



Town of
East Gwillimbury

Consolidated Financial Statements
December 31, 2013

Our Town, Our Future

**Town of East Gwillimbury
2013 Consolidated Financial Statements**

*Approved by Council
June 16, 2014*

**Town of East Gwillimbury
19000 Leslie Street
Sharon, ON L0G 1V0
CANADA**

(905) 478-4282

www.eastgwillimbury.ca

*Thinking
Green!*



Mayor Virginia Hackson



Councillor Cathy Morton



Councillor Marlene Johnston



Councillor Tara Roy-DiClemente



Councillor John Eaton

*A Character
Community*



CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

TABLE OF CONTENTS

	Page #
Independent auditor's report	1-2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Cash Flows	5
Consolidated Statement of Change in Net Financial Assets	6
Notes to the Consolidated Financial Statements	7-27

Independent Auditor's Report

To the Members of the Board, Council, Inhabitants and Ratepayers of the Town of East Gwillimbury

We have audited the accompanying consolidated financial statements of the Town of East Gwillimbury, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations and accumulated surplus, cash flows and change in net financial assets 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of East Gwillimbury as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Alliston, Ontario
June 16, 2014

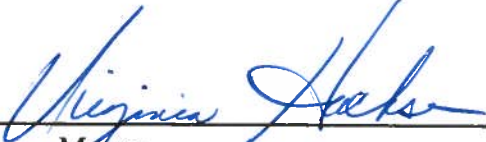


CONSOLIDATED STATEMENT OF FINANCIAL POSITION


As at December 31, 2013

	2013 \$	2012 \$ <i>(Restated – note 3)</i>
FINANCIAL ASSETS		
Cash and cash equivalents <i>(note 5)</i>	17,082,333	20,015,059
Taxes receivable	3,840,896	3,708,563
User charges receivable	1,590,553	1,654,724
Accounts receivable <i>(note 6)</i>	735,647	932,434
	23,249,429	26,310,780
LIABILITIES		
Accounts payable and accrued liabilities	4,381,232	5,237,147
Employee and elected official future salaries and benefits payable <i>(note 7)</i>	768,567	833,114
Deposits and deferred revenue <i>(note 8)</i>	6,370,844	11,336,024
Accrued interest on long-term debt	-	7,328
Obligatory reserve funds <i>(note 9)</i>	3,797,982	3,675,543
Net long-term debt with the Region of York <i>(note 10)</i>	53,807	64,032
	15,372,432	21,153,188
Net financial assets	7,876,997	5,157,592
NON FINANCIAL ASSETS		
Prepays	267,769	183,674
Tangible capital assets <i>(note 13)</i>	128,363,580	129,792,802
	128,631,349	129,976,476
Accumulated surplus <i>(note 20)</i>	136,508,346	135,134,068

Commitments and contingencies (notes 15 and 17)



 Mayor



 Treasurer

The accompanying notes are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31, 2013

	2013 Budget \$ (note 4)	2013 Actual \$	2012 Actual \$ (Restated – note 3)
REVENUE			
Net taxation charges (note 11)	13,085,802	13,606,054	12,862,951
User charges	7,232,405	8,423,451	7,998,878
Charges to developers	6,194,306	4,667,869	3,554,966
Grants	1,447,680	1,267,729	1,920,458
Penalties on taxes	456,000	469,492	479,186
Investment income	132,000	219,900	239,930
Other	3,126,642	1,419,656	1,065,580
Total revenue	31,674,835	30,074,151	28,121,949
EXPENSE			
General government	4,832,729	3,615,912	3,527,546
Protection to persons and property	8,260,484	4,036,638	3,845,940
Transportation services	6,485,110	5,552,598	5,462,150
Environmental services	6,218,915	7,113,066	6,490,909
Recreation and cultural services	7,552,352	6,259,357	5,638,404
Planning and development	3,584,751	1,703,043	1,681,274
Total expenses	36,934,341	28,280,614	26,646,223
NET REVENUES/(EXPENSES)	(5,259,506)	1,793,537	1,475,728
Gain/(Loss) on sale of tangible capital assets	-	(419,259)	11,728
Annual surplus/(deficit)	(5,259,506)	1,374,278	1,487,455
Accumulated surplus, beginning of year	135,134,068	135,134,068	133,646,613
Accumulated surplus, end of year	129,874,562	136,508,346	135,134,068

The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended December 31, 2013

	2013 \$	2012 \$ <i>(Restated – note 3)</i>
CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	1,374,278	1,487,455
Non-cash changes to operations		
Amortization	5,140,948	5,036,858
Contributed tangible capital assets	(41,287)	(912,057)
Loss/(Gain) on sale of tangible capital assets	419,259	(11,728)
Changes in non-cash operating working capital		
Taxes receivable	(132,333)	(420,396)
User charges receivable	64,172	(300,649)
Accounts receivable	196,787	763,552
Accounts payable and accrued liabilities	(855,916)	1,137,116
Employee and elected official future salaries and benefits payable	(64,547)	114,676
Deposits and deferred revenue	(4,965,180)	643,061
Accrued interest on long-term debt	(7,328)	-
Obligatory reserve funds	122,439	245,290
Prepays	(84,095)	(163,289)
	1,167,197	7,619,889
CAPITAL ACTIVITIES		
Proceeds from sale of tangible capital assets	49,668	17,345
Purchase of tangible capital assets	(4,139,366)	(2,613,465)
	(4,089,698)	(2,596,120)
FINANCING ACTIVITIES		
Repayment of long-term debt with the Region of York	(10,225)	(9,598)
	(10,225)	(9,598)
Net increase (decrease) in cash and cash equivalents during the year	(2,932,726)	5,014,171
Cash and cash equivalents, beginning of year	20,015,059	15,000,888
Cash and cash equivalents, end of year	17,082,333	20,015,059

The accompanying notes are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31, 2013

	2013 \$ Budget (note 4)	2013 \$ Actual	2012 \$ Actual (Restated – note 3)
Annual surplus/(deficit)	(5,259,506)	1,374,278	1,487,455
Acquisition of tangible capital assets	(3,193,823)	(4,139,366)	(2,615,465)
Contributed tangible capital assets	-	(41,287)	(912,057)
Amortization of tangible capital assets	5,140,948	5,140,948	5,036,858
Proceeds from sale of tangible capital assets	-	49,668	17,345
(Gain)/Loss on sale of tangible capital assets	-	419,259	(11,728)
	(3,312,381)	2,803,500	3,004,408
Change in prepaids	-	(84,095)	(163,289)
Change in net financial assets	(3,312,381)	2,719,405	2,841,121
Net financial assets, beginning of year	5,157,592	5,157,592	2,316,471
Net financial assets, end of year	1,845,211	7,876,997	5,157,592

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

1 SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

The Town of East Gwillimbury (the "Town") is a lower-tier municipality located in York Region within the Greater Toronto Area of the Province of Ontario. It provides essential infrastructure and services to its residents, including local roads, water distribution and sewage collection, recreational facilities, libraries, emergency services, and waste collection. The Town is governed by a municipal council comprised of five Members of Council elected by its residents at large. It conducts its operations guided by the provisions of provincial statutes such as *Municipal Act*, *Municipal Affairs Act* and related legislation.

Management's responsibility for the financial statements

The consolidated financial statements of the Town are the responsibility of management and have been prepared by management in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants Canada.

Basis of consolidation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Town which comprises all of the organizations that are accountable for the administration of their financial affairs and resources to Council and are controlled by the Town.

The operations of the East Gwillimbury Public Library Board have been fully consolidated in these consolidated financial statements.

All inter-organizational transactions and balances have been eliminated on consolidation.

The taxation, other revenues, expenses, assets and liabilities with respect to school boards and the Region of York are not reflected in the Town's consolidated financial statements except to record any resulting receivable or payable with the Town at year-end.

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting whereby revenues are recognized as they are earned and measurable. Expenses are recognized in the period goods and services are acquired and a liability is incurred or transfers are due.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with bank and short-term guaranteed investment certificates.

Government transfers

Government transfers include entitlements, transfers under shared cost agreements and grants. Government transfers are recognized in the financial statements as revenue in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. 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.

Use of estimates

The preparation of these consolidated financial statements in conformity with PSAB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The principle estimates used in the preparation of these financial statements include allowance for doubtful accounts, the useful life and valuation of tangible capital assets, contingent liabilities, employee future benefits and accrued liabilities. Actual results could differ from those estimates as additional information becomes available in the future.

Employee future benefits

Employee future benefits include health and basic dental coverage that the Town pays on behalf of its current and retired employees. The Town records these future benefits as they are earned during the employee's tenure of service. The Town also estimates future benefits relating to accumulated vacation and overtime as they are earned but not yet paid.

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs. Vacation entitlements are accrued for as entitlements are earned.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

	Useful Life - Years
Transportation infrastructure	5-100
Environmental infrastructure	15-100
Facilities	10-40
Vehicles	7-20
Machinery and equipment	3-25
Land improvements	25-100

Amortization is pro-rated to 6 months in the year of acquisition and in the year of disposal. Capital work in progress is not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt when fair value can be reasonably estimated. Tangible capital assets conveyed from developers are recorded at the estimated engineering value at time of title transfer.

(iii) Interest capitalization

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred revenue – obligatory reserve funds

Deferred revenues represent user charges and fees which have been collected but for which the related services have yet to be performed. These accounts will be recognized as revenues in the fiscal year the services are performed. The Town receives development charges, parkland and Federal Gas Tax funding under the authority of provincial and federal legislation and Town by-laws. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue.

Investment income

Investment income earned is reported as revenue in the period earned. Investment income earned on development charges, parkland and gas taxes (obligatory reserve funds) are added to the fund balance and forms part of the deferred revenue balance.

Budget figures

The budgets originally approved by the Town for 2013, adjusted as noted below, are reflected on the Consolidated Statement of Operations and the Consolidated Statement of Changes in Net Financial Assets.

- An amount for amortization expense has been added and is based on the actual amortization expense recorded in the year, as amortization was not included in the original council approved budget.
- Amounts for the cost of contributed tangible capital assets and the related revenue have been added and are based on actual amounts, as neither the cost of the contributed tangible capital assets nor the revenue was included in the original council approved budget.
- Amounts included in the original council approved capital budget which are not recognized as tangible capital assets are included in Consolidated Statement of Operations under the appropriate functional expense category, while those recognized as tangible capital assets are included in the Consolidated Statement of Change in Net Financial Assets.

Budget figures have been restated for purposes of these consolidated financial statements to comply with PSAB reporting requirements and are not audited.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension Plan

The Town is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Town has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Town records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

Revenue recognition

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 an allowance for anticipated uncollectable amounts.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Conditional grant revenue is recognized to the extent the conditions on it have been fulfilled. Unconditional grant revenue is recognized when the funds have been received.

Developer credit agreements relating to assets transferred to the Town are recognized as revenue as the related developer credits are owed on associated building permits.

2 CHANGE IN ACCOUNTING POLICY

Effective January 1, 2013, the Municipality adopted the revised Public Sector Accounting Standard Section PS 3410 Government Transfers and Section PS 3510 Tax Revenue. These changes in accounting policies have been made in accordance with the transitional provisions of the standards which are to be applied either retroactively or prospectively. The Municipality has chosen to apply these revised standards prospectively. For PS 3410 and PS 3510, there has been no effect on the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

3 PRIOR PERIOD ADJUSTMENT

The Town has restated certain non-financial assets, financial liabilities, revenues and expenses for 2012 and the opening accumulated surplus for 2012, as a result of the following items:

- i) Land contributed in 2012 was not recorded as a non-financial asset until 2013.
- ii) A building and it's related components donated to the Town in 2010 was incorrectly valued and amortized.
- iii) Developer credit agreements that were originally recognized as revenue when the related asset was transferred to the Town has been restated to deferred revenue in 2012 as Developer Credits are owed on associated building permits.

The impact on the above noted prior period adjustment is as follows:

	Total \$
Statement of Financial Position	
Increase in deferred revenue	4,613,222
Decrease in net financial assets	<u>(4,613,222)</u>
Increase in tangible capital assets	516,992
Increase in non financial assets	<u>516,992</u>
Decrease in accumulated surplus	<u>(4,096,230)</u>
 Statement of Operations	
Increase in revenue	
Charges to developers	2,376,945
Total increase in revenue	<u>2,376,945</u>
Decrease in expenses	
Recreation and cultural services	(530,243)
Total decrease in expenses	<u>(530,243)</u>
Net increase in annual surplus	<u>2,907,188</u>
Decrease in opening accumulated surplus	<u>(7,003,418)</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

4 BUDGET RECONCILIATION

The authority of Council is required before monies can be spent by the Municipality. Approvals are given in the form of an annual budget. The budget approved by Council differs from the budget in the Consolidated Statement of Operations. The difference is due to several factors. A supplementary Operating and Capital budget was approved subsequent to the initial budget approval. The budget has also been adjusted to account for material changes due to PSAB reporting requirements.

	Revenue \$	Expense \$
Operating Fund	22,018,814	22,021,814
Principal Payment on Long Term Debt	-	3,000
Transfers to/from other funds	-	(1,324,359)
Capital Budget	9,656,021	14,286,861
Total Council Approved Budget	31,674,835	34,987,316
Less: Tangible Capital Assets Capitalized	-	(3,193,823)
Plus: Budgeted Amortization Expenses	-	5,140,948
Adjusted Budget per Consolidated Statement of Operations	31,674,835	36,934,341

5 CASH AND CASH EQUIVALENTS

	2013 \$	2012 \$
Unrestricted cash, held at the bank and petty cash	6,894,064	9,597,410
Restricted cash, held at the bank	10,188,269	10,417,649
Total cash and cash equivalents	17,082,333	20,015,059

Restricted cash is comprised of deposits, deferred revenues and obligatory reserves funds.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

5 CASH AND CASH EQUIVALENTS (continued)

Included in cash and cash equivalents is a short term investment comprised of the following:

	2013	2012
	\$	\$
Guaranteed Investment Certificate, interest rate of 1.53%, maturing January 6, 2014	5,065,071	5,000,000

Short term investments market value is \$ 5,083,330 (2012 - \$5,006,553).

6 ACCOUNTS RECEIVABLE

Accounts receivable include amounts due of \$49,545 (2012 - \$60,011) from certain property owners pursuant to loans extended under the Tile Drainage Act. These loans have various maturity dates ranging from 2016 to 2021 and an effective interest rate of 6%.

7 EMPLOYEE AND ELECTED OFFICIAL FUTURE SALARIES AND BENEFITS PAYABLE

The Town provides certain employee and elected official benefits that will require funding in future periods. The Town pays certain health, dental and life insurance benefits to the age of 65 on behalf of those retired employees that were employed by the Town for 15 years or more. The liability recorded by the Town has been determined by an actuarial study completed in 2011 and extrapolated for 2013.

The Town recognizes the cost of its post retirement non-pension benefit costs, vacation entitlement obligations, in the period in which the employee rendered the services.

The Town has a "pay for performance program" for senior management that is paid in the subsequent fiscal period based on an evaluation of accomplishments for the fiscal year. The cost of the "pay for performance" program is recognized in the period in which the employee rendered the services.

The Town also pays severance to elected officials based on length of continuous service to a maximum of 6 months remuneration. Severance cost obligations for elected officials are recognized in the period in which the elected official rendered the services.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

7 EMPLOYEE AND ELECTED OFFICIAL FUTURE SALARIES AND BENEFITS PAYABLE (continued)

	2013 \$	2012 \$
Vacation pay and “banked” overtime	300,690	373,562
Council severance	95,579	87,122
Accrued post retirement non-pension benefits	316,698	300,672
Pay for performance program	55,600	71,758
Total employee future benefits payable	768,567	833,114

As recommended by PSAB, the projected benefit method pro-rated on services has been adopted to attribute the cost of non-pension retirement benefits to the periods of employee service.

Under this method, the present value of all fiscal 2014 and later costs (premiums) to be paid by the Town for each active and retired employee for non-pension retirement benefits, as at December 31, 2013, are pro-rated. They are pro-rated over the employee’s service from the date of employment to the date the employee first becomes eligible to receive the benefit.

General Inflation

Future general inflation levels were assumed to increase at 2.0% (2012 – 2.0%) per year.

Interest (discount) rate

The present value of the post employment benefit liability was determined using a discount rate of 4.25 % (2012 – 4.25%).

Health costs

Health costs were assumed to increase at an average increase of 4.0% per year.

Dental costs

Dental costs were assumed to increase at an average increase of 4.0% (2012 – 4.0%) per year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

8 DEPOSITS AND DEFERRED REVENUE

The Town has total deposits and deferred revenues of \$6,370,844 (2012 – \$11,336,024). Deferred revenue represents \$5,045,234 with the balance being held as deposits. Deferred revenue is comprised of contributions made to the Town for various specific purposes. The balances in the deferred revenue of the Town are summarized below:

	Beginning Balance \$ <i>(Restated – note 3)</i>	Inflow \$	Outflows \$	Ending Balance \$
Deferred Revenue	6,934,970	309,789	(2,199,525)	5,045,234

9 OBLIGATORY RESERVE FUNDS

The balances in the obligatory reserve funds of the Town are summarized below:

	2013 \$	2012 \$
Development charges, opening balance	2,509,942	2,302,931
Add: Developer contributions	2,480,500	1,191,809
Add: Interest earned	72,160	29,894
Deduct: Amounts used for eligible capital projects	(2,226,566)	(1,014,692)
Development charges, ending balance	2,836,036	2,509,942
Parkland, opening balance	283,541	282,210
Add: Developer contributions	1,346	22,241
Add: Interest earned	4,823	3,514
Deduct: Amounts used for eligible capital projects	(144,411)	(24,424)
Parkland, ending balance	145,299	283,541
Federal Gas Tax, opening balance	882,060	845,112
Add: Allocation received	646,293	646,292
Add: Interest earned	19,104	10,728
Deduct: Amounts used for eligible capital projects	(730,810)	(620,072)
Federal Gas Tax, ending balance	816,647	882,060
Total obligatory reserve funds	3,797,982	3,675,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

10 NET LONG-TERM DEBT WITH THE REGION OF YORK

The Town has assumed responsibility for the payment of principal and interest charges on certain long-term debt issued by the Region of York. As at December 31, the outstanding principal amount of this debt is as follows:

	2013 \$	2012 \$
Installment debenture issued pursuant to the Tile Drainage Act. This debt will be recovered through special annual drainage rates upon lands in respect of which the funds have been borrowed, therefore an equal amount is included within accounts receivable on the consolidated statement of financial position. This debt was repaid in 2013.	-	2,760
Installment debenture issued pursuant to the Tile Drainage Act. This debt will be recovered through special annual drainage rates upon lands in respect of which the funds have been borrowed, therefore an equal amount is included within accounts receivable on the consolidated statement of financial position. This debt matures in April 2016 and has an interest rate of 6%.	11,622	15,065
Installment debenture issued pursuant to the Tile Drainage Act. This debt will be recovered through special annual drainage rates upon lands in respect of which the funds have been borrowed, therefore an equal amount is included within accounts receivable on the consolidated statement of financial position. This debt matures in February 2021 and has an interest rate of 6%.	42,185	46,207
Total net long-term debt with the Region of York	53,807	64,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

10 NET LONG-TERM DEBT WITH THE REGION OF YORK (Continued)

Repayments of the long-term debt are due as follows:

	\$
2014	7,913
2015	8,388
2016	8,891
2017	5,076
2018	5,381
Thereafter	18,158
Net long-term debt with the Region of York	53,807

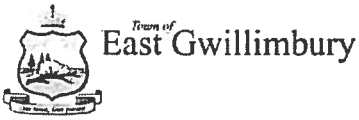
Total interest charges for the year for net long-term debt included in the consolidated statement of operations are \$3,897 (2012 - \$4,524).

Debt approved after January 1, 1993 has been approved by by-law. The annual principal and interest payments required to service this debt are within the annual debt repayment limit prescribed by the Ontario Ministry of Municipal Affairs and Housing.

11 NET TAXATION CHARGES

Net taxation charges consist of the following:

	2013 \$	2012 \$
Total taxes levied by the Town	42,212,701	40,813,546
Less		
Taxes levied on behalf of the Region of York	16,865,027	16,594,989
Taxes levied on behalf of the School Boards	11,741,620	11,355,606
Total net taxation charges	13,606,054	12,862,951



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

12 GOVERNMENT TRANSFERS

Government transfers include monetary transfers based on cost-sharing agreements between the three levels of government. Some funds are transferred when the Town provides evidence that the qualifying expenditures have been incurred. The Town also receives government transfers once certain criteria have been met or with the stipulation that the funds are used for specific programs or expenses (entitlements with stipulations). Any transfers received where the transfer stipulations have not been met by year-end are recorded as deferred revenue (see *note 8*). Grants are also received to support specific program areas such as recreation programs, etc.

The following kinds of transfers were included in revenue:

	2013	2012
	\$	\$
Grants with stipulations	986,956	1,451,635
Other grants	280,773	468,823
Total government transfers	1,267,729	1,920,458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

13 TANGIBLE CAPITAL ASSETS

Cost	Balance as at December 31, 2012 \$ (Restated – note 3)	Additions \$	Disposals/ Transfers \$	Balance as at December 31, 2013 \$
Transportation infrastructure	52,882,008	935,646	(354,209)	53,463,445
Environmental infrastructure	82,838,568	623,784	(130,571)	83,331,781
Facilities	15,777,209	4,044,277	(411,250)	19,410,236
Vehicles	7,740,537	1,274,568	(553,243)	8,461,862
Machinery and equipment	3,286,358	845,961	(198,480)	3,933,839
Land improvements	11,162,892	633,240	-	11,796,132
Land	25,226,320	41,285	-	25,267,605
	198,913,892	8,398,761	(1,647,753)	205,664,900
Capital work in progress	5,806,922	847,755	(5,065,864)	1,588,813
	204,720,814	9,246,516	(6,713,617)	207,253,713

Accumulated amortization	Balance as at December 31, 2012 \$ (Restated – note 3)	Amortization Charge for the year \$	Disposals/ Transfers \$	Balance as at December 31, 2013 \$
Transportation infrastructure	24,395,331	1,599,347	(354,204)	25,640,474
Environmental infrastructure	32,384,506	1,653,752	(130,572)	33,907,686
Facilities	8,790,433	454,126	(30,526)	9,214,033
Vehicles	4,733,066	552,510	(471,594)	4,813,982
Machinery and equipment	1,547,162	430,647	(191,931)	1,785,878
Land improvements	3,077,514	450,566	-	3,528,080
	74,928,012	5,140,948	(1,178,827)	78,890,133

Net book value	December 31, 2012 \$ (Restated – note 3)	December 31, 2013 \$
Transportation infrastructure	28,486,677	27,822,971
Environmental infrastructure	50,454,062	49,424,095
Facilities	6,986,776	10,196,203
Vehicles	3,007,471	3,647,880
Machinery and equipment	1,739,196	2,147,961
Land improvements	8,085,378	8,268,052
Land	25,226,320	25,267,605
	123,985,880	126,774,767
Capital work in progress	5,806,922	1,588,813
	129,792,802	128,363,580



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

13 TANGIBLE CAPITAL ASSETS (continued)

a) Assets under construction

Assets under construction and other capital work in progress having a value of \$1,588,813 (2012 - \$5,086,922) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Contributed tangible capital assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$41,287 (2012 - \$912,057).

14 CONTRACTUAL OBLIGATIONS

During the year the Town had work done on several major projects with contract values totaling \$967,191 (2012 - \$1,664,526). These contracts relate to the construction and expansion of certain permanent facilities. As at December 31, 2013, \$413,164 (2012 - \$629,676) relating to these contracts had not been expended.

15 COMMITMENTS

The Town has entered into agreements to lease office equipment and vehicles for various periods until 2017 with minimum lease payments of \$52,642.

16 PENSION PLAN

OMERS provides pension services to more than 439,528 active and retired members and approximately 982 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2013. The results of this valuation disclosed total actuarial liabilities of \$73,004 million in respect of benefits accrued for service with actuarial assets at that date of \$64,363 million indicating an actuarial deficit of \$8,641 million.

Because OMERS is a multi-employer plan, 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. Contributions made by the municipality to OMERS for 2013 were \$804,907 (2012 - \$711,120).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

17 CONTINGENCIES

The Town is subject to various legal claims arising in the normal course of its operations. The ultimate outcome of these claims cannot be determined at this time; however, the Town's management believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position.

18 INSURANCE COVERAGE

Effectively January 1, 2012, the Town retained the services of BFL Canada Risk and Insurance Services Inc. to provide insurance and risk management services. The current policy provides a \$10,000 deductible limit per incident.

19 SUBSEQUENT EVENTS

On February 2, 2014 the municipality had a fire at the Mount Albert Fire Station which resulted in the complete destruction of the building along with fire trucks and equipment contained within. This fire at the Mount Albert Fire Station may have an effect on future expenses. Management anticipates that all costs associated with the replacement of these items will be covered by insurance.

On May 1, 2014 the Town received a supplemental assessment from the previous insurance carrier – Ontario Municipal Insurance Exchange (OMEX). This assessment was the result of growing damage awards and larger resulting settlements for the period 2002 to 2012. The supplemental assessment, in the amount of \$330,606 plus 8% PST, for a total of \$357,054 is due January 2015.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

20 ACCUMULATED SURPLUS

Accumulated surplus is comprised of the following:

	2013	2012
	\$	\$
Reserves		
Working Capital/Tax Stabilization	2,905,640	2,973,198
Reserve – Planning Act	(1,623,573)	(1,447,965)
CPI Development fees	(642,200)	(378,425)
Building Code Enforcement	(9,770)	298,535
Election	96,200	74,283
Emergency Services	260,514	254,720
Insurance	56,584	35,914
Real Estate Legal & Administration	21,277	12,277
Winter maintenance	136,949	133,903
Farmers Market	9,145	8,361
General Capital	1,690,131	602,336
Public Works Roads	178,229	113,923
Parks Structures	192,220	188,371
Information Technology	108,072	116,829
Vehicle & Equipment Replacement – Tax Levy	1,527,472	1,786,829
Buildings	1,068,062	885,951
Library asset replacement	87,998	79,455
Water & Sewer Rate Stabilization	594,775	581,545
Vehicle & Equipment Replacement – Water & Sewer	218,626	229,090
Infrastructure – Water & Sewer	1,625,678	1,414,293
Unexpended Capital	229,632	-
Library special	54,703	23,684
Community Capital Contribution		
- Environment & Watershed Enhancement	81,595	51,587
- Ineligible Due to Level of Service	937,695	658,223
- 10% Mandatory DC Reduction	366,807	292,167
- Parkland Acquisition	611,331	429,498
- Administration Facilities	574,821	404,011
- Art & Culture Heritage	218,659	131,895
Total reserves	11,577,272	9,954,488
Front Ended Capital Projects to be recovered by development charges	(3,432,506)	(4,613,222)
Investment in tangible capital assets	128,363,580	129,792,802
	136,508,346	135,134,068

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

21 SEGMENTED INFORMATION

The Town provides a range of services to its citizens. For management reporting and stewardship purposes, all operations are organized and reported by the services they supply.

Town services are provided by departments and their activities are reported. The following departments have been separately disclosed in the segmented information, along with a description of their services. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

(a) *General government*

All support staff and services are included here such as Town Council, the Office of the CAO, Clerks including By-Law, and Treasury.

(b) *Protection to persons and property*

Protection is comprised of emergency services and Building Code enforcement. These departments are responsible for maintaining and enhancing public safety through emergency management planning, prevention and public education programs, enforcement and emergency response.

(c) *Transportation services*

The Transportation department is responsible for the Town's infrastructure. This includes the safety and maintenance of the Town's paved roads, sidewalks, street lights, trees, traffic control devices and the school crossing guard program.

(d) *Environment services*

This segment consists of water and waste water and waste/recycling collection.

(e) *Recreation and cultural services*

The Recreation department is responsible for the planning, administration, operation and maintenance of municipal parks and facilities. Recreation and leisure services are provided through leisure programs as well as parks, playgrounds, open spaces and trail systems.

(f) *Planning and development*

The Planning and building services department administers and oversees key aspects of the land use and development approval process in the Town.

(g) *Library*

The Library serves the members of the public in their leisure, informational and cultural quests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

20 SEGMENTED INFORMATION (continued)

(h) *Elimination*

Eliminating entries are necessary for consolidation purposes to eliminate transactions which are recorded by both the Library and the Town. Eliminating entries are equal reductions of revenues and expenses which do not change the annual surplus of the consolidated entity.

Certain allocation methodologies are employed in the preparation of segmented financial information. Government grants, user charges, transfers from other funds, and other revenues are allocated to the specific program or service they relate to. Internal and external expenses are allocated. Activity based costing is used to allocate internal support costs to departments. These costs include the net expenditures for departments, such as human resources, information systems, finance and others, commonly referred to as overhead. Measures of activity, or drivers, are used to apportion the support costs.

	2013 \$	2012 \$	2013 \$	2012 \$
		<i>(Restated – note 3)</i>		
	CONSOLIDATED		GENERAL GOVERNMENT	
Expenses				
Salaries and wages	11,618,452	11,389,696	1,783,444	1,908,232
Materials	4,229,659	4,036,338	745,816	775,556
Contracted services	7,291,555	6,183,331	842,613	587,581
Amortization	5,140,948	5,036,858	244,039	256,177
	28,280,614	26,646,223	3,615,912	3,527,546
Revenues				
Net taxation charges	(13,606,054)	(12,862,951)	(13,606,054)	(12,862,951)
User charges	(8,423,451)	(7,998,878)	(58,109)	(51,911)
Charges to developers	(4,667,869)	(3,554,966)	(2,489,461)	(2,886,302)
Grants	(1,267,729)	(1,920,458)	(321,023)	(260,565)
Penalties on taxes	(469,492)	(479,186)	(469,492)	(479,186)
Investment income	(219,900)	(239,930)	(219,900)	(239,930)
Other	(1,419,656)	(1,065,580)	(252,668)	(144,518)
	(30,074,151)	(28,121,949)	(17,406,051)	(16,895,363)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

20 SEGMENTED INFORMATION (continued)

	2013 \$	2012 \$	2013 \$	2012 \$
	PROTECTION		TRANSPORTATION	
Expenses				
Salaries and wages	3,078,365	2,842,207	1,977,273	1,976,142
Materials	228,933	276,203	634,479	578,096
Contracted services	329,885	301,066	1,110,355	1,095,551
Amortization	399,455	426,464	1,830,491	1,812,361
	4,036,638	3,845,940	5,552,598	5,462,150
Revenues				
User charges	(748,732)	(945,778)	(449,185)	(541,301)
Charges to developers	(197,607)	(40,951)	(76,283)	(35,926)
Grants	-	-	(840,189)	(864,034)
Other	(198,692)	(199,876)	(419,413)	(96,749)
	(1,145,031)	(1,186,605)	(1,785,070)	(1,538,010)
	ENVIRONMENT		RECREATION	
Expenses				
Salaries and wages	1,568,194	1,474,072	2,321,178	2,260,773
Materials	289,759	329,774	1,970,558	1,857,187
Contracted services	3,560,345	3,012,022	1,040,023	707,670
Amortization	1,694,768	1,675,041	860,002	777,771
	7,113,066	6,490,909	6,191,761	5,603,401
Revenues				
User charges	(5,273,974)	(5,084,538)	(1,020,978)	(961,362)
Charges to developers	(9,004)	(43,307)	(1,714,946)	(165,559)
Grants	-	-	10,492	(727,218)
Other	(181,867)	(452,988)	(232,693)	(56,920)
	(5,464,845)	(5,580,833)	(2,968,782)	(1,911,059)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

20 SEGMENTED INFORMATION (continued)

	2013 \$	2012 \$	2013 \$	2012 \$
	PLANNING		LIBRARY	
Expenses				
Salaries and wages	1,183,906	1,213,076	908,997	826,160
Materials	115,803	(6,993)	244,311	226,515
Contracted services	403,334	475,191	5,000	4,250
Amortization	-	-	112,193	89,044
	1,703,043	1,681,274	1,270,501	1,145,969
Revenues				
User charges	(834,272)	(390,050)	(38,201)	(23,938)
Charges to developers	(180,568)	(382,921)	-	-
Grants	(65,267)	(27,043)	(1,274,647)	(1,152,564)
Other	(122,031)	(129,735)	(12,292)	(14,794)
	(1,202,138)	(929,749)	(1,325,140)	(1,191,296)
	ELMINATION			
Expenses				
Salaries and wages	(1,222,905)	(1,110,966)		
	(1,202,905)	(1,110,966)		
Revenues				
Grants	1,222,905	1,110,966		
	1,202,905	1,110,966		