

Consolidated financial statements of

**Corporation of the
Town of Pelham**

December 31, 2013

Corporation of the Town of Pelham

December 31, 2013

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Deloitte LLP
25 Corporate Park Drive
3rd Floor
St. Catharines ON L2S 3W2
Canada

Tel: 905-323-6000
Fax: 905-323-6001
www.deloitte.ca

Independent Auditor's Report

To the Members of Council, and the Citizens of the Corporation of the Town of Pelham

We have audited the accompanying consolidated financial statements of the Corporation of the Town of Pelham, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Pelham 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.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
July 7, 2014

Corporation of the Town of Pelham

Consolidated statement of operations year ended December 31, 2013

	Budget 2013 (Note 14)	Actual 2013	Actual 2012
	\$	\$	\$
Revenue			
Taxation (Note 9)	9,861,948	9,871,564	9,477,723
User charges (Note 10)	5,042,698	4,759,844	4,921,990
Grants (Note 12)	563,295	933,333	1,267,896
Contributions from developers	284,871	592,950	617,258
Other (Note 13)	823,257	819,094	872,346
Equity (loss) earnings in subsidiary (Note 2)	-	(139,708)	186,792
Loss on disposal of tangible capital assets	-	(581,263)	(532,081)
	16,576,069	16,255,814	16,811,924
Expenses			
General government	2,416,662	2,525,934	1,635,214
Protection to persons and property	1,634,120	1,572,790	1,789,399
Transportation services	5,375,950	5,164,272	4,965,813
Environmental services	4,163,777	4,079,393	4,464,068
Health services	171,095	152,956	175,264
Recreation and culture services	2,413,613	2,464,974	2,667,873
Planning and development	400,852	517,564	507,195
	16,576,069	16,477,883	16,204,826
Annual (deficit) surplus	-	(222,069)	607,098
Accumulated surplus, beginning of year	5,229,102	85,229,102	84,622,004
Accumulated surplus, end of year	5,229,102	85,007,033	85,229,102

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Corporation of the Town of Pelham

Consolidated statement of change in net debt year ended December 31, 2013

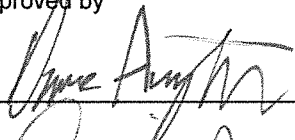
	Budget 2013 (Note 14)	Actual 2013	Actual 2012
		\$	\$
Annual (deficit) surplus	-	(222,069)	607,098
Amortization of tangible capital assets	4,372,051	4,127,811	4,042,226
Acquisition of tangible capital assets	(13,082,593)	(4,888,533)	(3,825,156)
Loss on disposal of tangible capital assets	-	581,263	532,081
Proceeds on disposal of tangible capital assets	-	1,494	39,518
	(8,710,542)	(400,034)	1,395,767
Acquisition of other assets	-	(298,009)	(150,271)
Use of other assets	-	150,216	18,888
	-	(147,793)	(131,383)
(Decrease) increase in net financial assets	(8,710,542)	(547,827)	1,264,384
Net debt, beginning of year	(1,746,050)	(1,746,050)	(3,010,434)
Net debt, end of year	(10,456,592)	(2,293,877)	(1,746,050)

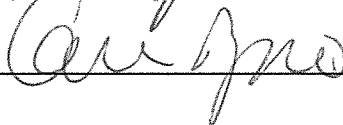
The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Corporation of the Town of Pelham
 Consolidated statement of financial position
 as at December 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	403,745	374,162
Taxes receivable	2,314,360	2,368,904
User charges receivable	605,476	584,882
Accounts receivable	867,767	610,607
Investment in subsidiary (Note 2)	5,082,730	5,222,438
	9,274,078	9,160,993
Liabilities		
Bank indebtedness (Note 3)	1,000,000	-
Accounts payable and accrued liabilities	2,667,442	2,546,069
Other liabilities	655,576	699,085
Deferred revenue (Note 4)	1,896,167	2,227,775
Long-term debt (Note 5)	5,026,279	5,152,852
Employee future benefits (Note 6)	322,491	281,262
	11,567,955	10,907,043
Contingencies (Note 17)		
Net debt	(2,293,877)	(1,746,050)
Non-financial assets		
Tangible capital assets (Schedule 2)	86,992,659	86,814,694
Other assets	308,251	160,458
	87,300,910	86,975,152
Accumulated surplus (Note 7)	85,007,033	85,229,102

Approved by





The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Corporation of the Town of Pelham

Consolidated statement of cash flows year ended December 31, 2013

	2013	2012
	\$	\$
Operating activities		
Annual (deficit) surplus	(222,069)	607,098
Non-cash items		
Amortization	4,127,811	4,042,226
Loss on disposal of tangible capital assets	581,263	532,081
Net earnings from investment in subsidiary	(65,754)	(221,253)
Decrease (increase) in taxes receivable	54,544	(134,215)
(Increase) decrease in user charges receivable	(20,594)	2,908
(Increase) decrease in accounts receivable	(257,160)	75,455
Increase in inventory held for resale	-	(5,942)
Increase in accounts payable and accrued liabilities	121,373	435,308
(Decrease) increase in other liabilities	(43,509)	5,328
Decrease in deferred revenue	(331,608)	(147,445)
Increase in employee benefit obligations	41,229	32,545
Increase in other assets	(147,793)	(131,384)
	3,837,733	5,092,710
Capital activities		
Proceeds from disposal of tangible capital assets	1,494	39,518
Acquisition of tangible capital assets, net of construction in process capitalized	(4,888,533)	(3,825,156)
	(4,887,039)	(3,785,638)
Investing activities		
Proceeds from the sale of investments	-	1,500,000
Financing activities		
Increase (decrease) in bank indebtedness	1,000,000	(2,990,431)
Dividends received from investment in subsidiary (Note 2)	205,462	34,461
Issuance of long-term debt	714,913	808,600
Repayment of long-term debt	(841,486)	(763,066)
	1,078,889	(2,910,436)
Net increase (decrease) in cash	29,583	(103,364)
Cash, beginning of year	374,162	477,526
Cash, end of year	403,745	374,162

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2013

1. Significant accounting policies

The consolidated financial statements of the Corporation of the Town of Pelham ("the Town") are the representation of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

Basis of consolidation

These consolidated financial statements reflect the assets, liabilities, non-financial assets, revenues, and expenses and include all activities of all committees of Council and the following local boards and municipal entities which are under the control of Council:

Pelham Public Library Board

Interdepartmental and organizational transactions and balances are eliminated.

The following joint local board is proportionality consolidated:

Niagara Central Airport Commission (Joint Board)

Related party transactions are eliminated (Note 15).

Peninsula West Power Inc.

Peninsula West Power Inc., a subsidiary corporation of the Town, is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government enterprises (Note 2). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Town, and inter-organizational transactions and balances are not eliminated.

These consolidated statements exclude trust funds that are administered for the benefit of external parties (Note 16).

Basis of accounting

The consolidated financial statements 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.

Deferred revenue

Receipts which are restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenues. When qualifying expenses are incurred, restricted revenues are brought into revenue at equal amounts. Revenues received in advance of expenses which will be incurred in a later period are deferred.

Employee future benefits

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

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2013

1. Significant accounting policies (continued)

Tangible capital assets

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

<u>Classification</u>	<u>Useful life</u>
Land improvements	15 to 40 years
Buildings	20 to 60 years
Machinery and equipment	7 to 40 years
Furniture and fixtures	5 to 10 years
Computer hardware	4 years
Computer software	5 years
Library collection	15 years
Linear assets	2 to 90 years
Vehicles	3 to 20 years

Half year amortization is charged in the year of acquisition and no amortization is taken in year of disposal. Assets under construction are not amortized until the asset is available for productive use.

The Town does not capitalize interest as part of the costs of its capital assets.

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

Works of art, artifacts, cultural or historic assets are not recorded as assets in the consolidated financial statements.

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Subdivision infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion they are turned over to the Town. The Town is not involved in the construction.

Reserves for future expenses

Certain amounts, as approved by Town Council, are set aside in reserves and reserve funds for future current and capital expenses.

Government transfer payments

Government transfers are recognized as revenues by the Town in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions or programs to be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

Local improvements

The Town records capital expenses funded by local improvement agreements as they are incurred. Revenues are recognized in the year they become receivable.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2013

1. Significant accounting policies (continued)

Tax revenue

Tax revenue is recognized on all taxable properties within the Town that are included in the tax roll provided by the Municipal Property Assessment Corporation, using property values included in the tax roll or property values that can be reasonably estimated by the Town as it relates to supplementary or omitted assessments, at tax rates authorized by Council for the Town's own purposes in the period for which the tax is levied.

Region and school board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the Region of Niagara are not reflected in the accumulated surplus of these financial statements.

Development charges

Development charges, collected under the authority of Sections 33 to 35 of the Development Charges Act, 1997, are reported as deferred revenue in the consolidated statement of financial position in accordance with Canadian public sector accounting standards. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period in which the funds are expended on qualifying capital projects. Development charges will also be applied to cover costs for servicing debt including interest on borrowings and contributions to sinking funds to retire debt.

Management estimates

The preparation of these financial statements in accordance with Canadian public sector accounting standards 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates relate to the allowance for taxes and accounts receivable, accrued liabilities, employee future benefits and tangible capital assets. Actual results could differ from those estimates.

Adoption of new accounting standards

As at January 1, 2013, the Town adopted Public Sector Accounting Handbook *Section PS 3410, "Government Transfers"*, and *Section PS 3510, "Tax Revenue"*. There was no impact on the consolidated financial statements as a result of the adoption of these new standards.

2. Subsidiary operations

Peninsula West Power Inc. (PWPI), established by Council under Municipal By-law 2004-45, is an amalgamation of hydro-electric commissions from the Municipalities of Lincoln, West Lincoln and Pelham. PWPI owns a 25.5% share of Niagara Peninsula Energy Inc., which provides electric distribution services and wholly-owns Peninsula West Services Ltd. (PWSL), which provides water heater, sentinel lights and related services. During the year PWPI sold its 50% share of the joint venture Niagara West Transformation Corporation. The Town of Pelham has a 17% interest in PWPI.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2013

2. Subsidiary operations (continued)

The following table provides condensed supplementary financial information for Peninsula West Power Inc.:

	2013	2012
	\$	\$
Financial position		
Current assets	1,104,145	1,981,112
Capital assets	95,676	77,393
Investment	33,629,805	33,563,969
Total assets	34,829,626	35,622,474
Current liabilities		
Accounts payable	44,691	42,683
Future payments in lieu of taxes	4,886,521	4,859,568
Total liabilities	4,931,212	4,902,251
Net assets	29,898,414	30,720,223
Town of Pelham's interest - 17%	5,082,730	5,222,438
	2013	2012
	\$	\$
Change in equity investment in subsidiary		
Revenues	282,568	259,190
Expenses	(229,738)	(213,990)
Payment in lieu of income taxes	(37,874)	(245,302)
Loss from operations	14,956	(200,102)
Other items related to merger	371,836	701,599
Net earnings	386,792	501,497
Dividends	(1,208,600)	(202,710)
Discontinued operations	-	799,991
Net increase in equity of subsidiary	(821,808)	1,098,778
Change in equity of subsidiary - 17%	(139,708)	186,792

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2013

2. Subsidiary operations (continued)

The financial position, long-term debt, capital lease and contingent liabilities information is as reported by Peninsula West Power Inc. at December 31, 2013 and the results of operations is as reported for the year ended December 31, 2013. The comparative financial position and results of operations figures are as reported by Peninsula West Power Inc. at December 31, 2012.

The following summarizes the Town's related party transactions with Peninsula West Power Inc. for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	2013	2012
	\$	\$
Electricity purchased	75,631	58,848
Property taxes and other taxes	635	629
	76,266	59,477

3. Bank indebtedness

The Town has an authorized revolving line of credit of \$3,000,000, at prime, of which \$2,000,000 remained unused at year-end. The line of credit is secured by borrowing by-law for operating line of \$3,000,000 held. Payment is due on demand.

4. Deferred revenue

A requirement of PSAS is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

The net change during the year in the legislatively restricted deferred revenue balances is as follows:

	Development charges	Parkland	Other	2013 Total	2012 Total
	\$	\$	\$	\$	\$
Balance, beginning of year	1,161,014	938,224	128,492	2,227,730	2,417,056
Restricted funds received	222,498	110,930	814,664	1,148,092	1,612,580
Interest earned	6,548	5,292	1,788	13,628	22,705
Revenue recognized	(592,950)	(24,955)	(875,378)	(1,493,283)	(1,824,566)
Balance, end of year	797,110	1,029,491	69,566	1,896,167	2,227,775

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2013

5. Long-term debt

(a) The balance of net long-term debt reported on the consolidated statement of financial position is made up of the following:

	2013	2012
	\$	\$
CIBC bank loan, with interest only payable monthly until January, 2007 and then monthly principal payments of \$21,428 plus interest commencing in January, 2007. Interest is payable at prime	1,602,716	1,859,852
The Town has assumed responsibility for the payment of principal and interest charges on certain long term debt issued by the Region of Niagara. At the end of the year, the outstanding principal amount of this debt is	3,423,563	3,293,000
Net long-term debt	5,026,279	5,152,852

(b) The net long-term debt:

Debenture number	Purpose	Interest rates	Maturity dates	2013	2012
				\$	\$
114-2004	Canboro Road	2.46%	2014	250,000	500,000
73-2010	Fire trucks	3.217%	2015	175,652	259,415
67-2009	Centennial Park	3.5% to 4.8%	2019	132,000	151,000
83-2011	Haist & Pelham St	1.55% to 4.05%	2021	1,415,997	1,573,985
73-2012	Haist St & Rice Rd	1.35% to 3.10%	2022	735,000	808,600
72-2013	Effingham & Hwy 20	1.40% to 3.75%	2023	714,913	-
Bank loan	Land purchase	Prime		1,602,717	1,859,852
				5,026,279	5,152,852

(c) Principal repayments in each of the next five years are due as follows:

	\$
2014	913,952
2015	673,422
2016	592,816
2017	599,747
2018	609,524

The Municipality paid \$143,605 (2012 - \$150,252) interest on long-term debt during the year.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2013

6. Employee future benefits

The Town completes a valuation for accounting purposes annually using the projected benefit method prorated on service.

The valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect management's best estimates. The main assumptions employed for the valuation are as follows:

Discount rate	- beginning of year	3.10%
	- end of year	3.75%
Medical cost increases	- ultimate trend rate	4.6%

The post-employment benefit expense is reported as a component of expenses on the consolidated statement of operations. Composition of the amount is as follows:

	2013	2012
	\$	\$
Current service cost	51,254	44,821
Interest on post-employment benefit liability	8,719	10,073
Total expense related to post-employment benefits	59,973	54,894

Vested sick leave benefits

Under the sick leave benefit plan, which was in place until 1994, unused sick leave could accumulate and employees were entitled to a cash payment. All the vested sick leave benefits have been paid out as of December 31, 2013.

Post-employment benefit liability

The City sponsors a defined benefit plan for post-employment benefits other than pensions for substantially all of its employees. The plan provides extended health and life insurance coverage to age 65 for full-time employees. The plan is unfunded and requires no contribution from employees. Total benefit payments to retirees during the year were \$18,743 (2012 - \$22,351).

Pension agreement

The Town makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 61 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The amount the Town contributed to OMERS for 2013 was \$422,016 (2012 - \$350,713) for current service which is included as an expense in the consolidated statement of operations.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2013

7. Accumulated surplus

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

	2013	2012
	\$	\$
Surplus (deficit)		
Town	(5,219,425)	(4,997,224)
Library (Schedule 1)	(251,417)	(137,386)
Niagara Central Airport Commission (Note 15)	9,819	19,929
	<u>(5,461,023)</u>	<u>(5,114,681)</u>
Investment in tangible capital assets (Schedule 2)	86,992,659	86,814,694
Investment in subsidiary	5,082,730	5,222,438
Unfunded		
Long-term debt	(5,026,279)	(5,152,852)
Employee future benefits	(322,491)	(281,262)
	<u>(5,348,770)</u>	<u>(5,434,114)</u>
Reserves and reserve funds (Note 8)	3,741,437	3,740,765
	<u>85,007,033</u>	<u>85,229,102</u>

8. Reserves and reserve funds

	2013	2012
	\$	\$
Reserves set aside for specific purposes by Council		
Airport (Note 15)	2,955	(3,443)
Building department	(6,211)	36,236
Cemetery	(123,607)	(142,057)
Community improvement plan	187,804	194,823
Elections	11,934	1,867
Fire equipment	(2,495)	(12,639)
Fleet	(282,329)	(467,096)
Future subdivision project	362,613	362,613
Information technology	(41,219)	74,269
Land acquisition	60,098	60,098
Library (Schedule 1)	(54,062)	(62,062)
Municipal building facility	70,675	102,581
Parks and recreation	74,056	57,053
Physician recruitment	19,609	20,600
Planning	(68,963)	(60,038)
Roads	1,125,559	1,563,373
Wastewater	581,045	579,042
Water	1,665,635	1,149,312
Working capital	158,340	286,233
	<u>3,741,437</u>	<u>3,740,765</u>

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2013

9. Taxation

	Budget 2013 (Note 14)	Actual 2013	Actual 2012
	\$	\$	\$
Real property	-	28,588,419	27,631,409
From other governments payments in lieu of taxes	-	278,264	279,876
		28,866,683	27,911,285
Less: taxation collected on behalf of (Note 11)			
Region of Niagara	-	13,891,529	13,338,859
School boards	-	5,103,590	5,094,703
		18,995,119	18,433,562
Net taxes available for municipal purposes	-	9,871,564	9,477,723
Residential and farm	8,814,338	8,822,934	8,464,946
Multi-residential	160,135	160,291	151,988
Commercial	850,694	851,523	827,832
Industrial	36,781	36,816	32,957
	9,861,948	9,871,564	9,477,723

10. User charges

	Budget 2013 (Note 14)	Actual 2013	Actual 2012
	\$	\$	\$
Operating			
Fees and service charges	929,290	775,235	705,795
Water charges	2,357,800	2,181,030	2,318,368
Sewer charges	1,730,008	1,564,670	1,603,385
Licences and permits	25,600	238,909	294,442
	5,042,698	4,759,844	4,921,990

11. Collections for the Region of Niagara and school boards

Total taxation and development charges received or receivable on behalf of the Region of Niagara and the school boards were as follows:

	2013	2012
	\$	\$
Region of Niagara	13,891,529	13,338,859
School boards	5,103,590	5,094,703
	18,995,119	18,433,562

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2013

11. Collections for the Region of Niagara and school boards (continued)

The Town is required to levy and collect taxes on behalf of the Region of Niagara and the school boards. These taxes are recorded as revenue at the amounts levied. The taxes levied over (under) the amounts requisitioned are recorded as accounts payable (receivable).

The Town collects development charges on behalf of the Region of Niagara. Development charges collected in excess of those paid to the Region are recorded as accounts payable.

12. Grants

	Budget 2013 (Note 14)	Actual 2013	Actual 2012
	\$	\$	\$
Operating			
Government of Canada	-	17,653	31,076
Province of Ontario	64,240	94,031	73,599
Region of Niagara	3,500	27,692	5,662
	67,740	139,376	110,337
Capital			
Government of Canada	495,555	647,555	758,055
Province of Ontario	-	31,402	299,504
Region of Niagara	-	-	100,000
Other	-	115,000	-
	495,555	793,957	1,157,559
	563,295	933,333	1,267,896

13. Other revenue

	Budget 2013 (Note 14)	Actual 2013	Actual 2012
	\$	\$	\$
Operating			
Penalties and interest on taxes	300,000	338,292	354,096
Investment income	59,500	23,434	22,831
Fines and other penalties	69,000	69,880	63,186
Other	394,757	387,488	432,233
	823,257	819,094	872,346

14. Budget amounts

The operating budget was approved by Council on February 4, 2013 and the tax rate supported capital budgets were approved by Council on December 3, 2012 to establish the tax rates for the year. In addition, the water and wastewater operating budgets were approved by Council on February 19, 2013.

An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original council approved budget.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2013

14. Budget amounts (continued)

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 include in the consolidated statement of change in net debt.

15. Niagara Central Airport Commission

The Niagara Central Airport Commission operates a two runway airport offering a year round fixed base operation. The Commission is funded by the four nearby municipalities, City of Welland, City of Port Colborne, Town of Pelham and the Township of Wainfleet. The Town of Pelham has a non-controlling interest in the airport of 18%.

The following table provides condensed supplementary financial information for the Niagara Central Airport Commission:

	2013	2012
	\$	\$
Financial assets		
Cash and temporary investments	62,900	62,860
Receivables	8,192	9,897
	<u>71,092</u>	<u>72,757</u>
Liability		
Accounts payable and accrued liabilities	27,056	5,303
Net financial assets	<u>44,036</u>	<u>67,454</u>
Non-financial assets		
Prepaid expenses	1,354	1,378
Fuel inventory	24,491	21,630
Tangible capital assets	1,152,797	1,168,219
	<u>1,178,642</u>	<u>1,191,227</u>
	<u>1,222,678</u>	<u>1,258,681</u>
Accumulated surplus		
Operating surplus	53,717	109,298
Reserves	16,164	(18,836)
Investment in tangible capital assets	1,152,797	1,168,219
	<u>1,222,678</u>	<u>1,258,681</u>
Revenues		
Grants	78,530	75,810
Fuel and rentals	65,375	55,919
Property tax refund	39,746	-
Other	2,955	-
Interest	506	432
Expenses	(223,116)	(137,534)
Annual (deficit) surplus	<u>(36,004)</u>	<u>(5,373)</u>

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2013

15. Niagara Central Airport Commission (continued)

The financial position information is as reported by the Niagara Central Airport Commission as at December 31, 2013 and the results of operations are as reported for the year ended December 31, 2013. The comparative financial position and results of operations figures are as reported by the Niagara Central Airport Commission at December 31, 2012.

The Town has recorded in the financial statements its 18% share of the Niagara Central Airport Commissions' assets, liabilities, accumulated surplus, revenues, expenses, and annual surplus.

The following summarizes the Town's related party transactions with the Niagara Central Airport Commission for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	2013	2012
	\$	\$
Grants	14,135	13,644

16. Trust funds

Trust funds administered by the Town amounting to \$932,535 (2012 - \$908,744) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

17. Contingencies

From time to time, the Town is the subject of litigation. In the opinion of management, any litigation outstanding, if successful, would not have a material impact on the financial statements.

The Town guarantees \$3,250,000 of the debt of Niagara West Transformation Corporation of which the corporation's 50% share is \$2,508,000 and is included on the consolidated balance sheet. The guarantee is secured by a general security agreement covering all assets of the corporation. The corporation is contingently liable for the difference of \$742,000.

18. Financial instruments

The Town's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable, other liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

19. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2013

20. Segmented information

The Town provides a diverse range of services to its citizens. The Consolidated schedule of segment disclosure has grouped various services into segments to provide a further breakdown of the revenues and expenses attributable to each segment. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The services included in each segment are as follows:

General government

General government is comprised of governance, corporate management and program support.

Protection services

Protection is comprised of fire, police, conservation authority, protective inspection and control, emergency measures and provincial offenses.

Transportation services

Transportation is comprised of roads, winter control, transit, parking, street lighting and air transportation.

Environmental services

Environmental is comprised of storm sewer systems, water collection, waste disposal and recycling.

Health services

Health services is comprised of cemeteries.

Recreation and culture services

Recreation and culture services is comprised of parks, recreation programs, recreation facilities, libraries and cultural services.

Planning and development

Planning and development is comprised of planning and zoning, commercial and industrial development, residential development, agricultural and reforestation and tile draining and shoreline assistance.

Corporation of the Town of Pelham

Schedule of library operations - Schedule 1 year ended December 31, 2013

	Budget 2013 (Note 14)	Actual 2013	Actual 2012
	\$	\$	\$
Revenue			
Municipal contribution	746,596	746,594	728,387
Grants	23,388	26,547	26,382
Other	63,607	81,179	74,642
	833,591	854,320	829,411
Expenses			
Administration	35,730	24,018	29,812
Amortization	-	99,568	95,855
Books, periodicals and other media	54,000	50,753	48,595
Electronic resources and maintenance	14,750	13,054	14,588
Furnishings and office equipment	1,100	635	1,772
Insurance	3,160	2,045	2,963
Programs	6,000	8,914	9,818
Repairs and maintenance	21,612	24,292	31,940
Salaries, wages and benefits	672,530	685,657	727,230
Supplies	3,000	3,294	3,843
Utilities	21,709	23,780	23,764
	833,591	936,010	990,180
Annual deficit	-	(81,690)	(160,769)
Accumulated surplus, beginning of year	-	300,868	461,637
Accumulated surplus, end of year	-	219,178	300,868
Accumulated surplus consists of the following			
Operating deficit	-	(251,417)	(137,386)
Investment in tangible capital assets	-	560,130	512,854
Reserves	-	(54,062)	(62,062)
Unfunded employee benefit obligations	-	(35,473)	(12,538)
	-	219,178	300,868

Corporation of the Town of Pelham
 Schedule of tangible capital assets - Schedule 2
 year ended December 31, 2013

	Land improvements	Land	Buildings	Machinery, equipment, furniture, fixtures and computers	Vehicles	Linear assets	Construction in process	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Beginning of year	11,867,962	1,442,621	7,576,734	5,389,865	6,612,762	101,243,437	4,740,528	138,873,909
Additions	12,299	61,231	561,299	655,402	9,857	5,293,827	2,347,613	8,941,528
Less construction in process put into active use	-	-	-	-	-	-	(4,052,995)	(4,052,995)
Less disposals during the year	-	(6,556)	-	(131,251)	-	(1,227,467)	-	(1,365,274)
End of year	11,880,261	1,497,296	8,138,033	5,914,016	6,622,619	105,309,797	3,035,146	142,397,168
Accumulated amortization								
Beginning of year	-	810,895	2,792,122	2,533,557	3,121,087	42,801,554	-	52,059,215
Add amortization during the year	-	42,903	150,012	349,449	345,801	3,239,646	-	4,127,811
Less amortization on disposals	-	(6,556)	-	(91,208)	-	(684,753)	-	(782,517)
End of year	-	847,242	2,942,134	2,791,798	3,466,888	45,356,447	-	55,404,509
Net book value	11,880,261	650,054	5,195,899	3,122,218	3,155,731	59,953,350	3,035,146	86,992,659

Corporation of the Town of Pelham
Schedule of tangible capital assets - Schedule 2 (continued)
year ended December 31, 2012

	Land	Land improvements	Land	Buildings	Machinery, equipment, furniture, fixtures and computers	Vehicles	Linear assets	Construction in process	2012
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Beginning of year	11,867,962	1,362,713	7,370,656	5,284,939	6,674,940	99,586,664	4,804,281	136,952,155	
Additions	-	98,153	207,326	374,437	337,530	2,871,463	198,583	4,087,492	
Less construction in process put into active use	-	-	-	-	-	-	(262,336)	(262,336)	
Less disposals during the year	-	(18,245)	(1,248)	(269,511)	(399,708)	(1,214,690)	-	(1,903,402)	
End of year	11,867,962	1,442,621	7,576,734	5,389,865	6,612,762	101,243,437	4,740,528	138,873,909	
Accumulated amortization									
Beginning of year	-	788,665	2,645,316	2,478,492	3,138,254	40,298,065	-	49,348,792	
Add amortization during the year	-	40,475	148,054	310,060	349,738	3,193,899	-	4,042,226	
Less amortization on disposals	-	(18,245)	(1,248)	(254,995)	(366,905)	(690,410)	-	(1,331,803)	
End of year	-	810,895	2,792,122	2,533,557	3,121,087	42,801,554	-	52,059,215	
Net book value	11,867,962	631,726	4,784,612	2,856,308	3,491,675	58,441,883	4,740,528	86,814,694	

Corporation of the Town of Pelham

Consolidated schedule of segment disclosure - Schedule 3

year ended December 31, 2013

	2013							
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Recreation and culture services	Planning and development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Taxation	2,009,632	1,208,252	4,769,590	189,680	55,325	1,317,772	321,313	9,871,564
User charges	21,882	265,007	40,027	3,760,850	42,608	508,080	121,390	4,759,844
Grants	56,984	-	498,961	-	-	367,453	9,935	933,333
Contributions from developo	22,263	33,222	326,951	117,397	-	28,460	64,657	592,950
Other	371,361	66,309	36,786	46,137	55,023	243,209	269	819,094
Equity (loss) earnings in subsidiary	(139,708)	-	-	-	-	-	-	(139,708)
Loss on disposal of equity in subsidiary	-	-	-	-	-	-	-	-
Loss on disposal of tangible capital assets	(38,549)	-	(508,043)	(34,671)	-	-	-	(581,263)
	2,303,865	1,572,790	5,164,272	4,079,393	152,956	2,464,974	517,564	16,255,814
Expenses								
Salaries and wages	1,536,674	1,010,740	890,943	787,607	112,567	1,637,287	464,427	6,440,245
Long-term debt interest	-	13,353	50,024	30,893	-	54,192	-	148,462
Materials	623,836	127,730	712,994	112,758	7,036	436,254	25,384	2,045,992
Contracted services	269,589	84,915	789,147	2,405,037	22,207	36,182	27,753	3,634,830
Rents and financial expenses	4,742	-	17,102	12,210	-	12,347	-	46,401
External transfers	-	-	-	-	-	34,142	-	34,142
Amortization	91,093	336,052	2,704,062	730,888	11,146	254,570	-	4,127,811
	2,525,934	1,572,790	5,164,272	4,079,393	152,956	2,464,974	517,564	16,477,883
Annual deficit	(222,069)	-	-	-	-	-	-	(222,069)

Corporation of the Town of Pelham

Consolidated schedule of segment disclosure - Schedule 3 (continued)
year ended December 31, 2012

	2012							
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Recreation and culture services	Planning and development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Taxation	1,554,483	1,702,055	3,941,352	-	73,600	1,858,209	348,024	9,477,723
User charges	24,943	318,394	26,176	3,921,753	34,230	487,059	109,435	4,921,990
Grants	47,333		1,121,871	5,662	994	76,093	15,943	1,267,896
Contributions from developers		(294,637)	331,718	529,721		17,700	32,756	617,258
Other	428,761	84,389	55,975	6,932	66,440	228,812	1,037	872,346
Equity earnings in subsidiary	186,792	-	-	-	-	-	-	186,792
Loss on disposal of tangible capital assets		(20,802)	(511,279)	-	-	-	-	(532,081)
	2,242,312	1,789,399	4,965,813	4,464,068	175,264	2,667,873	507,195	16,811,924
Expenses								
Salaries and wages	1,393,817	1,040,271	878,823	660,447	144,182	1,626,839	379,342	6,123,721
Long-term debt interest	-	9,577	89,175	17,925	-	69,671	-	186,348
Materials	457,426	243,796	768,250	119,017	16,284	607,483	20,654	2,232,910
Contracted services	223,358	152,194	556,659	2,403,794	6,734	89,419	107,199	3,539,357
Rents and financial expenses	9,809	16,155	4,934	15,916	-	2,417	-	49,231
External transfers	-	-	-	-	-	31,033	-	31,033
Interfunctional adjustments	(534,325)	-	-	534,325	-	-	-	-
Amortization	85,129	327,406	2,667,972	712,644	8,064	241,011	-	4,042,226
	1,635,214	1,789,399	4,965,813	4,464,068	175,264	2,667,873	507,195	16,204,826
Annual surplus	607,098	-	-	-	-	-	-	607,098

Corporation of the Town of Pelham

Schedule of segment disclosure with budget information - Schedule 4 year ended December 31, 2013

	Budget 2013 (Note 14)	Actual 2013	Actual 2012
	\$	\$	\$
General government			
Revenue			
Taxation	2,024,562	2,009,632	1,554,483
User charges	23,450	21,882	24,943
Grants	15,300	56,984	47,333
Contributions from developers	-	22,263	-
Loss on disposal of tangible capital assets	-	(38,549)	-
Equity (loss) earnings in subsidiary	-	(139,708)	186,792
Other	353,350	371,361	428,761
	<u>2,416,662</u>	<u>2,303,865</u>	<u>2,242,312</u>
Expenses			
Salaries and wages	1,541,331	1,536,674	1,393,817
Materials	623,080	623,836	457,426
Contracted services	154,200	269,589	223,358
Rents and financial	10,610	4,742	9,809
Interfunctional adjustments	-	-	(534,325)
Amortization	87,441	91,093	85,129
	<u>2,416,662</u>	<u>2,525,934</u>	<u>1,635,214</u>
Annual surplus	-	(222,069)	607,098
Protection to persons and property			
Revenue			
Taxation	1,260,220	1,208,252	1,702,055
User charges	287,700	265,007	318,394
Contributions from developers	-	33,222	(294,637)
Loss on disposal of tangible capital assets	-	-	(20,802)
Other	86,200	66,309	84,389
	<u>1,634,120</u>	<u>1,572,790</u>	<u>1,789,399</u>
Expenses			
Salaries and wages	1,032,644	1,010,740	1,040,271
Long-term debt interest	7,387	13,353	9,577
Materials	150,885	127,730	243,796
Contracted services	91,840	84,915	152,194
Rents and financial	1,600	-	16,155
Amortization	349,764	336,052	327,406
	<u>1,634,120</u>	<u>1,572,790</u>	<u>1,789,399</u>
Annual surplus	-	-	-

Corporation of the Town of Pelham

Schedule of segment disclosure with budget information - Schedule 4

(continued)

year ended December 31, 2013

	Budget 2013 (Note 14)	Actual 2013	Actual 2012
	\$	\$	\$
Transportation services			
Revenue			
Taxation	4,643,945	4,769,590	3,941,352
User charges	-	40,027	26,176
Grants	495,555	498,961	1,121,871
Contributions from developers	186,450	326,951	331,718
Loss on disposal of tangible capital assets	-	(508,043)	(511,279)
Other	50,000	36,786	55,975
	<u>5,375,950</u>	<u>5,164,272</u>	<u>4,965,813</u>
Expenses			
Salaries and wages	974,089	890,943	878,823
Long-term debt interest	9,377	50,024	89,175
Materials	755,231	712,994	768,250
Contracted services	776,270	789,147	556,659
Rents and financial	19,150	17,102	4,934
Amortization	2,841,833	2,704,062	2,667,972
	<u>5,375,950</u>	<u>5,164,272</u>	<u>4,965,813</u>
Annual surplus	-	-	-
Environmental services			
Revenue			
Taxation	-	189,680	-
User charges	4,103,808	3,760,850	3,921,753
Grants	3,500	-	5,662
Contributions from developers	-	117,397	529,721
Loss on disposal of tangible capital assets	-	(34,671)	-
Other	69,500	46,137	6,932
	<u>4,176,808</u>	<u>4,079,393</u>	<u>4,464,068</u>
Expenses			
Salaries and wages	709,716	787,607	660,447
Long-term debt interest	-	30,893	17,925
Materials	148,592	112,758	119,017
Contracted services	2,503,000	2,405,037	2,403,794
Rents and financial	15,500	12,210	15,916
Inter-functional adjustments	13,031	-	534,325
Amortization	786,969	730,888	712,644
	<u>4,176,808</u>	<u>4,079,393</u>	<u>4,464,068</u>
Annual surplus	-	-	-

Corporation of the Town of Pelham

Schedule of segment disclosure with budget information - Schedule 4

(continued)

year ended December 31, 2013

	Budget 2013 (Note 14)	Actual 2013	Actual 2012
	\$	\$	\$
Health services			
Revenue			
Taxation	73,195	55,325	73,600
User charges	33,300	42,608	34,230
Grants	-	-	994
Other	64,600	55,023	66,440
	171,095	152,956	175,264
Expenses			
Salaries and wages	113,369	112,567	144,182
Materials	7,900	7,036	16,284
Contracted services	6,105	22,207	6,734
Amortization	43,721	11,146	8,064
	171,095	152,956	175,264
Annual surplus	-	-	-
Recreation and culture services			
Revenue			
Taxation	1,644,043	1,317,772	1,858,209
User charges	511,940	508,080	487,059
Grants	32,673	367,453	76,093
Contributions from developers	25,350	28,460	17,700
Other	199,607	243,209	228,812
	2,413,613	2,464,974	2,667,873
Expenses			
Salaries and wages	1,554,089	1,637,287	1,626,839
Long-term debt interest	60,000	54,192	69,671
Materials	443,201	436,254	607,483
Contracted services	48,800	36,182	89,419
Rents and financial	9,150	12,347	2,417
External transfers	36,050	34,142	31,033
Amortization	262,323	254,570	241,011
	2,413,613	2,464,974	2,667,873
Annual surplus	-	-	-

Corporation of the Town of Pelham

Schedule of segment disclosure with budget information - Schedule 4

(continued)

year ended December 31, 2013

	Budget 2013 (Note 14)	Actual 2013	Actual 2012
	\$	\$	\$
Planning and development			
Revenue			
Taxation	229,014	321,313	348,024
User charges	82,500	121,390	109,435
Grants	16,267	9,935	15,943
Contributions from developers	73,071	64,657	32,756
Other	-	269	1,037
	400,852	517,564	507,195
Expenses			
Salaries and wages	345,802	464,427	379,342
Materials	27,050	25,384	20,654
Contracted services	28,000	27,753	107,199
	400,852	517,564	507,195
Annual surplus	-	-	-



Deloitte LLP
25 Corporate Park Drive
3rd Floor
St. Catharines ON L2S 3W2
Canada

Tel: 905-323-6000
Fax: 905-323-6001
www.deloitte.ca

Independent Auditor's Report

To the Members of Council, and the Citizens of the Corporation of the Town of Pelham

We have audited the accompanying financial statements of the Corporation of the Town of Pelham Trust Funds, which comprise the statement of financial position as at December 31, 2013 and the statement of financial activities and fund balance for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Pelham Trust Funds as at December 31, 2013, and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
July 7, 2014

Corporation of the Town of Pelham Trust Funds

Statement of financial activities and fund balance
year ended December 31, 2013

	Cemetery Care and Maintenance Funds	Bradshaw Estate	Library Trust Funds	Total 2013	Total 2012
	\$	\$	\$	\$	\$
Revenue					
Interest	12,005	1,282	2,174	15,461	6,088
Donations	-	-	16,095	16,095	31,988
Marker fees	4,600	-	-	4,600	2,300
Plot sales	15,864	-	-	15,864	19,694
	32,469	1,282	18,269	52,020	60,070
Expenses					
Purchase of equipment, books and periodicals and miscellaneous	-	-	12,766	12,766	7,800
Cash transfer to Town of Pelham	7,800	-	7,662	15,462	4,317
	7,800	-	20,428	28,228	12,117
Excess (deficiency) of revenues over expenses	24,669	1,282	(2,159)	23,792	47,953
Fund balance, beginning of year	625,401	135,829	147,514	908,744	860,791
Fund balance, end of year	650,070	137,111	145,355	932,536	908,744

The accompanying notes to the financial statements are an integral part of this financial statement.

Corporation of the Town of Pelham

Trust Funds

Statement of financial position
as at December 31, 2013

	Cemetery Care and Maintenance Funds	Bradshaw Estate	Library Trust Funds	Total 2013	Total 2012
	\$	\$	\$	\$	\$
Assets					
Cash	25,400	35,241	158,120	218,761	182,812
Receivables and accrued interest	4,206	570	-	4,776	588
Investments (Note 2)	607,800	101,300	-	709,100	700,000
Due from Town of Pelham	20,464	-	-	20,464	25,344
	657,870	137,111	158,120	953,101	908,744
Liability					
Due to Town of Pelham	7,800	-	12,765	20,565	-
Fund balance	650,070	137,111	145,355	932,536	908,744

The accompanying notes to the financial statements are an integral part of this financial statement.

Corporation of the Town of Pelham

Trust Funds

Notes to the financial statements
December 31, 2013

1. Accounting policies

The financial statements of the Corporation of the Town of Pelham Trust Funds are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

Significant accounting policies are as follows:

(a) Basis of accounting

Sources of revenue 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.

(b) Investments

Investments are recorded at cost.

(c) Financial instruments

Cash, due to the Town of Pelham and due to other trust funds are recorded at amortized cost.

(d) Use of estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

2. Investments

The total for investments by the trust funds of \$709,100 (2012 - \$700,000) reported on the statement of financial position at cost, have a market value of \$709,100 (2012 - \$700,000) at the end of the year.

3. Subdividers' planning and builders' deposits

In addition to the cash accounts held by the Town and shown as trust funds, bank letters of credit are also held as security to ensure the provision of subdivision services and the completion of contracts:

	2013	2012
	\$	\$
Letters of credit, beginning of year	3,057,750	3,217,295
Net increase (decrease)	2,742,014	(159,545)
Letters of credit, end of year	5,799,764	3,057,750

4. Statement of cash flows

A statement of cash flows has not been provided as the related information is readily determinable from the financial statements presented.