

Consolidated Financial Statements of

**THE MUNICIPALITY OF
LAKESHORE**

And Independent Auditors' Report thereon

Year ended December 31, 2020

THE MUNICIPALITY OF LAKESHORE

Consolidated Financial Statements

Year ended December 31, 2020

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements 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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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Municipality of Lakeshore

Opinion

We have audited the consolidated financial statements of the Municipality of Lakeshore (the Municipality), which comprise:

- the consolidated statement of financial position as at December 31, 2020
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2020, and its results of operations and its changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Municipality's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group Municipality to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

Approval date

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash and temporary investments	\$ 86,706,180	\$ 71,065,126
Taxes receivable	3,344,409	3,335,502
Trade and other receivables	3,848,963	3,837,907
Water receivables and unbilled revenue	3,612,478	3,172,344
Drainage receivables	2,227,951	3,282,107
Drainage recoverable from others	715,666	767,035
Inventory held for resale	18,147	34,600
Investments (note 2)	1,049,000	777,978
	\$ 101,522,794	\$ 86,272,599
Financial liabilities		
Short-term loans (note 4)	\$ 1,000,000	\$ 1,585,000
Accounts payable and accrued liabilities	8,938,846	10,318,334
Deposits	2,323,706	1,812,411
Deferred revenue (note 5)	21,399,526	14,176,297
Accrued interest on long-term liabilities	171,788	190,633
Net long-term liabilities (note 6)	27,379,756	29,811,583
Post-employment benefits (note 8)	1,263,891	1,306,018
Accumulated vested sick leave (note 9)	5,036	19,051
Landfill closure cost liability (note 10)	617,735	615,887
	63,100,284	59,835,214
Net financial assets	38,422,510	26,437,385
Non-financial assets		
Tangible capital assets (Schedule 1)	351,088,481	336,800,497
Inventories of supplies	180,830	159,112
Prepaid expenses	76,263	165,383
	351,345,574	337,124,992
Contractual obligations and contingencies (notes 13 and 16)		
Accumulated surplus (Schedule 4)	\$ 389,768,084	\$ 363,562,377

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2020, with comparative information for 2019

	2020 Budget	2020 Actual	2019 Actual
Revenue:			
Taxation	\$ 35,869,119	\$ 35,827,531	\$ 33,447,475
User charges:			
Wastewater	5,992,924	6,428,370	5,755,148
Water	9,158,172	9,581,333	9,040,914
Recreation	2,909,283	1,706,408	3,185,572
Other	987,692	1,375,458	1,180,343
Government transfers	942,490	2,442,190	1,850,797
Other (note 11)	1,894,960	2,450,839	2,652,515
Deferred revenue earned (Schedule 2)	352,600	550,901	1,935,009
	58,107,240	60,363,030	59,047,773
Expenses (note 14):			
General government	5,090,975	2,108,537	1,986,355
Protection to persons and property	8,906,881	9,694,277	9,190,656
Transportation services	10,776,317	9,171,206	9,714,229
Environmental services	14,610,791	18,089,274	17,530,591
Recreation and cultural services	8,978,944	7,875,159	10,449,466
Planning and development	1,435,688	1,512,819	1,586,943
	49,799,596	48,451,272	50,458,240
Net revenue	8,307,644	11,911,758	8,589,533
Other:			
Grants and revenues (expenses) related to capital:			
Loss on sale of capital assets	-	(72,692)	(29,690)
Deferred revenue earned (Schedule 2)	(4,280,000)	2,002,867	3,068,442
Government transfers	2,052,494	387,252	2,387,135
Contribution from developers	-	11,693,714	-
Other	-	148,029	77,002
Capitalization of assets previously expensed	-	134,779	-
	(2,227,506)	14,293,949	5,502,889
Annual surplus	6,080,138	26,205,707	14,092,422
Accumulated surplus, beginning of year	363,562,377	363,562,377	349,469,955
Accumulated surplus, end of year	\$ 369,642,515	\$ 389,768,084	\$ 363,562,377

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Annual surplus	\$ 26,205,707	\$ 14,092,422
Amortization of tangible capital assets	10,805,570	10,341,463
Acquisition of tangible capital assets	(25,169,340)	(13,857,520)
Loss on sale of tangible capital assets	72,692	29,690
Proceeds on sale of tangible capital assets	3,094	33,940
	11,917,723	10,639,995
Acquisition of inventories	(180,830)	(159,112)
Acquisition of prepaid expenses	(76,263)	(165,383)
Consumption of inventories	159,112	245,298
Consumption of prepaid expenses	165,383	107,861
Change in net financial assets	11,985,125	10,668,659
Net financial assets, beginning of year	26,437,385	15,768,726
Net financial assets, end of year	\$ 38,422,510	\$ 26,437,385

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 26,205,707	\$ 14,092,422
Items not involving cash:		
Amortization of tangible capital assets	10,805,570	10,341,463
Loss on sale of tangible capital assets	72,692	29,690
Change in non-cash operating working capital:		
Taxes, trade and water receivables	(460,097)	1,232,919
Prepaid expenses	89,120	(57,522)
Inventories	(5,265)	84,222
Drain receivables and debt recoverable from others	1,105,525	447,675
Accounts payable, accrued liabilities and deposits	(868,193)	2,789,970
Deferred revenue	7,223,229	2,070,918
Unfunded liabilities - interest, benefits, landfill	(73,139)	(158,855)
	44,095,149	30,872,902
Investing:		
Increase in investments	(271,022)	(265,112)
	(271,022)	(265,112)
Capital:		
Acquisition of tangible capital assets	(25,169,340)	(13,857,520)
Proceeds on disposal of tangible capital assets	3,094	33,940
	(25,166,246)	(13,823,580)
Financing:		
Long-term debt issued	-	100,000
Debenture principal repayments	(2,431,827)	(2,519,676)
	(2,431,827)	(2,419,676)
Increase in cash and cash equivalents	16,226,054	14,364,534
Cash and cash equivalents, beginning of year	69,480,126	55,115,592
Cash and cash equivalents, end of year	\$ 85,706,180	\$ 69,480,126
Supplemental cash flow information:		
Cash and temporary investments	\$ 86,706,180	\$ 71,065,126
Short term capital loan	(1,000,000)	(1,585,000)
Cash and cash equivalents, end of year	\$ 85,706,180	\$ 69,480,126

See accompanying notes to consolidated financial statements.

THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements

Year ended December 31, 2020

1. Significant accounting policies:

(a) Management responsibility:

The consolidated financial statements 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 MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2020

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 are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If the funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as deferred revenue at year end.

(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 generally have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net debt for the year.

THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2020

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:

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

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

The 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 pools are computers, bunker gear and other fire equipment, generators, road signs and street lights.

(ii) Contribution of tangible capital assets:

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

THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2020

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. Cost is determined on the average cost basis.

(i) Deferred revenue:

Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations and accumulated surplus in the year in which it is used for the specified purpose.

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

THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(l) Use of estimates:

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

(m) Related party disclosures

The Municipality defines related party and provides disclosure requirements, in accordance with the relevant standard. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The Municipality also discloses related party transactions that have occurred where no amounts have been recognized.

(n) Future accounting changes:

Effective for fiscal periods beginning on or after April 1, 2021, all governments will be required to adopt PSAB Section 3450, Financial Instruments and Section 2601, Foreign Currency Translation. Section 3450 provides guidance on how to account for financial instruments including derivatives. Section 2601 provides guidance on how to account for and report transactions that are denominated in foreign currency in government financial statements.

Effective for fiscal period 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.

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

THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2020

2. Investments:

	2020	2019
Own debentures	\$ 1,049,000	\$ 777,978
	\$ 1,049,000	\$ 777,978

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

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

	2020	2019
Cash and investments	\$ 730,944	\$ 648,179
Accounts receivable	41,290	37,229
Accounts payable	(58,999)	(84,582)
	713,235	600,826
Long-term debt	(336,365)	(372,736)
Tangible capital assets	1,328,973	1,366,879
	1,705,843	1,594,969
Reserves	336,538	233,464
Reserve funds	376,696	367,364
	713,234	600,828
Tangible Capital Assets - net book value:		
Water – land, land improvements, buildings and equipment	807,269	719,619
Water – linear	513,667	520,051
Water – assets under construction	8,037	127,209
	\$ 1,328,973	\$ 1,366,879

THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2020

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

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

	2020	2019
Amortization expense	\$ 44,576	\$ 40,003
Interest on long-term debt	37,694	41,286

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 the System was reset to 3.15% effective January 1, 2017 with the next equity share reset to be effected January 1, 2021. The order also provides for the establishment of a Board of Management to govern the system.

4. Short term loans:

The balance of \$1,000,000 (2019 - \$1,585,000) is for drainage construction, which carries an interest rate at prime minus 0.25% from TD Canada Trust. This loan is unsecured and due upon demand.

5. Deferred revenue:

	2020	2019
Obligatory reserve funds:		
Development Charges Act and Agreements	\$ 15,713,560	\$ 7,963,218
Parking and trees	186,683	124,001
Parkland dedication	380,774	1,019,027
Federal gas tax	3,390,169	3,172,111
Building code	1,728,340	1,897,940
	\$ 21,399,526	\$ 14,176,297

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

THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2020

6. Long-term liabilities:

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

	2020	2019
Total debentures payable	\$ 27,043,391	\$ 29,438,847
Share of Union Water System obligations	336,365	372,736
	<u>\$ 27,379,756</u>	<u>\$ 29,811,583</u>

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

2021	\$ 2,593,524
2022	2,601,996
2023	2,596,343
2024	2,582,724
2025	2,580,284
Thereafter	14,424,885

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

	2020	2019
Taxation	\$ 11,926,674	\$ 12,585,013
User rates:		
Water	9,203,586	10,313,772
Wastewater	5,533,830	6,145,763
Benefitting landowners	715,666	767,035
	<u>\$ 27,379,756</u>	<u>\$29,811,583</u>

Interest rates range from 2.50% to 5.14%. Total interest charges included in reporting on the consolidated statement of operations and accumulated surplus is \$1,011,179 (2019 - \$1,094,196). Of this amount, \$245,281 (2019 - \$269,576) was paid from wastewater rates, \$332,227 (2019 - \$368,764) from water rates, \$401,007 (2019 - \$421,264) from tax rates and \$32,664 (2019 - \$34,592) from benefitting landowners.

THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Pension agreement:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan on behalf of members of its staff. The plan 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.

At December 31, 2020, the OMERS plan is in an actuarial deficit position, which is being addressed through rate contributions and benefit reductions. Depending on an individual's normal retirement age and pensionable earnings, 2020 contribution rates were 9.0% and 14.6% (2019 - 9.0% and 14.6%). During the year, the Municipality paid \$879,450 (\$805,753 in 2019) in contributions towards the OMERS plan which are recorded in the statement of operations.

The last available report for the OMERS plan was on December 31, 2020. At that time, the plan reported a \$3.2 billion actuarial deficit (2019 - \$3.4 billion), based on actuarial liabilities for \$122 billion (2019 - \$107.7 billion) and actuarial assets for \$111 billion (2019 - \$104.3 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

8. Post-employment benefits

Employees who meet the criteria of having a minimum of 10 years of service and are a minimum age of 55 can retire, with the Municipality paying for dental and health benefits to the age of 65. The following assumptions were applied in estimating post-employment benefit liability:

- (a) a discount factor of 4.0% (2019 - 5.0%)
- (b) an annual increase of 5.0% (2019 - 5.0%) for health and dental benefits
- (c) an employee will retire when they meet the criteria for a full pension from OMERS
- (d) for those that will not meet the OMERS criteria, assume that they will retire at the age of 65
- (e) all employees will stay until retirement

There are currently 18 (2019 - 15) former employees who are receiving these benefits.

The liability based on the above assumptions at the year-end date is \$1,263,891 (2019 - \$1,306,018).

THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2020

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 \$265,625 (2019 - \$226,782) 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 \$5,036 (2019 - \$19,051).

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% (2019 - 4%) discount rate and 2% (2019 - 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 \$617,735 at the year-end date (2019 - \$615,887).

11. Other income:

	2020	2019
Penalties and interest on taxation	\$ 336,363	\$ 609,563
Investment income	815,299	1,287,557
Permits and licenses	1,299,177	755,395
	<u>\$ 2,450,839</u>	<u>\$ 2,652,515</u>

THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2020

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:

	2020	2019
School boards	\$ 13,222,209	\$ 13,109,049
County of Essex	27,091,702	25,544,913
	<u>\$ 40,313,911</u>	<u>\$ 38,653,962</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. Expenses by object:

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

	2020	2019
Salaries, wages and benefits	\$ 13,445,472	\$ 13,612,577
Interest on long-term debt	1,011,179	1,094,196
Materials and supplies	10,784,438	13,021,907
Contracted services	11,329,976	11,409,771
Rents and financial expenses	78,197	100,572
External transfers	996,441	877,754
Amortization	10,805,569	10,341,463
Total current expenses	<u>\$ 48,451,272</u>	<u>\$ 50,458,240</u>

THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2020

15. Budget amounts:

The operating budget approved by Municipality Council for 2020 is reflected on the consolidated statement of operations and accumulated surplus. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Municipality does not budget activity within reserves and reserve funds, with the exception being those transactions, which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these consolidated financial statements to comply with PSAB reporting requirements.

16. 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.

THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2020

17. 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.

THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2020

18. Impact of COVID-19:

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic, which has had a significant financial, market, and social dislocating impact. At the time of approval of these financial statements, the Municipality has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- The closure of a number of indoor and outdoor facilities to the general public.
- Revisions to the delivery of a number of municipal services in order to contribute towards physical distancing.
- Enhanced protocols implemented in line with Public Health guidelines.
- Put in place measures to limit and control access to the premises by staff and the general public; and
- In certain instances, the Municipality has reduced penalty and interest charges.

The federal and provincial governments have implemented various government programs to respond to the negative economic impacts of COVID-19.

For the year ended December 31, 2020, the Municipality received \$1,411,300 in Phase 1 funding under the federal-provincial Safe Restart Agreement to support municipal operating pressures as a result of COVID-19. The balance of this funding that was used to offset expenses in 2020 is included in the consolidated statement of financial activities.

The continued development and impact of COVID-19 on the Municipality and the overall economy are highly uncertain and cannot be determined at this time. Management is actively monitoring the situation.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2020, with comparative information for 2019

	General					Infrastructure					
	Land	Land Improvements	Buildings	Equipment	Vehicles	Plants and Facilities	Roads	Underground	Bridges	Assets Under Construction	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost:											
Beginning of year	6,890,108	13,799,648	67,057,616	26,606,014	8,428,841	75,527,620	124,777,744	158,570,671	7,304,327	10,214,078	499,176,667
Additions	-	96,207	119,802	2,007,927	532,493	41,444	8,591,765	9,843,054	2,487	8,720,080	29,955,259
Disposals	-	-	(46,423)	(219,297)	(101,786)	-	-	-	-	(4,785,919)	(5,153,425)
Balance, end of year	6,890,108	13,895,855	67,130,995	28,394,644	8,859,548	75,569,064	133,369,509	168,413,725	7,306,814	14,148,239	523,978,501
Accumulated Amortization:											
Beginning of year	-	2,566,267	10,014,588	12,827,485	4,643,749	13,680,718	77,806,671	37,472,348	3,364,344	-	162,376,170
Amortization - 2020	-	301,404	1,397,900	1,003,296	541,187	995,818	4,677,204	1,785,628	103,133	-	10,805,570
Accumulated amortization on disposals	-	-	(5,571)	(198,556)	(87,593)	-	-	-	-	-	(291,720)
Balance, end of year	-	2,867,671	11,406,917	13,632,225	5,097,343	14,676,536	82,483,875	39,257,976	3,467,477	-	172,890,020
Net book value of tangible capital assets	6,890,108	11,028,184	55,724,078	14,762,419	3,762,205	60,892,528	50,885,634	129,155,749	3,839,337	14,148,239	351,088,481

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2020, with comparative information for 2019

	General	Fire	Recreation	Roads	Water	Wastewater	Assets under construction	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost:								
Beginning of year	3,754,175	6,491,618	82,813,457	179,683,859	129,776,802	86,442,678	10,214,078	499,176,667
Additions	119,005	548,199	247,735	13,595,401	5,477,954	1,246,885	8,720,080	29,955,259
Disposals	(22,709)	(217,440)	(87,761)	-	(39,596)	-	(4,785,919)	(5,153,425)
Balance, end of year	3,850,471	6,822,377	82,973,431	193,279,260	135,215,160	87,689,563	14,148,239	523,978,501
Accumulated Amortization:								
Beginning of year	1,375,499	4,324,567	13,728,208	93,535,907	27,905,511	21,506,478	-	162,376,170
Amortization - 2020	115,691	301,900	1,924,318	5,541,887	1,666,675	1,255,099	-	10,805,570
Accumulated amortization on disposals	(8,516)	(196,788)	(46,909)	-	(39,507)	-	-	(291,720)
Balance, end of year	1,482,674	4,429,679	15,605,617	99,077,794	29,532,679	22,761,577	-	172,890,020
Net book value of tangible capital assets	2,367,797	2,392,698	67,367,814	94,201,466	105,682,481	64,927,986	14,148,239	351,088,481

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule of Deferred Revenue

Schedule 2

Year ended December 31, 2020, with comparative figures for 2019

	Balance, December 31, 2019	Interest Earned	Contributions Received	Revenue Earned - Capital	Revenue Earned - Operating	Other Disbursements	Balance, December 31, 2020
Parkland	1,019,027	14,690	309,800	(8,146)	-	(954,597)	380,774
Development Charges	7,397,195	128,136	6,051,889	-	(332,600)	-	13,244,620
Building Code	1,897,940	24,686	-	-	(194,286)	-	1,728,340
Federal Gas Tax	3,172,111	49,001	1,777,024	(1,607,967)	-	-	3,390,169
Trees	123,297	1,888	84,800	-	(24,015)	-	185,970
Provincial Grants	566,023	11,412	2,278,259	(386,754)	-	-	2,468,940
Parking	704	9	-	-	-	-	713
	14,176,297	229,822	10,501,772	(2,002,867)	(550,901)	(954,597)	21,399,526

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THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule of Reserves and Reserve Funds

Schedule 3

Year ended December 31, 2020, with comparative information for 2019

	Balance, December 31, 2019	Interest earned	Contributions received	Inter Reserve Fund/Reserve transfers	Transfer to capital from (to)	Transfer from (to) operations	Balance, December 31, 2020
Reserve Funds							
Water	11,809,325	177,172	-	(865,613)	(1,085,510)	2,107,183	12,142,557
Union water system	367,364	-	-	-	-	9,332	376,696
Wastewater	5,012,395	69,735	-	(1,000,000)	(1,390,056)	632,160	3,324,234
Future employee benefits	703,862	9,446	-	-	-	-	713,308
ELK sale proceeds	926,360	13,439	-	-	-	248,920	1,188,719
	<u>18,819,306</u>	<u>269,792</u>	<u>-</u>	<u>(1,865,613)</u>	<u>(2,475,566)</u>	<u>2,997,595</u>	<u>17,745,514</u>
Reserves							
Working capital	2,793,040	-	-	(1,150,000)	(6,118)	1,229,384	2,866,306
Contingencies	1,274,841	-	-	-	-	181,000	1,455,841
Accumulated sick leave	55,000	-	-	-	-	-	55,000
Water operating	1,061,541	-	-	-	-	-	1,061,541
Union water system	233,464	-	-	-	-	103,074	336,538
Roads	9,068,119	-	-	(3,744,708)	(1,567,785)	5,844,300	9,599,926
Acquisition of capital assets	16,210,874	-	-	10,739,635	(7,173,749)	6,067,235	25,843,995
Future operating expenses	8,240,786	9,618	120,000	(2,976,410)	(458,483)	934,048	5,869,559
	<u>38,937,665</u>	<u>9,618</u>	<u>120,000</u>	<u>2,868,517</u>	<u>(9,206,135)</u>	<u>14,359,041</u>	<u>47,088,706</u>
	<u>57,756,971</u>	<u>279,410</u>	<u>120,000</u>	<u>1,002,904</u>	<u>(11,681,701)</u>	<u>17,356,636</u>	<u>64,834,220</u>

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Schedule of Accumulated Surplus

Schedule 4

December 31, 2020, with comparative information for 2019

	2020	2019
Reserves and Reserve Funds:		
Reserve Funds (Schedule 3)	17,745,514	18,819,306
Reserves (Schedule 3)	47,088,706	38,937,665
	<u>64,834,220</u>	<u>57,756,971</u>
Surpluses:		
Tangible capital assets	324,673,954	308,075,025
General revenue fund	2,562,890	1,035,100
General reduction of user charges	-	(859,774)
Benefitting landowners related to special charges and special areas	(249,566)	(313,356)
Unfunded:		
Post employment liabilities and sick leave	(1,263,891)	(1,325,069)
Landfill closure cost liability	(617,735)	(615,887)
Accrued interest on long-term debt	(171,788)	(190,633)
	<u>324,933,864</u>	<u>305,805,406</u>
Accumulated Surplus	<u>389,768,084</u>	<u>363,562,377</u>

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule of Segmented Disclosure

Schedule 5

For the year ended December 31, 2020

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation	Planning & Development	Total
Revenue							
Property taxes	35,827,531	-	-	-	-	-	35,827,531
Government transfers	2,192,483	70,583	390,683	39,747	49,087	86,859	2,829,442
User fees and sale of goods	904,175	120,059	242,583	16,009,703	1,713,329	101,720	19,091,569
Investment income	815,299	-	-	-	-	-	815,299
Gain or (Loss) on sale of tangible capital assets	-	-	(72,692)	-	-	-	(72,692)
Donated assets	-	-	3,762,705	7,931,009	-	-	11,693,714
Deferred revenue earned	-	194,286	1,868,432	150,304	340,746	-	2,553,768
Fines and penalties	336,363	-	-	-	-	-	336,363
Other revenues	134,779	-	148,029	-	-	1,299,177	1,581,985
	40,210,630	384,928	6,339,740	24,130,763	2,103,162	1,487,756	74,656,979
Expenses							
Salaries, wages and employee benefits	3,283,482	2,258,198	1,213,839	3,024,354	2,612,711	1,052,888	13,445,472
Interest on long-term debt	-	-	-	577,495	401,323	32,361	1,011,179
Materials	1,027,792	693,697	2,351,953	4,534,892	2,048,758	127,346	10,784,438
Contracted services	406,673	5,195,537	270,580	4,892,184	385,705	179,296	11,329,975
Rents and financial expenses	32,875	6,843	-	-	38,479	-	78,197
External transfers	-	508,594	-	486,847	1,000	-	996,441
Amortization	92,643	318,449	4,994,023	3,465,543	1,934,912	-	10,805,570
Inter-functional adjustments	(2,734,928)	712,959	340,811	1,107,959	452,271	120,928	-
	2,108,537	9,694,277	9,171,206	18,089,274	7,875,159	1,512,819	48,451,272
Annual surplus (deficit)	38,102,093	(9,309,349)	(2,831,466)	6,041,489	(5,771,997)	(25,063)	26,205,707