedule 2

Year ended December 31, 2013, with comparative information for 2012

	Balance December 31, 2012	Interest earned	Contributions received	Revenue earned- capital	Revenue earned- operating	Balance December 31, 2013
Parkland	\$ 1,034,715	\$ 14,291	\$ 148,479	\$ 10,112	\$ -	\$ 1,187,373
Development charges	2,924,464	37,387	1,934,497	1,191,009	1,585,000	2,120,339
Building code	491,317	6,309	-	3,055	-	494,571
Federal gas tax	132,700	5,472	1,631,665	1,769,778	-	59
Trees	52,052	1,113	44,100	-	12,923	84,342
Parking	22,868	278	-	-	-	23,146
	\$ 4,658,116	\$ 64,850	\$ 3,758,741	\$ 2,973,954	\$ 1,597,923	\$ 3,909,830

THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Reserve and Reserve Funds

Schedule 3

Year December 31, 2013, with comparative information for 2012

	Balance December 31, 2012	Interest earned	Contributions received	Transfer to capital	Transfer to operating	Balance December 31, 2013
Reserve funds:						
Water	\$ 3,346,842	\$ 43,742	\$ 505,700	\$ 1,181,881	\$ -	\$ 2,714,403
Union Water System	395,482	4,168	50,843	35,645	-	414,848
Sanitary Sewers	1,517,325	19,339	173,908	-	153,012	1,557,560
Future employee benefits	598,328	9,413	38,867	-	4,554	642,054
Multi-use recreational facility	-	221,422	1,158,972	1,200,000	173,177	7,217
ELK sale proceeds	361,164	6,682	495,625	244,476	-	618,995
	<u>6,219,141</u>	<u>304,766</u>	<u>2,423,915</u>	<u>2,662,002</u>	<u>330,743</u>	<u>5,955,077</u>
Reserves:						
Working capital	1,342,154	-	-	-	-	1,342,154
Contingencies	1,355,144	-	71,000	-	-	1,426,144
Accumulated sick leave	55,000	-	-	-	-	55,000
Water capital	495,343	-	-	-	-	495,343
Water operating	397,196	-	-	-	-	397,196
Union Water System	53,512	-	5,684	-	-	59,196
Roads	3,894,063	-	4,348,898	5,778,143	192,649	2,272,169
Landfill closure	70,550	-	-	-	-	70,550
Acquisition of capital assets	5,025,749	-	748,035	1,193,842	149,469	4,430,473
Future operating expenses	1,273,014	-	282,749	9,212	79,932	1,466,619
	<u>13,961,725</u>	<u>-</u>	<u>5,456,366</u>	<u>6,981,197</u>	<u>422,050</u>	<u>12,014,844</u>
	<u>\$ 20,180,866</u>	<u>\$ 304,766</u>	<u>\$ 7,880,281</u>	<u>\$ 9,643,199</u>	<u>752,793</u>	<u>\$ 17,969,921</u>

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Schedule of Accumulated Surplus

Schedule 4

December 31, 2013, with comparative information for 2012

	2013	2012
Reserve and reserve funds:		
Reserve funds (Schedule 3)	\$ 5,955,077	\$ 6,219,141
Reserves (Schedule 3)	12,014,844	13,961,725
	<u>17,969,921</u>	<u>20,180,866</u>
Surpluses:		
Tangible capital assets	253,309,714	230,195,025
General revenue fund	(2,793,046)	(3,198,824)
General reduction of user charges	395,615	867,120
Benefitting landowners related to special charges and special areas	(706,967)	(764,691)
Unfunded:		
Post-employment liabilities and sick leave	(1,242,480)	(1,060,552)
Landfill closure cost liability	(895,190)	(651,843)
Accrued interest on long-term debt	(231,340)	(245,098)
	<u>247,836,306</u>	<u>225,141,137</u>
Accumulated surplus	<u>\$ 265,806,227</u>	<u>\$ 245,322,003</u>