

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF LAKESHORE**

Year ended December 31, 2019

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Financial Statements

Year ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Lakeshore

Opinion

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

- the consolidated statement of financial position as at December 31, 2019
- 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 Town as at December 31, 2019, 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 Town 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 Town'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 Town or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town'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 Town'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 Town'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 Town'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 Town 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada
December 8, 2020

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets		
Cash and temporary investments	\$ 71,065,126	\$ 56,625,592
Taxes receivable	3,335,502	3,305,324
Trade and other receivables	3,837,907	5,264,583
Water receivables and unbilled revenue	3,172,344	3,008,765
Drainage receivables	3,282,107	3,611,373
Drainage recoverable from others	767,035	885,444
Inventory held for resale	34,600	32,636
Investments (note 2)	777,978	512,866
	<hr/>	<hr/>
	86,272,599	73,246,583
Financial liabilities		
Short-term loans (note 4)	1,585,000	1,510,000
Accounts payable and accrued liabilities	10,318,334	7,406,199
Deposits	1,812,411	1,934,576
Deferred revenue (note 5)	14,176,297	12,105,379
Accrued interest on long-term liabilities	190,633	206,884
Net long-term liabilities (note 6)	29,811,583	32,231,259
Post-employment benefits (note 8)	1,306,018	1,400,842
Accumulated vested sick leave (note 9)	19,051	26,273
Landfill closure cost liability (note 10)	615,887	656,445
	<hr/>	<hr/>
	59,835,214	57,477,857
Net debt	26,437,385	15,768,726
Non-financial assets		
Tangible capital assets (Schedule 1)	336,800,497	333,348,070
Inventories of supplies	159,112	245,298
Prepaid expenses	165,383	107,861
	<hr/>	<hr/>
	337,124,992	333,701,229
Contractual obligations, commitments and contingencies (notes 13 and 16)		
Subsequent events (note 18)		
Accumulated surplus (Schedule 4)	\$ 363,562,377	\$ 349,469,955

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget	2019 Actual	2018 Actual
Revenue:			
Taxation	\$ 30,415,169	\$ 33,447,475	\$ 31,249,181
User charges:			
Wastewater	4,891,524	5,755,148	5,410,346
Water	8,183,272	9,040,914	9,046,126
Recreation	2,718,580	3,185,572	3,079,039
Other	847,090	1,180,343	1,362,685
Government transfers	1,852,980	1,850,797	4,063,781
Other (note 11)	1,497,300	2,652,515	2,603,194
Deferred revenue earned (Schedule 2)	492,540	1,935,009	2,760,816
	<u>50,898,455</u>	<u>59,047,773</u>	<u>59,575,168</u>
Expenses (note 14):			
General government	4,241,182	1,986,355	1,843,099
Protection to persons and property	7,927,673	9,190,656	8,815,435
Transportation services	6,655,038	9,714,229	9,534,159
Environmental services	10,517,181	17,530,591	15,913,843
Recreation and cultural services	7,106,774	10,449,466	9,281,339
Planning and development	1,262,244	1,586,943	1,355,548
	<u>37,710,092</u>	<u>50,458,240</u>	<u>46,743,423</u>
Net revenue	13,188,363	8,589,533	12,831,745
Other:			
Grants and revenues (expenses) related to capital:			
Gain (loss) on sale of capital assets	-	(29,690)	121,158
Deferred revenue earned (Schedule 2)	-	3,068,442	3,389,478
Government transfers	-	2,387,135	-
Contribution from developers	-	-	126,620
Other	-	77,002	-
	-	<u>5,502,889</u>	<u>3,637,256</u>
Annual surplus	13,188,363	14,092,422	16,469,001
Accumulated surplus, beginning of year	349,469,955	349,469,955	333,000,954
Accumulated surplus, end of year	\$ 362,658,318	\$ 363,562,377	\$ 349,469,955

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Statement of Change in Net Debt

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Annual surplus	\$ 14,092,422	\$ 16,469,001
Amortization of tangible capital assets	10,341,463	10,129,569
Acquisition of tangible capital assets	(13,857,520)	(13,491,745)
Loss (gain) on sale of tangible capital assets	29,690	(121,158)
Proceeds on sale of tangible capital assets	33,940	145,478
	<u>10,639,995</u>	<u>13,131,145</u>
Acquisition of inventories	(159,112)	(245,298)
Acquisition of prepaid expenses	(165,383)	(107,861)
Consumption of inventories	245,298	132,374
Consumption of prepaid expenses	107,861	123,909
	<u>10,668,659</u>	<u>13,034,269</u>
Change in net debt	10,668,659	13,034,269
Net debt, beginning of year	15,768,726	2,734,457
Net debt, end of year	<u>\$ 26,437,385</u>	<u>\$ 15,768,726</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 14,092,422	\$ 16,469,001
Items not involving cash:		
Amortization of tangible capital assets	10,341,463	10,129,569
Loss (gain) on sale of tangible capital assets	29,690	(121,158)
Change in non-cash operating working capital:		
Taxes, trade and water receivables	1,232,919	(3,464,967)
Prepaid expenses	(57,522)	16,048
Inventories	84,222	(115,972)
Drain receivables and debt recoverable from others	447,675	(552,377)
Accounts payable, accrued liabilities and deposits	2,789,970	(1,510,010)
Deferred revenue	2,070,918	340,340
Unfunded liabilities - interest, benefits, landfill	(158,855)	78,818
	<u>30,872,902</u>	<u>21,269,292</u>
Investing:		
Decrease in investments	(265,112)	(3,515)
	<u>(265,112)</u>	<u>(3,515)</u>
Capital:		
Acquisition of tangible capital assets	(13,857,520)	(13,491,745)
Proceeds on disposal of tangible capital assets	33,940	145,478
	<u>(13,823,580)</u>	<u>(13,346,267)</u>
Financing:		
Long-term debt issued	100,000	-
Debenture principal repayments	(2,519,676)	(2,830,935)
	<u>(2,419,676)</u>	<u>(2,830,935)</u>
Increase in cash and cash equivalents	14,364,534	5,088,575
Cash and cash equivalents, beginning of year	55,115,592	50,027,017
Cash and cash equivalents, end of year	<u>\$ 69,480,126</u>	<u>\$ 55,115,592</u>
Supplemental cash flow information:		
Cash and temporary investments	\$ 71,065,126	\$ 56,625,592
Short term capital loan	(1,585,000)	(1,510,000)
Cash and cash equivalents, end of year	<u>\$ 69,480,126</u>	<u>\$ 55,115,592</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements

Year ended December 31, 2019

1. Significant accounting policies:

(a) Management responsibility:

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

(b) Basis of accounting:

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

(c) Basis of consolidation:

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

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

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(d) Taxes receivable and related revenues:

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

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They generally have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net debt for the year.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(i) Tangible capital assets:

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

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

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

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

(ii) Contribution of tangible capital assets:

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

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(iii) Inventories:

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

(f) Investments:

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

(g) Inventory:

Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.

(h) Deferred revenue:

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

(i) County and school boards:

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

(j) Employee future benefits:

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

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(k) Use of estimates:

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

(l) Segment disclosure:

The Town adopted PSAB Standard 2700 for Segment Disclosures. A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The Town has provided definitions of the segments used and presented financial information in segmented format in Note 18.

(m) Future accounting changes:

Effective for fiscal periods beginning on or after April 1, 2019 all governments will be required to adopt PSAB Section 3320 - Contingent Assets, which defines and establishes disclosure standards for contingent assets, and PSAB Section 3380 – Contractual Rights, which defines contractual rights to future assets and revenue and establishes disclosure requirements.

Effective for fiscal periods beginning on or after April 1, 2019 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.

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

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Investments:

	2019	2018
Own debentures	\$ 777,978	\$ 512,866
	\$ 777,978	\$ 512,866

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:

	2019	2018
Cash and investments	\$ 648,179	\$ 591,968
Accounts receivable	37,229	39,981
Accounts payable	(84,582)	(14,038)
	600,826	617,911
Long-term debt	(372,736)	(404,918)
Tangible capital assets	1,366,879	1,280,331
	1,594,969	1,493,324
Reserves	233,464	260,080
Reserve funds	367,364	357,831
	600,828	617,911
Tangible Capital Assets - net book value:		
Water – land, land improvements, buildings and equipment	719,619	737,588
Water – linear	520,051	531,089
Water – assets under construction	127,209	11,654
	\$ 1,366,879	\$ 1,280,331

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

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:

	2019	2018
Amortization expense	\$ 40,003	\$ 39,100
Interest on long-term debt	41,286	44,460

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 \$1,585,000 (2018 - \$1,510,000) 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:

	2019	2018
Obligatory reserve funds:		
Development Charges Act and Agreements	\$ 7,963,218	\$ 8,159,344
Parking and trees	124,001	128,393
Parkland dedication	1,019,027	956,683
Federal gas tax	3,172,111	1,247,987
Building code	1,897,940	1,612,972
	\$ 14,176,297	\$ 12,105,379

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

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Long-term liabilities:

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

	2019	2018
Total debentures payable	\$ 29,438,847	\$ 31,826,341
Share of Union Water System obligations	372,736	404,918
	<u>\$ 29,811,583</u>	<u>\$ 32,231,259</u>

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

2020	\$ 2,576,998
2021	2,587,343
2022	2,589,900
2023	2,583,522
2024	2,569,134
Thereafter	16,904,686

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

	2019	2018
Taxation	\$ 12,585,013	\$ 13,223,225
User rates:		
Water	10,313,772	11,388,653
Wastewater	6,145,763	6,733,937
Benefitting landowners	767,035	885,444
	<u>\$ 29,811,583</u>	<u>\$ 32,231,259</u>

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 \$1,094,196 (2018 - \$1,188,151). Of this amount, \$269,576 (2018 - \$301,642) was paid from wastewater rates, \$368,764 (2018 - \$398,989) from water rates, \$421,264 (2018 - \$444,815) from tax rates and \$34,592 (2018 - \$42,705) from benefitting landowners.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

7. Pension agreement:

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan on behalf of members of its staff. The plan provides defined pension benefits to employees based upon their length of credited service and rates of pay. However, as OMERS does not segregate its pension assets and liabilities information by individual employer, there is not sufficient information to enable the Town to account for the plan as a defined benefit plan. The amount contributed to OMERS for 2019 was \$805,753 (2018 - \$762,502).

8. Post-employment benefits

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

- (a) a discount factor of 5.0% (2018 - 5.0%)
- (b) an annual increase of 5.0% (2018 - 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 15 (2018 - 11) former employees who are receiving these benefits.

The liability based on the above assumptions at the year-end date is \$1,306,018 (2018 - \$1,400,842).

9. Liability for vested sick leave benefits:

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

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

Subsequent to January 1, 2000, 7 sick days per year are granted 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 \$226,782 (2018 - \$241,413) 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 \$19,051 (2018 - \$26,273).

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

10. Landfill closure cost liability:

Essex County Landfill #3 was closed in 1997 and requires care consisting of hauling and treating leachate for an estimated period of 35 to 40 years. This landfill is the joint responsibility of the Town of Lakeshore, Town of Tecumseh and City of Windsor. The site is administered by the Essex-Windsor Solid Waste Authority. The liability was calculated assuming a 4% (2018- 4%) discount rate and 2% (2018 - 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 \$615,887 at the yearend date (2018 - \$656,445).

11. Other income:

	2019	2018
Penalties and interest on taxation	\$ 609,563	\$ 604,106
Investment income	1,287,557	882,844
Permits and licenses	755,395	1,116,244
	<u>\$ 2,652,515</u>	<u>\$ 2,603,194</u>

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

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

	2019	2018
School boards	\$ 13,109,049	\$ 13,168,161
County of Essex	25,544,913	23,887,231
	<u>\$ 38,653,962</u>	<u>\$ 37,055,392</u>

13. Contractual obligation – Ontario Clean Water Agency:

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

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

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:

	2019	2018
Salaries, wages and benefits	\$ 13,612,577	\$ 12,761,816
Interest on long-term debt	1,094,196	1,188,108
Materials and supplies	13,021,907	10,829,345
Contracted services	11,409,771	10,992,433
Rents and financial expenses	100,572	92,965
External transfers	877,754	749,187
Amortization	10,341,463	10,129,569
Total current expenses	\$ 50,458,240	\$ 46,743,423

15. Budget amounts:

The operating budget approved by Town Council for 2019 is reflected on the consolidated statement of operations and accumulated surplus. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Town does not budget activity within reserves and reserve funds, with the exception being those transactions, which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these consolidated financial statements to comply with PSAB reporting requirements.

16. Contingencies:

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

17. Segmented information:

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

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2019

17. Segmented information (continued):

For each reportable segment, the Town 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 Town'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 Town.

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

18. Subsequent event:

Subsequent to December 31, 2019, financial markets have been negatively impacted by the novel Coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 12, 2020. This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on the Corporation's future financial statements.

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2019, with comparative information for 2018

	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	13,504,911	67,048,603	25,877,259	7,946,749	75,526,404	115,835,399	154,654,254	6,769,760	11,839,066	485,892,513
Additions	-	294,737	9,013	770,533	730,374	2,466	9,087,417	4,053,400	534,567	5,757,077	21,239,584
Disposals	-	-	-	(41,778)	(248,282)	(1,250)	(145,072)	(136,983)	-	(7,382,065)	(7,955,430)
Donations and transfers	-	-	-	-	-	-	-	-	-	-	-
Balance, end 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
Accumulated Amortization:											
Beginning of year	-	2,268,716	8,662,479	11,910,721	4,368,249	12,627,643	73,684,714	35,867,561	3,154,360	-	152,544,443
Amortization - 2019	-	297,551	1,352,109	958,301	523,782	1,053,600	4,267,029	1,679,107	209,984	-	10,341,463
Accumulated amortization on disposals	-	-	-	(41,537)	(248,282)	(525)	(145,072)	(74,320)	-	-	(509,736)
Balance, end 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
Net book value of tangible capital assets	6,890,108	11,233,381	57,043,028	13,778,529	3,785,092	61,846,902	46,971,073	121,098,323	3,939,983	10,214,078	336,800,497

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2019, with comparative information for 2018

	General	Fire	Recreation	Roads	Water	Wastewater	Assets under construction	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost:								
Beginning of year	3,721,935	6,408,167	82,138,280	169,032,707	128,552,354	84,200,004	11,839,066	485,892,513
Additions	32,240	120,141	675,177	11,088,255	1,314,876	2,251,818	5,757,077	21,239,584
Disposals	-	(36,690)	-	(437,103)	(90,428)	(9,144)	(7,382,065)	(7,955,430)
Balance, end 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
Accumulated Amortization:								
Beginning of year	1,266,359	4,079,484	11,803,964	88,782,985	26,315,295	20,296,356	-	152,544,443
Amortization - 2019	109,140	281,773	1,924,244	5,169,780	1,641,100	1,215,426	-	10,341,463
Accumulated amortization on disposals	-	(36,690)	-	(416,858)	(50,884)	(5,304)	-	(509,736)
Balance, end of year	1,375,499	4,324,567	13,728,208	93,535,907	27,905,511	21,506,478	-	162,376,170
Net book value of tangible capital assets	2,378,676	2,167,051	69,085,249	86,147,952	101,871,291	64,936,200	10,214,078	336,800,497

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Schedule of Deferred Revenue

Schedule 2

Year ended December 31, 2019, with comparative figures for 2018

	Balance, December 31, 2018	Interest Earned	Contributions Received	Revenue Earned - Capital	Revenue Earned - Operating	Other Disbursements	Balance, December 31, 2019
	\$	\$	\$	\$	\$	\$	\$
Parkland	956,683	22,995	129,845	83,496	7,000	-	1,019,027
Development Charges	7,691,631	202,385	3,029,629	-	3,526,450	-	7,397,195
Building Code	1,612,972	37,863	-	-	(247,105)	-	1,897,940
Federal Gas Tax	1,247,987	50,720	3,570,329	1,696,925	-	-	3,172,111
Trees	127,704	3,107	16,400	-	23,914	-	123,297
Provincial Grants	467,713	11,081	-	1,288,021	(1,375,250)	-	566,023
Parking	689	15	-	-	-	-	704
	12,105,379	328,166	6,746,203	3,068,442	1,935,009	-	14,176,297

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Schedule of Reserves and Reserve Funds

Schedule 3

Year ended December 31, 2019, with comparative information for 2018

	Balance, December 31, 2018	Interest earned	Contributions received	Inter Reserve Fund/Reserve transfers	Transfer to capital from (to)	Transfer from (to) operations	Balance, December 31, 2019
	\$	\$	\$	\$	\$	\$	\$
Reserve Funds							
Water	8,895,964	273,467	(2,303)	(511,563)	(1,952,252)	5,106,012	11,809,325
Union water system	357,831	9,533	-	-	-	-	367,364
Wastewater	2,587,406	89,865	-	(84,982)	(806,780)	3,226,886	5,012,395
Future employee benefits	688,382	15,480	-	-	-	-	703,862
ELK sale proceeds	410,362	20,373	-	-	-	495,625	926,360
	12,939,945	408,718	(2,303)	(596,545)	(2,759,032)	8,828,523	18,819,306
Reserves							
Working capital	1,710,305	-	-	(557,429)	(28)	1,640,192	2,793,040
Contingencies	1,154,691	-	-	-	-	120,150	1,274,841
Accumulated sick leave	55,000	-	-	-	-	-	55,000
Water operating	1,061,541	-	-	-	-	-	1,061,541
Union water system	260,080	-	-	-	-	(26,616)	233,464
Roads	9,498,885	-	-	(1,654,196)	(4,825,948)	6,049,378	9,068,119
Acquisition of capital assets	11,687,916	-	-	1,954,857	(2,271,174)	4,839,275	16,210,874
Future operating expenses	5,716,898	12,188	-	853,313	(365,441)	2,023,828	8,240,786
	31,145,316	12,188	-	596,545	(7,462,591)	14,646,207	38,937,665
	44,085,261	420,906	(2,303)	-	(10,221,623)	23,474,730	57,756,971

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Schedule of Accumulated Surplus

Schedule 4

December 31, 2019, with comparative information for 2018

	2019	2018
	\$	\$
Reserves and Reserve Funds:		
Reserve Funds (Schedule 3)	18,819,306	12,939,945
Reserves (Schedule 3)	38,937,665	31,145,316
	57,756,971	44,085,261
Surpluses:		
Tangible capital assets	308,075,025	302,388,922
General revenue fund	1,035,100	2,942,402
General reduction of user charges	(859,774)	2,731,359
Benefitting landowners related to special charges and special areas	(313,356)	(387,545)
Unfunded:		
Post employment liabilities and sick leave	(1,325,069)	(1,427,115)
Landfill closure cost liability	(615,887)	(656,445)
Accrued interest on long-term debt	(190,633)	(206,884)
	305,805,405	305,384,694
Accumulated Surplus	363,562,377	349,469,955

THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Schedule of Segmented Disclosure

Schedule 5

For the year ended December 31, 2019

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$
Revenue:							
Property taxes	33,447,475	-	-	-	-	-	33,447,475
Government transfers	1,203,056	309,411	2,072,163	481,277	53,553	118,472	4,237,932
User fees and sale of goods	773,217	98,710	126,425	14,796,062	3,185,571	181,992	19,161,977
Investment income	1,287,557	-	-	-	-	-	1,287,557
Gain or (loss) on sale of tangible capital assets	-	-	(29,690)	-	-	-	(29,690)
Donated assets	-	-	-	-	-	-	-
Deferred revenue earned	-	(247,105)	2,422,739	1,832,596	756,496	238,725	5,003,451
Fines and penalties	609,563	-	-	-	-	-	609,563
Other revenues	-	-	77,002	-	-	755,395	832,397
	37,320,868	161,016	4,668,639	17,109,935	3,995,620	1,294,584	64,550,662
Expenses:							
Salaries, wages and employee benefits	3,066,274	2,071,413	1,258,308	2,630,470	3,599,686	986,426	13,612,577
Interest on long-term debt	-	-	-	638,340	421,264	34,592	1,094,196
Materials	1,014,981	710,212	3,097,065	4,675,844	3,360,798	163,007	13,021,907
Contracted services	305,250	5,063,861	325,224	4,901,435	520,207	293,794	11,409,771
Rents and financial expenses	40,229	7,683	-	-	52,660	-	100,572
External transfers	-	461,925	-	414,829	1,000	-	877,754
Amortization	109,140	281,773	4,679,725	3,346,581	1,924,244	-	10,341,463
Inter-functional adjustments	(2,549,519)	593,789	353,907	923,092	569,607	109,124	-
	1,986,355	9,190,656	9,714,229	17,530,591	10,449,466	1,586,943	50,458,240
Annual surplus (deficit)	35,334,513	(9,029,640)	(5,045,590)	(420,656)	(6,453,846)	(292,359)	14,092,422