

Consolidated Financial Statements of

**THE CORPORATION OF THE  
TOWN OF LAKESHORE**

Year ended December 31, 2017

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Financial Statements

Year ended December 31, 2017

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

The accompanying consolidated financial statements of The Corporation of the Town of Lakeshore (the "Town") are the responsibility of the Town'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 Town'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 Town. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

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Chief Administrative Officer

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Director of Finance



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3200 Deziel Drive  
Windsor ON N8W 5K8  
Canada  
Telephone (519) 251-3500  
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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Lakeshore, which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations and accumulated surplus, changes in net financial assets (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



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

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Lakeshore as at December 31, 2017, and the results of its operations, changes in net financial assets (debt) and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a flourish or underline.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada  
October 9, 2018

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

|  | 2017                  | 2016                  |
|--|-----------------------|-----------------------|
| <b>Financial assets</b>  |                       |                       |
| Cash and temporary investments   | \$ 51,732,018         | \$ 36,757,197         |
| Taxes receivable   | 3,530,007             | 2,939,403             |
| Trade and other receivables  | 2,053,727             | 2,471,200             |
| Water receivables and unbilled revenue                                   | 2,529,971             | 2,448,131             |
| Drainage receivables   | 2,825,172             | 2,059,600             |
| Drainage recoverable from others   | 1,119,268             | 1,380,744             |
| Inventory held for resale  | 29,588                | 23,175                |
| Investments (note 2)   | 509,351               | 429,608               |
|  | <b>\$ 64,329,102</b>  | <b>\$ 48,509,058</b>  |
| <b>Financial liabilities</b>   |                       |                       |
| Short-term loans (note 4)  | \$ 1,705,001          | \$ 1,700,001          |
| Accounts payable and accrued liabilities                                 | 8,245,046             | 6,846,636             |
| Deposits   | 2,605,739             | 2,468,928             |
| Deferred revenue (note 5)  | 11,765,039            | 5,733,206             |
| Accrued interest on long-term liabilities                                | 228,473               | 240,512               |
| Net long-term liabilities (note 6)                                       | 35,062,194            | 37,810,669            |
| Post-employment benefits (note 8)  | 1,268,186             | 1,377,792             |
| Accumulated vested sick leave (note 9)                                   | 33,420                | 39,982                |
| Landfill closure cost liability (note 10)                                | 681,547               | 706,166               |
|  | <b>61,594,645</b>     | <b>56,923,892</b>     |
| Net financial assets (debt)  | 2,734,457             | (8,414,834)           |
| <b>Non-financial assets</b>  |                       |                       |
| Tangible capital assets (Schedule 1)                                     | 330,010,214           | 327,990,287           |
| Inventories of supplies  | 132,374               | 183,889               |
| Prepaid expenses   | 123,909               | 134,224               |
|  | <b>330,266,497</b>    | <b>328,308,400</b>    |
| Contractual obligations, commitments and contingencies (notes 14 and 17) |                       |                       |
| Accumulated surplus (Schedule 4)   | <b>\$ 333,000,954</b> | <b>\$ 319,893,566</b> |

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, 2017, with comparative information for 2016

|  | 2017<br>Budget        | 2017<br>Actual        | 2016<br>Actual        |
|--|-----------------------|-----------------------|-----------------------|
| <b>Revenue:</b>                                |                       |                       |                       |
| Taxation (note 13)                             | \$ 28,620,827         | \$ 29,103,950         | \$ 27,489,308         |
| <b>User charges:</b>                           |                       |                       |                       |
| Wastewater                                     | 4,693,224             | 5,100,337             | 4,875,803             |
| Water  | 8,082,672             | 8,874,120             | 8,457,609             |
| Recreation                                     | 2,626,792             | 2,958,668             | 2,435,519             |
| Other  | 642,200               | 3,340,393             | 2,174,805             |
| Government transfers (note 11)                 | 1,664,361             | 1,928,541             | 1,358,591             |
| Other (note 12)                                | 1,974,680             | 2,400,949             | 2,100,652             |
| Deferred revenue earned (Schedule 2)           | 89,479                | (1,290,318)           | 3,842,734             |
|  | <u>48,394,235</u>     | <u>52,416,640</u>     | <u>52,735,021</u>     |
| <b>Expenses (note 15):</b>                     |                       |                       |                       |
| General government                             | 4,039,929             | 1,710,782             | 1,811,816             |
| Protection to persons and property             | 7,868,234             | 8,686,981             | 8,249,988             |
| Transportation services                        | 5,741,843             | 9,268,124             | 9,901,577             |
| Environmental services                         | 10,251,380            | 15,330,483            | 15,369,285            |
| Recreation and cultural services               | 6,668,646             | 8,982,990             | 7,656,578             |
| Planning and development                       | 1,239,413             | 1,185,879             | 1,290,969             |
|  | <u>35,809,445</u>     | <u>45,165,239</u>     | <u>44,280,213</u>     |
| Net revenue                                    | 12,584,790            | 7,251,401             | 8,454,808             |
| <b>Other:</b>                                  |                       |                       |                       |
| <b>Grants and revenues related to capital:</b> |                       |                       |                       |
| Gain (loss) on sale of capital assets          | -                     | 34,164                | (105,049)             |
| Deferred revenue earned (Schedule 2)           | -                     | 2,076,785             | 2,368,642             |
| Government transfers                           | -                     | 58,405                | 1,199,597             |
| Contribution from developers                   | -                     | 3,686,633             | 2,150,708             |
| Other  | -                     | -                     | 345,325               |
|  | <u>-</u>              | <u>5,855,987</u>      | <u>5,959,223</u>      |
| Annual surplus                                 | 12,584,790            | 13,107,388            | 14,414,031            |
| Accumulated surplus, beginning of year         | 319,893,566           | 319,893,566           | 305,479,535           |
| <b>Accumulated surplus, end of year</b>        | <b>\$ 332,478,356</b> | <b>\$ 333,000,954</b> | <b>\$ 319,893,566</b> |

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2017, with comparative information for 2016

|   | 2017                | 2016                  |
|---|---------------------|-----------------------|
| Annual surplus                                  | \$ 13,107,388       | \$ 14,414,031         |
| Amortization of tangible capital assets         | 10,102,733          | 9,781,820             |
| Acquisition of tangible capital assets          | (12,146,640)        | (17,037,519)          |
| Loss (gain) on sale of tangible capital assets  | (34,164)            | 105,049               |
| Proceeds on sale of tangible capital assets     | 58,144              | 16,425                |
|   | 11,087,461          | 7,279,806             |
| Acquisition of inventories                      | (132,374)           | (183,889)             |
| Acquisition of prepaid expenses                 | (123,909)           | (134,224)             |
| Consumption of inventories                      | 183,889             | 96,009                |
| Consumption of prepaid expenses                 | 134,224             | 157,835               |
| Change in net debt                              | 11,149,291          | 7,215,537             |
| Net debt, beginning of year                     | (8,414,834)         | (15,630,371)          |
| <b>Net financial assets (debt), end of year</b> | <b>\$ 2,734,457</b> | <b>\$ (8,414,834)</b> |

See accompanying notes to consolidated financial statements.



# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

|   | 2017                 | 2016                 |
|---|----------------------|----------------------|
| Cash provided by (used in):                         |                      |                      |
| Operations:   |                      |                      |
| Annual surplus                                      | \$ 13,107,388        | \$ 14,414,031        |
| Items not involving cash:                           |                      |                      |
| Amortization of tangible capital assets             | 10,102,733           | 9,781,820            |
| Loss (gain) on sale of tangible capital assets      | (34,164)             | 105,049              |
| Change in non-cash operating working capital:       |                      |                      |
| Taxes, trade and water receivables                  | (254,971)            | 2,916,214            |
| Prepaid expenses                                    | 10,315               | 23,611               |
| Inventories   | 45,102               | (83,786)             |
| Drain receivables and debt recoverable from others  | (504,096)            | 419,135              |
| Accounts payable, accrued liabilities and deposits  | 1,535,221            | 370,508              |
| Deferred revenue                                    | 6,031,833            | 953,144              |
| Unfunded liabilities - interest, benefits, landfill | (152,826)            | 76,532               |
|   | <u>29,886,535</u>    | <u>28,976,258</u>    |
| Investing:  |                      |                      |
| Increase in investments                             | (79,743)             | (305,910)            |
|   | <u>(79,743)</u>      | <u>(305,910)</u>     |
| Capital:  |                      |                      |
| Acquisition of tangible capital assets              | (12,146,640)         | (17,037,519)         |
| Proceeds on disposal of tangible capital assets     | 58,144               | 16,425               |
|   | <u>(12,088,496)</u>  | <u>(17,021,094)</u>  |
| Financing:  |                      |                      |
| Long-term debt issued                               | -                    | 13,385,800           |
| Debenture principal repayments                      | (2,748,475)          | (2,315,370)          |
|   | <u>(2,748,475)</u>   | <u>11,070,430</u>    |
| Increase in cash and cash equivalents               | 14,969,821           | 22,719,684           |
| Cash and cash equivalents, beginning of year        | 35,057,196           | 12,337,512           |
| <b>Cash and cash equivalents, end of year</b>       | <b>\$ 50,027,017</b> | <b>\$ 35,057,196</b> |
| Supplemental cash flow information:                 |                      |                      |
| Cash and temporary investments                      | \$ 51,732,018        | \$ 36,757,197        |
| Short term capital loan                             | (1,705,001)          | (1,700,001)          |
| <b>Cash and cash equivalents, end of year</b>       | <b>\$ 50,027,017</b> | <b>\$ 35,057,196</b> |

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Notes to Financial Statements

Year ended December 31, 2017

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### 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, 2017

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### 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 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 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, 2017

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### 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:

| <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 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, 2017

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### 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, 2017

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### 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:

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.

### 2. Investments:

|                | 2017       | 2016       |
|----------------|------------|------------|
| Own debentures | \$ 509,351 | \$ 429,608 |
|                | \$ 509,351 | \$ 429,608 |

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2017

### 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:

|  | 2017         | 2016         |
|--|--------------|--------------|
| Cash and investments                                     | \$ 579,113   | \$ 491,439   |
| Accounts receivable                                      | 29,211       | 23,483       |
| Accounts payable   | (35,879)     | (17,527)     |
|  | 572,445      | 497,398      |
| Long-term debt   | (433,331)    | (439,439)    |
| Tangible capital assets                                  | 1,265,158    | 1,235,855    |
|  | 1,293,811    | 1,293,811    |
| Reserves   | 61,744       | 59,196       |
| Reserve funds  | 510,701      | 438,199      |
|  | 572,445      | 497,395      |
| Tangible Capital Assets - net book value:                |              |              |
| Water – land, land improvements, buildings and equipment | 720,361      | 705,477      |
| Water – linear   | 542,699      | 530,378      |
| Water – assets under construction                        | 2,097        | -            |
|  | \$ 1,265,157 | \$ 1,235,855 |

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

|                            | 2017      | 2016      |
|----------------------------|-----------|-----------|
| Amortization expense       | \$ 37,597 | \$ 35,307 |
| Interest on long-term debt | 47,259    | 47,668    |

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.

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2017

### 4. Short term loans:

The balance of \$1,705,001 (2016 – \$1,700,001) 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:

|  | 2017                 | 2016                |
|--|----------------------|---------------------|
| Obligatory reserve funds:              |                      |                     |
| Development Charges Act and Agreements | \$ 8,136,085         | \$ 3,475,111        |
| Parking and trees                      | 122,942              | 120,292             |
| Parkland dedication                    | 1,273,768            | 1,406,183           |
| Federal gas tax                        | 1,155,334            | 228,287             |
| Building code                          | 1,076,910            | 503,333             |
|  | <u>\$ 11,765,039</u> | <u>\$ 5,733,206</u> |

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:

|   | 2017                | 2016                 |
|---|---------------------|----------------------|
| Total debentures payable                | \$ 34,628,863       | \$ 37,371,230        |
| Share of Union Water System obligations | 433,331             | 439,439              |
|   | <u>\$35,062,194</u> | <u>\$ 37,810,669</u> |



# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2017

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

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

|            |                      |
|------------|----------------------|
| 2018       | \$ 2,831,015         |
| 2019       | 2,519,640            |
| 2020       | 2,569,381            |
| 2021       | 2,579,286            |
| 2022       | 2,581,376            |
| Thereafter | 21,981,496           |
|            | <u>\$ 35,062,194</u> |

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

|                        | 2017                 | 2016                |
|------------------------|----------------------|---------------------|
| Taxation               | \$ 14,014,370        | \$ 14,778,956       |
| User rates:            |                      |                     |
| Water                  | 12,429,502           | 13,418,736          |
| Wastewater             | 7,499,054            | 8,232,234           |
| Benefitting landowners | 1,119,268            | 1,380,743           |
|                        | <u>\$ 35,062,194</u> | <u>\$37,810,669</u> |

Interest rates range from 1.609% to 6.35%. Total interest charges included in reporting on the consolidated statement of operations and accumulated surplus is \$12,981,146 (2016 - \$981,403). Of this amount, \$336,460 (2016 - \$369,159) was paid from wastewater rates, \$439,635 (2016 - \$462,645) from water rates, \$471,525 (2016 - \$97,854) from tax rates and \$50,526 (2016 - \$51,745) from benefitting landowners.

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2017

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### 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 2017 was \$722,547 (2016 - \$676,281). As at December 31, 2017, the OMERS plan is in a deficit position.

### 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% (2016 – 5.0%)
- (b) an annual increase of 5.0% (2016 – 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 14 (2016 – 12) former employees who are receiving these benefits.

The liability based on the above assumptions at the year-end date is \$1,268,186 (2016 - \$1,377,792).

### 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, 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 \$66,840 (2016 - \$79,964) 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 \$33,420 (2016 - \$39,982).

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2017

### 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% (2016 - 4%) discount rate and 2% (2016 - 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 \$681,547 at (2016 - \$706,166).

### 11. Government transfers:

The town recognizes the transfer of government funding as expenses or revenues in the period that the events giving rise to the transfer occurred. The government transfers reported on the consolidated statement of operations are:

|                                   | Budget             | 2017                | 2016                |
|-----------------------------------|--------------------|---------------------|---------------------|
| Revenue:                          |                    |                     |                     |
| Provincial grants:                |                    |                     |                     |
| Provincial offences               | \$ 201,000         | \$ 153,808          | \$ 226,889          |
| OCIF formula based grant          | 626,421            | 626,421             | 347,943             |
| OCIF top-up grant                 | -                  | 266,770             | -                   |
| Policing (CPP/1000 Officers/RIDE) | 108,800            | 106,658             | 108,174             |
| Drainage (Superintending)         | 95,340             | 82,779              | 110,357             |
| OMPF                              | 600,300            | 600,300             | 529,200             |
| Ontario Trillium                  | -                  | 42,500              | -                   |
| Rural Economic Development grant  | -                  | -                   | 4,000               |
|                                   | <u>1,631,861</u>   | <u>1,879,236</u>    | <u>1,326,563</u>    |
| Federal grants:                   |                    |                     |                     |
| Recreation Services               | 3,000              | 9,900               | 3,900               |
| Canada Summer Jobs                | 2,500              | 11,457              | -                   |
|                                   | <u>5,500</u>       | <u>21,357</u>       | <u>3,900</u>        |
| Other municipal transfers:        |                    |                     |                     |
| Fire services – County of Essex   | 5,000              | 5,000               | 5,000               |
| Fire services – MTO               | 22,000             | 22,948              | 23,128              |
|                                   | <u>27,000</u>      | <u>27,948</u>       | <u>28,128</u>       |
| <b>Total revenue</b>              | <b>\$1,664,361</b> | <b>\$ 1,928,541</b> | <b>\$ 1,358,591</b> |

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2017

### 12. Other income:

|                                    | 2017                | 2016                |
|------------------------------------|---------------------|---------------------|
| Penalties and interest on taxation | \$ 546,240          | \$ 507,771          |
| Investment income                  | 463,451             | 284,313             |
| Permits and licenses               | 1,391,258           | 1,308,568           |
|                                    | <u>\$ 2,400,949</u> | <u>\$ 2,100,652</u> |

### 13. 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:

|                 | 2017                 | 2016                 |
|-----------------|----------------------|----------------------|
| School boards   | \$ 12,884,162        | \$ 12,909,338        |
| County of Essex | 21,978,795           | 20,597,938           |
|                 | <u>\$ 34,862,957</u> | <u>\$ 33,507,276</u> |

### 14. 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, 2017

### 15. 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:

|                              | 2017          | 2016          |
|------------------------------|---------------|---------------|
| Salaries, wages and benefits | \$ 12,040,105 | \$ 11,236,382 |
| Interest on long-term debt   | 1,298,146     | 1,415,882     |
| Materials and supplies       | 10,088,480    | 11,115,927    |
| Contracted services          | 10,737,352    | 9,751,743     |
| Rents and financial expenses | 102,230       | 97,495        |
| External transfers           | 796,193       | 880,964       |
| Amortization                 | 10,102,733    | 9,781,820     |
| Total current expenses       | \$ 45,165,239 | \$ 44,280,213 |

### 16. Budget amounts:

The operating budget approved by Town Council for 2017 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.

### 17. 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.

### 18. 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, 2017

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### 18. 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.

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2017, with comparative information for 2016

| GENERAL                                   |              |                   |               |               |  |
|---|--------------|-------------------|---------------|---------------|--|
| 2017                                      | Land         | Land Improvements | Buildings     | Equipment     |  |
| Cost:                                     |              |                   |               |               |  |
| Beginning of year                         | \$ 6,889,933 | \$ 11,372,744     | \$ 67,032,119 | \$ 25,031,602 |  |
| Additions                                 | 174          | 235,837           | -             | 572,403       |  |
| Disposals                                 | -            | -                 | -             | (59,543)      |  |
| Donations and transfers                   | -            | -                 | -             | -             |  |
| Balance, end of year                      | 6,890,107    | 11,608,581        | 67,032,119    | 25,544,462    |  |
| Accumulated amortization:                 |              |                   |               |               |  |
| Beginning of year                         | -            | 1,723,012         | 5,936,964     | 10,052,332    |  |
| Amortization - 2017                       | -            | 268,817           | 1,362,612     | 992,321       |  |
| Accumulated amortization on disposals     | -            | -                 | -             | (43,007)      |  |
| Balance, end of year                      | -            | 1,991,829         | 7,299,576     | 11,001,646    |  |
| Net book value of tangible capital assets | \$ 6,890,107 | \$ 9,616,752      | \$ 59,732,543 | \$ 14,542,816 |  |

| GENERAL                                   |              | INFRASTRUCTURE |                       |                |
|---|--------------|----------------|-----------------------|----------------|
| 2017 (continued)                          | Vehicles     | Pooled         | Plants and Facilities | Roads          |
| Cost:                                     |              |                |                       |                |
| Beginning of year                         | \$ 7,845,073 | \$ -           | \$ 75,451,627         | \$ 112,054,880 |
| Additions                                 | 390,279      | -              | 35,341                | 2,338,079      |
| Disposals                                 | (186,550)    | -              | -                     | (698,852)      |
| Donations and transfers                   | -            | -              | -                     | 1,134,158      |
| Balance, end of year                      | 8,048,802    | -              | 75,486,968            | 114,828,265    |
| Accumulated amortization:                 |              |                |                       |                |
| Beginning of year                         | 3,931,272    | -              | 10,500,173            | 66,091,870     |
| Amortization - 2017                       | 496,220      | -              | 1,069,295             | 4,176,081      |
| Accumulated amortization on disposals     | (180,863)    | -              | -                     | (697,101)      |
| Balance, end of year                      | 4,246,629    | -              | 11,569,468            | 69,570,850     |
| Net book value of tangible capital assets | \$ 3,802,173 | \$ -           | \$ 63,917,500         | \$ 45,257,415  |

| INFRASTRUCTURE                            |                |              |                           |                |
|---|----------------|--------------|---------------------------|----------------|
| 2017 (continued)                          | Underground    | Bridges      | Assets under construction | Totals         |
| Cost:                                     |                |              |                           |                |
| Beginning of year                         | \$ 149,760,791 | \$ 6,215,601 | \$ 180,159                | \$ 461,834,529 |
| Additions                                 | 273,073        | 246,320      | 4,396,660                 | 8,488,166      |
| Disposals                                 | -              | -            | (28,153)                  | (973,098)      |
| Donations and transfers                   | 2,552,469      | -            | -                         | 3,686,627      |
| Balance, end of year                      | 152,586,333    | 6,461,921    | 4,548,666                 | 473,036,224    |
| Accumulated amortization:                 |                |              |                           |                |
| Beginning of year                         | 32,637,620     | 2,971,005    | -                         | 133,844,248    |
| Amortization - 2017                       | 1,649,517      | 87,870       | -                         | 10,102,733     |
| Accumulated amortization on disposals     | -              | -            | -                         | (920,971)      |
| Balance, end of year                      | 34,287,137     | 3,058,875    | -                         | 143,026,010    |
| Net book value of tangible capital assets | \$ 118,299,196 | \$ 3,403,046 | \$ 4,548,666              | \$ 330,010,214 |

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets (continued)

Schedule 1

Year ended December 31, 2017, with comparative information for 2016

|   |              | GENERAL           |               |              |  |
|---|--------------|-------------------|---------------|--------------|--|
| 2016                                      | Land         | Land Improvements | Buildings     | Equipment    |  |
| Cost:                                     |              |                   |               |              |  |
| Beginning of year                         | \$ 6,889,932 | \$ 9,976,243      | \$ 51,800,684 | \$ 7,192,844 |  |
| Additions                                 | -            | 1,481,204         | 16,435,536    | 109,554      |  |
| Disposals                                 | -            | -                 | (143,662)     | (48,812)     |  |
| Donations and transfers                   | -            | -                 | -             | -            |  |
| Balance, end of year                      | 6,889,932    | 11,457,447        | 68,092,558    | 7,253,586    |  |
| Accumulated amortization:                 |              |                   |               |              |  |
| Beginning of year                         | -            | 1,561,167         | 5,208,136     | 3,650,987    |  |
| Amortization - 2016                       | -            | 229,227           | 1,237,791     | 326,610      |  |
| Accumulated amortization on disposals     | -            | -                 | (64,879)      | (43,998)     |  |
| Balance, end of year                      | -            | 1,790,394         | 6,381,048     | 3,933,599    |  |
| Net book value of tangible capital assets | \$ 6,889,932 | \$ 9,667,053      | \$ 61,711,510 | \$ 3,319,987 |  |

|   |              | GENERAL       |                       | INFRASTRUCTURE |  |
|---|--------------|---------------|-----------------------|----------------|--|
| 2016 (continued)                          | Vehicles     | Pooled        | Plants and Facilities | Roads          |  |
| Cost:                                     |              |               |                       |                |  |
| Beginning of year                         | \$ 7,480,524 | \$ 11,396,609 | \$ 89,103,666         | \$ 96,300,666  |  |
| Additions                                 | 635,194      | 1,163,860     | 886,532               | 4,377,767      |  |
| Disposals                                 | (270,645)    | (84,912)      | -                     | (295,671)      |  |
| Donations and transfers                   | -            | 122,210       | -                     | 317,927        |  |
| Balance, end of year                      | 7,845,073    | 12,597,767    | 89,990,198            | 100,700,689    |  |
| Accumulated amortization:                 |              |               |                       |                |  |
| Beginning of year                         | 3,733,594    | 5,468,864     | 13,699,959            | 56,876,850     |  |
| Amortization - 2016                       | 471,154      | 453,627       | 1,459,004             | 3,935,681      |  |
| Accumulated amortization on disposals     | (270,645)    | (47,269)      | -                     | (295,671)      |  |
| Balance, end of year                      | 3,934,103    | 5,875,222     | 15,158,963            | 60,516,860     |  |
| Net book value of tangible capital assets | \$ 3,910,970 | \$ 6,722,545  | \$ 74,831,235         | \$ 40,183,829  |  |

|   |                | INFRASTRUCTURE |                           |                |  |
|---|----------------|----------------|---------------------------|----------------|--|
| 2016 (continued)                          | Underground    | Bridges        | Assets under construction | Totals         |  |
| Cost:                                     |                |                |                           |                |  |
| Beginning of year                         | \$ 144,839,366 | \$ 6,138,876   | \$ 12,561,994             | \$ 443,681,404 |  |
| Additions                                 | 1,719,876      | 137,574        | 436,870                   | 27,383,967     |  |
| Disposals                                 | (54,532)       | -              | (12,497,156)              | (13,395,390)   |  |
| Donations and transfers                   | 1,710,571      | -              | -                         | 2,150,708      |  |
| Balance, end of year                      | 148,215,281    | 6,276,450      | 180,159                   | 459,820,689    |  |
| Accumulated amortization:                 |                |                |                           |                |  |
| Beginning of year                         | 29,567,844     | 3,057,941      | -                         | 122,825,342    |  |
| Amortization - 2016                       | 1,580,694      | 88,032         | -                         | 9,781,820      |  |
| Accumulated amortization on disposals     | (54,298)       | -              | -                         | (776,760)      |  |
| Balance, end of year                      | 31,094,240     | 3,145,973      | -                         | 131,830,402    |  |
| Net book value of tangible capital assets | \$ 117,121,041 | \$ 3,130,477   | \$ 180,159                | \$ 327,990,287 |  |



# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets (continued)

Schedule 1

Year ended December 31, 2017, with comparative information for 2016

| 2017                                      | General      | Fire         | Recreation    | Roads          |
|---|--------------|--------------|---------------|----------------|
| <b>Cost:</b>                              |              |              |               |                |
| Beginning of year                         | \$ 3,461,343 | \$ 6,409,765 | \$ 81,052,088 | \$ 162,122,139 |
| Additions                                 | 25,371       | 88,863       | 528,721       | 3,166,808      |
| Disposals                                 | -            | -            | -             | (932,391)      |
| Donations and transfers                   | -            | -            | -             | 2,192,698      |
| Balance, end of year                      | 3,486,714    | 6,498,628    | 81,580,809    | 166,549,254    |
| <b>Accumulated amortization:</b>          |              |              |               |                |
| Beginning of year                         | 1,009,560    | 3,527,185    | 8,095,198     | 80,106,463     |
| Amortization - 2017                       | 110,961      | 306,688      | 1,897,894     | 4,943,564      |
| Accumulated amortization on disposals     | -            | -            | -             | (899,417)      |
| Balance, end of year                      | 1,120,521    | 3,833,873    | 9,993,092     | 84,150,610     |
| Net book value of tangible capital assets | \$ 2,366,193 | \$ 2,664,755 | \$ 71,587,717 | \$ 82,398,644  |

| 2017 (continued)                          | Water          | Wastewater    | Assets under construction | Total          |
|---|----------------|---------------|---------------------------|----------------|
| <b>Cost:</b>                              |                |               |                           |                |
| Beginning of year                         | \$ 125,408,141 | \$ 83,200,891 | \$ 180,159                | \$ 461,834,526 |
| Additions                                 | 193,818        | 87,926        | 4,396,660                 | 8,488,167      |
| Disposals                                 | (21,554)       | -             | (28,153)                  | (982,098)      |
| Donations and transfers                   | 738,423        | 755,506       | -                         | 3,686,627      |
| Balance, end of year                      | 126,318,828    | 84,044,323    | 4,548,666                 | 473,027,222    |
| <b>Accumulated amortization:</b>          |                |               |                           |                |
| Beginning of year                         | 23,196,232     | 17,909,608    | -                         | 133,844,246    |
| Amortization - 2017                       | 1,654,254      | 1,189,372     | -                         | 10,102,733     |
| Accumulated amortization on disposals     | (21,554)       | -             | -                         | (920,971)      |
| Balance, end of year                      | 24,828,932     | 19,098,980    | -                         | 143,026,008    |
| Net book value of tangible capital assets | \$ 101,489,896 | \$ 64,945,343 | \$ 4,548,666              | \$ 330,001,214 |

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets (continued)

Schedule 1

Year ended December 31, 2017, with comparative information for 2016

| 2016                                      | General       | Fire         | Recreation    | Roads          |
|---|---------------|--------------|---------------|----------------|
| Cost:                                     |               |              |               |                |
| Beginning of year                         | \$ 47,556,706 | \$ 6,295,952 | \$ 19,266,042 | \$ 153,141,257 |
| Additions                                 | 860,870       | 138,596      | 17,538,722    | 6,924,020      |
| Disposals                                 | (185,709)     | (85,133)     | (22,403)      | (456,554)      |
| Donations and transfers                   | -             | -            | -             | 1,277,972      |
| Balance, end of year                      | 48,231,867    | 6,349,415    | 36,782,361    | 160,886,695    |
| Accumulated amortization:                 |               |              |               |                |
| Beginning of year                         | 750,316       | 3,285,738    | 6,855,632     | 75,438,303     |
| Amortization - 2016                       | 91,943        | 273,970      | 1,682,737     | 4,956,691      |
| Accumulated amortization on disposals     | (85,882)      | (69,844)     | (22,403)      | (451,833)      |
| Balance, end of year                      | 756,377       | 3,489,864    | 8,515,966     | 79,943,161     |
| Net book value of tangible capital assets | \$ 47,475,490 | \$ 2,859,551 | \$ 28,266,395 | \$ 80,943,534  |

| 2016 (continued)                          | Water          | Sanitary      | Assets under construction | Total          |
|---|----------------|---------------|---------------------------|----------------|
| Cost:                                     |                |               |                           |                |
| Beginning of year                         | \$ 123,135,825 | \$ 81,723,628 | \$ 12,561,994             | \$ 443,681,404 |
| Additions                                 | 1,417,682      | 67,207        | 436,870                   | 27,383,967     |
| Disposals                                 | (113,900)      | (34,535)      | (12,497,156)              | (13,395,390)   |
| Donations and transfers                   | 368,837        | 503,899       | -                         | 2,150,708      |
| Balance, end of year                      | 124,808,444    | 82,260,199    | 180,159                   | 459,820,689    |
| Accumulated amortization:                 |                |               |                           |                |
| Beginning of year                         | 20,246,191     | 16,249,162    | -                         | 122,825,342    |
| Amortization - 2016                       | 1,618,086      | 1,158,393     | -                         | 9,781,820      |
| Accumulated amortization on disposals     | (112,263)      | (34,535)      | -                         | (776,760)      |
| Balance, end of year                      | 21,752,014     | 17,373,020    | -                         | 131,830,402    |
| Net book value of tangible capital assets | \$ 103,056,430 | \$ 64,887,179 | \$ 180,159                | \$ 327,990,287 |

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Deferred Revenue

Schedule 2

Year ended December 31, 2017, with comparative information for 2016

|                     | Balance<br>December 31,<br>2016 | Interest<br>earned | Contributions<br>received | Revenue<br>earned-<br>capital | Revenue<br>earned-<br>operating | Balance<br>December 31,<br>2017 |
|---------------------|---------------------------------|--------------------|---------------------------|-------------------------------|---------------------------------|---------------------------------|
| Parkland            | \$ 1,406,183                    | \$ 15,670          | \$ 273,000                | \$ 396,085                    | \$ 25,000                       | \$ 1,273,768                    |
| Development charges | 3,294,411                       | 56,389             | 4,701,383                 | -                             | 100,000                         | 7,952,183                       |
| Building code       | 503,333                         | 8,181              | -                         | -                             | (565,396)                       | 1,076,910                       |
| Federal gas tax     | 228,287                         | 5,987              | 1,715,435                 | 744,222                       | 50,153                          | 1,155,334                       |
| Trees               | 96,145                          | 1,274              | 36,750                    | -                             | 35,616                          | 98,553                          |
| Provincial Grants   | 180,700                         | 3,989              | -                         | 936,478                       | (935,691)                       | 183,902                         |
| Parking             | 24,147                          | 242                | -                         | -                             | -                               | 24,389                          |
|                     | <b>\$ 5,733,206</b>             | <b>\$ 91,732</b>   | <b>\$ 6,726,568</b>       | <b>\$ 2,076,785</b>           | <b>\$ (1,290,318)</b>           | <b>\$ 11,765,039</b>            |

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Reserve and Reserve Funds

Schedule 3

Year ended December 31, 2017, with comparative information for 2016

|                               | Balance<br>December 31,<br>2016 | Interest<br>earned | Contributions<br>received | Transfer<br>to<br>capital | Transfer<br>from<br>operations | Balance<br>December 31,<br>2017 |
|-------------------------------|---------------------------------|--------------------|---------------------------|---------------------------|--------------------------------|---------------------------------|
| <b>Reserve funds:</b>         |                                 |                    |                           |                           |                                |                                 |
| Water                         | \$ 5,494,721                    | \$ 55,210          | \$ -                      | \$ -                      | \$ 556,589                     | \$ 6,106,520                    |
| Union Water System            | 438,199                         | 2,742              | -                         | -                         | 69,760                         | 510,701                         |
| Wastewater                    | 3,395,735                       | 36,422             | -                         | -                         | 660,887                        | 4,093,044                       |
| Future employee benefits      | 669,279                         | 6,695              | -                         | -                         | -                              | 675,974                         |
| ELK sale proceeds             | 603,145                         | 8,792              | -                         | (316,791)                 | 495,625                        | 790,771                         |
|                               | 10,601,079                      | 109,861            | -                         | (316,791)                 | 1,782,861                      | 12,177,010                      |
| <b>Reserves:</b>              |                                 |                    |                           |                           |                                |                                 |
| Working capital               | 1,342,154                       | -                  | -                         | -                         | 368,151                        | 1,710,305                       |
| Contingencies                 | 2,381,254                       | -                  | -                         | (60,000)                  | (1,275,664)                    | 1,045,590                       |
| Accumulated sick leave        | 55,000                          | -                  | -                         | -                         | -                              | 55,000                          |
| Water capital                 | 495,343                         | -                  | -                         | -                         | (495,343)                      | -                               |
| Water operating               | 397,196                         | -                  | -                         | -                         | 664,345                        | 1,061,541                       |
| Union Water System            | 59,196                          | -                  | -                         | -                         | 2,548                          | 61,744                          |
| Roads                         | 6,092,441                       | -                  | -                         | (2,685,675)               | 3,198,794                      | 6,605,560                       |
| Landfill closure              | 70,550                          | -                  | -                         | -                         | (70,550)                       | -                               |
| Acquisition of capital assets | 5,033,605                       | -                  | -                         | (1,010,675)               | 4,659,715                      | 8,682,645                       |
| Future operating expenses     | 2,243,163                       | -                  | -                         | (55,248)                  | 2,504,092                      | 4,692,007                       |
|                               | 18,169,902                      | -                  | -                         | (3,811,598)               | 9,556,088                      | 23,914,392                      |
|                               | \$ 28,770,981                   | \$ 109,861         | \$ -                      | \$ (4,128,389)            | \$ 11,338,949                  | \$ 36,091,402                   |

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Schedule of Accumulated Surplus

Schedule 4

Year ended December 31, 2017, with comparative information for 2016

|  | 2017                  | 2016                  |
|--|-----------------------|-----------------------|
| Reserve and reserve funds:   |                       |                       |
| Reserve funds (Schedule 3)   | \$ 12,177,010         | \$ 10,601,079         |
| Reserves (Schedule 3)  | 23,914,392            | 18,169,902            |
|  | <u>36,091,402</u>     | <u>28,770,981</u>     |
| Surpluses:   |                       |                       |
| Tangible capital assets  | 296,399,175           | 291,607,484           |
| General revenue fund   | 2,329,400             | 1,095,221             |
| General reduction of user charges                                      | 843,484               | 1,298,473             |
| Benefitting landowners related to special charges<br>and special areas | (450,881)             | (514,141)             |
| Unfunded:  |                       |                       |
| Post-employment liabilities and sick leave                             | (1,301,606)           | (1,417,774)           |
| Landfill closure cost liability  | (681,547)             | (706,166)             |
| Accrued interest on long-term debt                                     | (228,473)             | (240,512)             |
|  | <u>296,909,552</u>    | <u>291,122,585</u>    |
| Accumulated surplus  | <u>\$ 333,000,954</u> | <u>\$ 319,893,566</u> |

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Segmented Disclosure

Schedule 5

For the year ended December 31, 2017

|  | General<br>Government | Protective<br>Services | Transportation<br>Services | Environmental<br>Services | Recreation            | Planning and<br>Development | Total                |
|--|-----------------------|------------------------|----------------------------|---------------------------|-----------------------|-----------------------------|----------------------|
| <b>Revenue:</b>                                      |                       |                        |                            |                           |                       |                             |                      |
| Property taxes                                       | \$ 29,103,950         | \$ -                   | \$ -                       | \$ -                      | \$ -                  | \$ -                        | \$ 29,103,950        |
| Government transfers                                 | 600,300               | 288,414                | 895,243                    | 62,246                    | 57,963                | 82,779                      | 1,986,945            |
| User fees and sale of goods                          | 2,519,632             | 156,592                | 78,228                     | 13,974,457                | 3,321,238             | 223,371                     | 20,273,518           |
| Investment income                                    | 463,451               | -                      | -                          | -                         | -                     | -                           | 463,451              |
| Gain or (loss) on sale of tangible<br>capital assets | -                     | -                      | 34,170                     | -                         | -                     | -                           | 34,170               |
| Donated assets                                       | -                     | -                      | 1,134,158                  | -                         | -                     | -                           | 1,134,158            |
| Deferred revenue earned                              | 50,153                | (565,396)              | -                          | 2,552,469                 | -                     | -                           | 3,290,595            |
| Fines and penalties                                  | 546,240               | -                      | -                          | 100,000                   | 463,585               | -                           | 48,342               |
| Other revenues                                       | -                     | -                      | -                          | -                         | -                     | 1,391,258                   | 546,240              |
|  | 33,283,726            | (120,390)              | 2,879,925                  | 16,689,172                | 3,842,786             | 1,697,408                   | 58,272,627           |
| <b>Expenses:</b>                                     |                       |                        |                            |                           |                       |                             |                      |
| Salaries, wages and employee benefits                | 2,409,599             | 2,008,368              | 1,306,093                  | 2,326,313                 | 3,161,456             | 828,276                     | 12,040,105           |
| Interest on long-term debt                           | -                     | -                      | 11,646                     | 776,095                   | 459,879               | 50,526                      | 1,298,146            |
| Materials  | 801,943               | 644,804                | 2,799,812                  | 3,137,627                 | 2,546,589             | 157,705                     | 10,088,480           |
| Contracted services                                  | 476,989               | 4,745,593              | 365,066                    | 4,698,786                 | 378,738               | 72,180                      | 10,737,352           |
| Rents and financial expenses                         | 44,000                | 7,008                  | -                          | -                         | 51,222                | -                           | 102,230              |
| External transfers                                   | -                     | 434,276                | -                          | 322,465                   | 39,452                | -                           | 796,193              |
| Amortization   | 110,961               | 306,688                | 4,459,355                  | 3,327,836                 | 1,897,893             | -                           | 10,102,733           |
| Inter-functional adjustments                         | (2,132,710)           | 540,244                | 326,152                    | 741,361                   | 447,761               | 77,192                      | -                    |
|  | 1,710,782             | 8,686,981              | 9,268,124                  | 15,330,483                | 8,982,990             | 1,185,879                   | 45,165,239           |
| <b>Annual surplus (deficit)</b>                      | <b>\$ 31,572,944</b>  | <b>\$ (8,807,371)</b>  | <b>\$ (6,388,199)</b>      | <b>\$ 1,358,689</b>       | <b>\$ (5,140,204)</b> | <b>\$ 511,529</b>           | <b>\$ 13,107,388</b> |