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Consolidated Financial Statements of

**THE CORPORATION OF THE  
MUNICIPALITY OF LAKESHORE**

And Independent Auditors' Report thereon

Year ended December 31, 2022

# DRAFT

## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Financial Statements

Year ended December 31, 2022

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## **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements of The Corporation of the Municipality of Lakeshore (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

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## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

### Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
<b>Financial assets</b>		
Cash and temporary investments	\$ 87,557,417	\$ 100,123,363
Taxes receivable	2,976,382	2,635,597
Trade and other receivables	7,021,870	3,496,438
Water receivables and unbilled revenue	3,809,184	3,216,734
Drainage receivables	2,598,799	3,584,784
Drainage recoverable from others	477,955	522,940
Inventory held for resale	18,147	18,147
Investments (note 2)	594,315	807,450
	<u>\$ 105,054,069</u>	<u>\$ 114,405,453</u>
<b>Financial liabilities</b>		
Short-term loans (note 4)	\$ 522,825	\$ 1,020,000
Accounts payable and accrued liabilities	11,083,725	7,538,280
Deposits	3,083,331	2,492,693
Deferred revenue (note 5)	18,516,980	16,506,970
Accrued interest on long-term liabilities	136,797	152,890
Net long-term liabilities (note 6)	22,210,153	24,789,632
Post-employment benefits (note 8)	2,323,400	1,293,402
Accumulated vested sick leave (note 9)	586	5,036
Landfill closure cost liability (note 10)	559,120	588,712
	<u>58,436,917</u>	<u>54,387,615</u>
Net financial assets	46,617,152	60,017,838
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	381,027,081	352,046,166
Unfunded capital in progress	3,139,303	3,139,303
Inventories of supplies	180,830	180,830
Prepaid expenses	93,546	128,284
	<u>384,440,760</u>	<u>355,494,583</u>
Contractual obligations and contingencies (notes 13 and 15)		
Accumulated surplus (Schedule 4)	<u>\$ 431,057,912</u>	<u>\$ 415,512,421</u>

See accompanying notes to consolidated financial statements.

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## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

### Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget	2022 Actual	2021 Actual
Revenue:			
Taxation	\$ 39,083,983	\$ 39,334,445	\$ 37,572,205
User charges:			
Wastewater	6,780,636	7,355,767	6,746,241
Water	9,594,321	10,876,214	10,120,029
Recreation	2,936,635	2,869,832	1,542,539
Other	1,055,737	1,302,876	1,331,855
Government transfers	964,890	1,429,681	2,025,610
Other (note 11)	2,084,860	3,168,233	2,224,609
Deferred revenue earned (Schedule 2)	1,888,828	10,096,196	15,898,959
Capital assets decommissioned	-	-	(1,245,635)
	64,389,890	76,433,244	76,216,412
Expenses (note 14):			
General government	6,446,748	9,265,136	6,599,010
Protection to persons and property	9,111,968	9,457,496	9,219,579
Transportation services	9,641,701	10,329,138	9,506,706
Environmental services	18,223,504	21,054,884	16,936,113
Recreation and cultural services	9,283,505	9,064,479	6,583,888
Planning and development	1,661,562	1,716,620	1,626,779
	54,368,988	60,887,753	50,472,075
Annual surplus	10,020,902	15,545,491	25,744,337
Accumulated surplus, beginning of year	415,512,421	415,512,421	389,768,084
Accumulated surplus, end of year	\$ 425,533,323	\$ 431,057,912	\$ 415,512,421

See accompanying notes to consolidated financial statements.

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## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

### Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Annual surplus	\$ 15,545,491	\$ 25,744,337
Amortization of tangible capital assets	11,536,372	9,041,640
Acquisition of unfunded tangible capital in progress	-	(3,139,303)
Acquisition of tangible capital assets	(40,521,358)	(12,301,926)
(Gain) loss on sale of tangible capital assets	(55,132)	989,513
Capital assets decommissioned	-	1,245,635
Proceeds on sale of tangible capital assets	59,203	67,453
	(13,435,424)	21,647,349
Acquisition of inventories	(180,830)	(180,830)
Acquisition of prepaid expenses	(93,546)	(128,284)
Consumption of inventories	180,830	180,830
Consumption of prepaid expenses	128,284	76,263
Change in net financial assets	(13,400,686)	21,595,328
Net financial assets, beginning of year	60,017,838	38,422,510
Net financial assets, end of year	\$ 46,617,152	\$ 60,017,838

See accompanying notes to consolidated financial statements.

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## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

### Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 15,545,491	\$ 25,744,337
Items not involving cash:		
Amortization of tangible capital assets	11,536,372	9,041,640
(Gain) loss on sale of tangible capital assets	(55,132)	989,513
Capital assets decommissioned	-	1,245,635
Change in non-cash operating working capital:		
Taxes, trade and water receivables	(4,458,667)	1,457,081
Prepaid expenses	34,738	(52,021)
Drain receivables and debt recoverable from others	1,030,970	(1,164,107)
Accounts payable, accrued liabilities and deposits	4,136,083	(1,231,579)
Deferred revenue	2,010,010	(4,892,556)
Unfunded liabilities - interest, benefits, landfill	979,863	(18,410)
	<u>30,759,728</u>	<u>31,119,533</u>
Investing:		
Decrease (increase) in investments	213,135	241,550
	<u>213,135</u>	<u>241,550</u>
Capital:		
Acquisition of unfunded tangible capital in progress	-	(3,139,303)
Acquisition of tangible capital assets (net)	(40,521,358)	(12,301,926)
Proceeds on disposal of tangible capital assets	59,203	67,453
	<u>(40,462,155)</u>	<u>(15,373,776)</u>
Financing:		
Debenture principal repayments	(2,579,479)	(2,590,124)
	<u>(2,579,479)</u>	<u>(2,590,124)</u>
Increase in cash and cash equivalents	(12,068,771)	13,397,183
Cash and cash equivalents, beginning of year	99,103,363	85,706,180
Cash and cash equivalents, end of year	<u>\$ 87,034,592</u>	<u>\$ 99,103,363</u>
Supplemental cash flow information:		
Cash and temporary investments	\$ 87,557,417	\$ 100,123,363
Short term capital loan	(522,825)	(1,020,000)
Cash and cash equivalents, end of year	<u>\$ 87,034,592</u>	<u>\$ 99,103,363</u>

See accompanying notes to consolidated financial statements.

## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements

Year ended December 31, 2022

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### 1. Significant accounting policies:

#### (a) Management responsibility:

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

#### (b) Basis of accounting:

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

#### (c) Basis of consolidation:

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

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



## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2022

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### 1. Significant accounting policies (continued):

#### (d) Taxes receivable and related revenues:

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation (“MPAC”). Tax rates are established annually by Municipality Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect to education taxes and the County of Essex in respect of upper tier taxes. A normal part of the assessment process is the issuance of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued. Assessment and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded based upon management’s estimate of the outcome taking into consideration historical trends. The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied. Tax revenue is recorded net of reductions. Taxes receivable are reported net of any expense or allowance for doubtful accounts.

#### (e) Government transfers:

Government transfer payments, which include legislative grants, are recognized as revenue in the consolidated financial statements when the transfer is authorized and eligibility criteria are met, except to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. When the transfer stipulations give rise to a liability, government transfers are recognized as deferred revenue until the stipulations are settled.

#### (f) 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. The change in non-financial assets during the year, together with the annual surplus, provides the Change in Net Financial Assets for the year.

## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2022

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### 1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(i) Tangible capital assets:

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

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

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

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

(ii) Contribution of tangible capital assets:

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

## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2022

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### 1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(iii) Inventories:

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

(g) Investments:

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

(h) Inventory:

Inventory of goods held for resale is recorded at the lower of cost and net realizable value.

(i) Deferred revenue:

Funds received for specific purposes that are externally restricted by legislation, regulation or agreement and not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations and accumulated surplus in the year in which it is used for the specified purpose.

(j) County and school boards:

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

(k) Employee future benefits:

The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2022

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### 1. Significant accounting policies (continued):

#### (k) Employee future benefits (continued):

Employee benefits include vacation entitlement, sick leave benefits and certain post-employment benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits and other post-employment benefits that accumulate over the period of service provided by the employees are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service and management's best estimate of salary escalation and retirement ages of employees, inflation rates, investment returns, health care cost trends and discount rates. Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the employee group.

#### (l) Leases:

Leases are classified as capital or operating leases. Leases which transfer substantially the entire benefits and risks incidental to ownership of property 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.

#### (m) Purchase premium:

Purchase premium arising on the acquisition of a government business enterprise will be deferred and amortized over a period to twenty years.

#### (n) Use of estimates:

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of taxes and other accounts receivable, the carrying value of tangible capital assets, accruals and employee benefits payable. Actual results could differ from management's best estimates as additional information becomes available in the future.

## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2022

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### 1. Significant accounting policies (continued):

(o) Liability for contaminated sites:

The Municipality recognizes a liability associated with the remediation of contaminated sites when a contamination exceeds an environmental standard, the Municipality has direct or has accepted responsibility for the remediation and a reasonable estimate can be made for the costs to remediate.

(p) Future accounting changes:

Effective for fiscal periods beginning on or after April 1, 2022, all governments will be required to adopt PSAB Section 3280, Asset Retirement Obligations. The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use.

Effective for fiscal periods beginning on or after April 1, 2022, all governments will be required to adopt PSAB Section 3450 Financial Instruments, Section 2601 Foreign Currency Translation, Section 3041 Portfolio Investments, Section 1201 Financial Statement Presentation, and Section 3280 Asset Retirement Obligations. These standards provide guidance on how to account for and present financial instruments, asset retirement obligations and foreign currency translation.

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

### 2. Investments:

	2022	2021
Debentures	\$ 594,315	\$ 807,450
	\$ 594,315	\$ 807,450

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## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2022

### 3. Equity in the Union Water Supply System (UWSS):

The equity in the UWSS is made up as follows:

	2022	2021
Cash and investments	\$ 690,523	\$ 739,909
Accounts receivable	42,119	59,655
Accounts payable	(114,047)	(130,936)
	618,595	668,628
Long-term debt	(265,741)	(315,026)
Tangible capital assets	1,856,859	1,649,402
	2,209,713	2,003,004
Reserves	199,367	256,746
Reserve funds	419,229	411,882
	618,596	668,628
Tangible Capital Assets - net book value:		
Water – land, land improvements, buildings and equipment	1,301,045	1,027,776
Water – linear	552,818	540,568
Water – assets under construction	2,996	81,058
	\$ 1,856,859	\$ 1,649,402

Included in the consolidated statement of operations and accumulated surplus is the UWSS share of:

	2022	2021
Amortization expense	\$ 60,537	\$ 50,303
Interest on long-term debt	31,005	35,881

The equity interest of each municipality shall be determined according to their proportional water consumption from the system, with the equity share being updated every four years per the Ownership Agreement. Lakeshore's equity in UWSS was reset to 3.36% effective January 1, 2022. Subsequent to year end, the UWSS was incorporated with share capital. The Municipality received 336 Class A Special Shares in Union Water Supply System Inc., the new corporation. The Municipality has not yet assessed the accounting treatment of this change in ownership for 2023.

## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2022

#### 4. Short term loans:

The Municipality has a demand line of credit for current operations and drainage construction. Credit is available to a maximum of \$6,700,000 and bears interest at prime minus 0.25%. All amounts under these facilities are repayable immediately on demand to TD Canada Trust. The balance at the end of the year is \$522,825 (2021 - \$1,020,000) for drainage construction. This loan is offered on an unsecured basis.

#### 5. Deferred revenue:

	2022	2021
Obligatory reserve funds:		
Development Charges Act and Agreements	\$ 11,212,630	\$ 8,042,639
Parking and trees	212,820	167,102
Parkland dedication	833,816	681,625
Federal gas tax	4,337,930	5,599,455
Building code	1,919,784	2,016,149
	\$ 18,516,980	\$ 16,506,970

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

#### 6. Long-term liabilities:

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

	2022	2021
Total debentures payable	\$ 21,944,412	\$ 24,474,606
Share of Union Water System obligations	265,741	315,026
	\$ 22,210,153	\$ 24,789,632

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## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2022

### 6. Long-term liabilities (continued):

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

2023	\$ 2,595,513
2024	2,582,061
2025	2,579,823
2026	2,164,256
2027	2,135,795
Thereafter	10,152,705

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

	2022	2021
Taxation	\$ 10,546,726	\$ 11,247,448
User rates:		
Water	6,887,271	8,076,045
Wastewater	4,298,201	4,897,143
Benefitting landowners	477,955	568,996
	\$ 22,210,153	\$ 24,789,632

Interest rates range from 2.205% to 6.0%. Total interest charges included in reporting on the consolidated statement of operations and accumulated surplus is \$843,149 (2021 - \$925,666). Of this amount, \$195,497 (2021 - \$218,957) was paid from wastewater rates, \$260,746 (2021 - \$289,742) from water rates, \$357,871 (2021 - \$380,074) from tax rates and \$29,035 (2021 - \$36,893) from benefitting landowners.



## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2022

### 7. Pension agreement:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan on behalf of eligible members of its staff. The plan is funded through equal contributions from the employer and its member employees. The plan provides defined pension benefits to employees based upon their length of credited service and rates of pay. However, as OMERS does not segregate its pension assets and liabilities information by individual employer, there is not sufficient information to enable the Municipality to account for the plan as a defined benefit plan.

During the year, the Municipality paid \$1,044,178 (2021 - \$979,712) in contributions towards the OMERS plan which are recorded in the statement of operations. At December 31, 2022, the OMERS plan is in an actuarial deficit position, which is being addressed through rate contributions and benefit reductions. Contribution rates are determined by OMERS, based on the funding status of the plan, investment projections and other actuarial assumptions. Ongoing adequacy of the current contribution rates will need to be monitored as fluctuations in the financial markets may lead to increased future funding requirements.

### 8. Post-employment benefits

The post-employment benefit liability is based on an actuarial valuation performed by the Municipality's actuary. The actuarial valuation was performed on December 31, 2022. The following significant actuarial assumptions were applied in estimating post-employment benefit liability:

- (a) a discount factor of 4.16% (2021 - 4.0%)
- (b) a health care trend rate of 4.4% for 2022

The liability based on the above assumptions at the year-end date is \$2,323,400 (2021 - \$1,293,402).

	2022
Accrued benefit liability, beginning	\$ 1,293,402
Annual expense	277,200
Benefits paid	(98,102)
Unamortized net actuarial loss	850,900
Accrued benefit obligations, end of year	\$ 2,323,400

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## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2022

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### 9. Liability for vested sick leave benefits:

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

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

Subsequent to January 1, 2000, 7 sick days per year are granted to all full-time employees, and if unused, may be paid out or accumulated to a maximum of 30 days. At the year end, the liability for the accumulated days amounted to \$286,904 (2021 - \$295,589) and is included in accounts payable.

The liability for these accumulated days, to the extent that they have vested and payment could be taken in cash by an employee upon termination, amounted to \$586 (2021 - \$5,036).

### 10. Landfill closure cost liability:

Essex County Landfill #3 was closed in 1997 and requires care consisting of hauling and treating leachate for an estimated period of 35 to 40 years. This landfill is the joint responsibility of the Municipality of Lakeshore, Municipality of Tecumseh and City of Windsor. The site is administered by the Essex-Windsor Solid Waste Authority. The liability was calculated assuming a 4% (2021 - 4%) discount rate and 2% (2021 - 2%) rate of inflation using current annual contributions. Payments are made on a bi-monthly basis. The liability calculated using the above assumptions amounted to \$559,120 at the yearend date (2021 - \$588,712).

### 11. Other income:

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	2022	2021
Penalties and interest on taxation	\$ 557,623	\$ 707,925
Investment income	1,500,561	423,754
Permits and licenses	914,134	1,101,183
Miscellaneous	199,983	(8,253)
	<hr/>	<hr/>
	\$ 3,172,301	\$ 2,224,609

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## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2022

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

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

	2022	2021
School boards	\$ 12,338,254	\$ 11,966,860
County of Essex	29,001,457	27,783,443
	<u>\$ 41,339,711</u>	<u>\$ 39,750,303</u>

### 13. Contractual obligation – Ontario Clean Water Agency:

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

### 14. Contingencies:

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

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## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2022

### 15. Budget amounts:

The Financial Plan (Budget) By-Law adopted by Council on February 1, 2022 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget is unaudited and was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated using surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the consolidated statements of operations and change in net financial assets represent the Financial Plan adopted by Council on February 1, 2022 with adjustments as follows:

	Budget Amount
Revenue:	
Operating	\$ 65,158,627
Capital	19,012,378
Less:	
Transfers from reserves	(19,781,115)
Total revenue	64,389,890
Expenses:	
Operating	65,158,627
Capital	19,012,378
Less:	
Transfers to reserves	(19,244,353)
Debt principal payments	(2,876,701)
Capital expenditures	(19,012,378)
Add:	
Amortization of tangible capital assets	11,331,415
Total expenses	54,368,988
Budgeted surplus per financial statements	\$10,020,902

## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2022

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### 16. Segmented information:

The Municipality of Lakeshore is a diverse lower tier municipal government that provides a wide range of services to its citizens. The Municipality's operations and activities are organized functionally based on services provided and their activities are summarized by reportable segment in these statements.

For each reportable segment, the Municipality has reported expenses that represent both amounts that are directly attributable and amounts that are allocated on a reasonable basis. Revenues have not been presented by segment based on their nature and instead are shown by object as shown in Schedule 5.

The Municipality's reportable segments and their associated activities are as follows:

- (i) General government provides functions of general governance and corporate management comprised of tax levy revenue, council, council services, finance and administration activities.
- (ii) Protection services: are comprised of Police, Fire and Protective Inspection activities including building, by-law enforcement and animal control.
- (iii) Transportation services: includes Roads and related Asset Management and responsibility for road maintenance, hard-top and loose-top maintenance, road patrol, salt, sanding, snow removal, street lighting and administration of facilities.
- (iv) Environmental services: are comprised of water, sanitary and storm sewers, solid waste collection, disposal and recycling.
- (v) Recreation and cultural services: Recreational and cultural services are comprised of parks cultural activities and recreation facilities and responsibility for providing and facilitating the development and maintenance of high quality parks, recreation and cultural services.
- (vi) Planning and development: includes Planning, Agricultural Drainage and Engineering, responsible for administration of land use plans and policies for sustainable development of the Municipality.

The accounting policies used in these segments are consistent with those followed in preparation of the consolidated financial statements as disclosed in Note 1.

### 19. Comparative figures:

Prior year comparative figures have been reclassified to conform to current year presentation. The Municipality's annual surplus for the prior year has not been impacted.

# DRAFT

## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2022, with comparative information for 2021

	General					Infrastructure				Totals		
	Land	Land improvements	Buildings	Equipment	Vehicles	Plants and facilities	Roads	Underground	Bridges	Assets under construction	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost:												
Beginning of year	6,902,273	14,342,309	67,758,888	29,852,135	8,745,759	75,891,915	133,642,786	168,392,116	7,306,814	21,142,831	533,977,826	523,978,501
Additions	11,252	461,118	896,273	1,938,912	749,391	675,064	4,484,953	395,356	-	41,044,292	50,656,611	15,794,818
Disposals	-	-	-	(144,055)	(60,905)	-	(951,616)	-	-	(10,135,253)	(11,291,829)	(5,795,493)
Donations and transfers	-	-	-	-	-	-	-	-	-	-	-	-
Balance, end of year	6,913,525	14,803,427	68,655,161	31,646,992	9,434,245	76,566,979	137,176,123	168,787,472	7,306,814	52,051,870	573,342,608	533,977,826
Accumulated Amortization:												
Beginning of year	-	3,183,082	12,139,826	14,582,309	5,482,925	15,720,841	86,311,903	40,943,064	3,567,710	-	181,931,660	172,890,020
Amortization	-	346,130	2,107,084	1,150,042	547,889	1,020,146	4,376,869	1,886,921	101,291	-	11,536,372	11,484,954
Accumulated amortization on disposals	-	-	-	(144,054)	(60,903)	-	(947,548)	-	-	-	(1,152,505)	(2,443,314)
Balance, end of year	-	3,529,212	14,246,910	15,588,297	5,969,911	16,740,987	89,741,224	42,829,985	3,669,001	-	192,315,527	181,931,660
Net book value of tangible capital assets	6,913,525	11,274,215	54,408,251	16,058,695	3,464,334	59,825,992	47,434,899	125,957,487	3,637,813	52,051,870	381,027,081	352,046,166

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## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Deferred Revenue

Schedule 2

Year ended December 31, 2022, with comparative information for 2021

	<b>Balance December 31, 2021</b>	<b>Interest earned</b>	<b>Contributions received</b>	<b>Deferred revenue allocated</b>	<b>Balance December 31, 2022</b>
Parkland	681,625	17,343	239,000	(104,152)	833,816
Development charges	4,880,525	58,941	6,433,295	(5,209,485)	6,163,276
Building Code	2,016,149	24,987	-	(121,352)	1,919,784
Federal Gas Tax	5,599,455	71,916	1,884,502	(3,217,943)	4,337,930
Trees	166,387	2,660	88,050	(45,000)	212,097
Provincial Grants	3,162,114	88,106	3,197,398	(1,398,264)	5,049,354
Parking	715	8	-	-	723
	<b>16,506,970</b>	<b>263,961</b>	<b>11,842,245</b>	<b>(10,096,196)</b>	<b>18,516,980</b>

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## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule of Reserves and Reserve Funds

Schedule 3

Year ended December 31, 2022, with comparative information for 2021

	Balance December 31, 2021	Interest earned	Contributions received	Inter fund transfers	Transfer from (to) capital	Transfer from (to) operations	Balance December 31, 2022
<b>Reserve Funds</b>							
Water	19,003,620	282,332	-	4,436,762	(3,613,067)	2,879,679	22,989,326
Union water system	411,882	-	-	-	-	7,347	419,229
Wastewater	(3,900,426)	(117,785)	-	10,969,373	(28,041,301)	1,457,608	(19,632,531)
Future employee benefits	714,999	-	-	-	-	-	714,999
ELK sale proceeds	1,440,753	-	-	-	-	-	1,440,753
	<u>17,670,828</u>	<u>164,547</u>	<u>-</u>	<u>15,406,135</u>	<u>(31,654,368)</u>	<u>4,344,634</u>	<u>5,931,776</u>
<b>Reserves</b>							
Working capital	4,151,022	-	-	425,157	-	(1,362,393)	3,213,786
Contingencies	1,324,661	-	-	553,516	-	(165,000)	1,713,177
Accumulated sick leave	55,130	-	-	-	-	-	55,130
Water operating	1,064,058	-	-	-	-	-	1,064,058
Union water system	256,746	-	-	-	-	(57,379)	199,367
Roads	11,484,177	-	-	(2,913,720)	(3,111,330)	6,097,090	11,556,217
Acquisition of capital assets	47,143,910	-	104,502	(7,496,162)	(6,067,883)	6,553,649	40,238,016
Future operating expenses	5,589,618	-	17,815	284,351	(333,334)	432,950	5,991,400
	<u>71,069,322</u>	<u>-</u>	<u>122,317</u>	<u>(9,146,858)</u>	<u>(9,512,547)</u>	<u>11,498,917</u>	<u>64,031,151</u>
	<u>88,740,150</u>	<u>164,547</u>	<u>122,317</u>	<u>6,259,277</u>	<u>(41,166,915)</u>	<u>15,843,551</u>	<u>69,962,927</u>



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## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Schedule of Accumulated Surplus

Schedule 4

December 31, 2022, with comparative information for 2021

	2022	2021
<b>Reserves and Reserve Funds:</b>		
Reserve Funds (Schedule 3)	5,931,776	17,670,827
Reserves (Schedule 3)	64,031,151	71,069,323
	<u>69,962,927</u>	<u>88,740,150</u>
<b>Surpluses:</b>		
Tangible capital assets	364,582,283	331,142,905
Deficit - unfunded tangible capital in progress	(3,139,303)	(3,139,303)
General revenue fund	(1,044,902)	175,590
General reduction of user charges	3,768,383	811,193
Benefitting landowners related to special charges and special areas	(51,573)	(178,075)
<b>Unfunded:</b>		
Post employment liabilities and sick leave	(2,323,986)	(1,298,438)
Landfill closure cost liability	(559,120)	(588,712)
Accrued interest on long-term debt	(136,797)	(152,890)
	<u>361,094,985</u>	<u>326,772,270</u>
<b>Accumulated Surplus</b>	<u>431,057,912</u>	<u>415,512,420</u>

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## THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule of Segmented Disclosure

Schedule 5

Year ended December 31, 2022

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation	Planning and Development	Total
Revenue							
Property taxes	39,334,445	-	-	-	-	-	39,334,445
Government transfers	989,870	180,624	24,958	6,300	127,521	100,408	1,429,681
User fees and sale of goods	844,877	106,125	174,148	18,231,981	2,884,432	163,126	22,404,689
Investment income	1,469,832	-	-	-	-	-	1,469,832
Gain or (Loss) on sale of tangible capital assets	55,133	-	-	-	-	-	55,133
Deferred revenue earned	628,404	184,981	1,144,749	7,243,289	804,814	89,959	10,096,196
Other revenues	658,761	899,161	34,619	30,729	19,999	-	1,643,269
	<u>43,981,322</u>	<u>1,370,891</u>	<u>1,378,474</u>	<u>25,512,299</u>	<u>3,836,766</u>	<u>353,493</u>	<u>76,433,245</u>
Expenses							
Salaries, wages and employee benefits	4,673,337	2,659,572	1,792,222	4,181,231	3,255,473	1,424,557	17,986,392
Interest on long-term debt	-	-	-	456,243	357,870	29,036	843,149
Materials	3,097,885	1,011,484	3,466,512	6,547,594	2,390,880	196,401	16,710,756
Contracted services	1,318,046	5,159,906	329,561	5,516,441	356,038	66,626	12,746,618
Rents and financial expenses	45,479	854	-	-	29,137	-	75,470
External transfers	-	486,147	-	707,806	-	-	1,193,953
Amortization	130,389	139,533	4,740,843	3,645,569	2,675,081	-	11,331,415
	<u>9,265,136</u>	<u>9,457,496</u>	<u>10,329,138</u>	<u>21,054,884</u>	<u>9,064,479</u>	<u>1,716,620</u>	<u>60,887,753</u>
Annual surplus (deficit)	<u>34,716,186</u>	<u>(8,086,605)</u>	<u>(8,950,664)</u>	<u>4,457,415</u>	<u>(5,227,713)</u>	<u>(1,363,127)</u>	<u>15,545,492</u>