

Consolidated Financial Statements

**THE CORPORATION OF THE
MUNICIPALITY OF LAKESHORE**

And Independent Auditor's Report thereon

Year ended December 31, 2022

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

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Year ended December 31, 2022

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Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

Name

Title



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Rate Payers of the Corporation of the Municipality of Lakeshore

Opinion

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

- the consolidated statement of financial position as at December 31, 2022
- 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 notes to the consolidated 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 consolidated financial position of the Municipality as at December 31, 2022, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Basis for Opinion

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

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

Responsibilities of Management and Those Charged with Governance for the 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.

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

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

Auditor's 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 auditor's report that includes our opinion.

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Municipality 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 to express an opinion on the consolidated 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

September 10, 2024

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Cash and temporary investments	\$87,557,417	\$100,123,363
Taxes receivable	2,976,382	2,635,597
Trade and other receivables	7,021,870	3,496,438
Water receivables and unbilled revenue	3,809,184	3,216,734
Drainage receivables	2,598,799	3,584,784
Drainage recoverable from others	477,955	522,940
Inventory held for resale	18,147	18,147
Investments (note 2)	594,315	807,450
	105,054,069	114,405,453
Financial liabilities		
Short-term loans (note 4)	522,825	1,020,000
Accounts payable and accrued liabilities	11,083,725	7,538,280
Deposits	3,083,331	2,492,693
Deferred revenue (note 5)	18,516,980	16,506,970
Accrued interest on long-term liabilities	136,797	152,890
Net long-term liabilities (note 6)	22,210,153	24,789,632
Post-employment benefits (note 8)	2,323,400	1,293,402
Accumulated vested sick leave (note 9)	586	5,036
Landfill closure cost liability (note 10)	559,120	588,712
	58,436,917	54,387,615
Net financial assets	46,617,152	60,017,838

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Statement of Financial Position (continued)

December 31, 2022, with comparative information for 2021

	2022	2021
Non-financial assets		
Tangible capital assets (schedule 1)	381,031,150	352,046,166
Unfunded capital in progress	3,139,303	3,139,303
Inventories of supplies	180,830	180,830
Prepaid expenses	93,546	128,284
	384,444,829	355,494,583
Contractual obligations and contingencies (notes 13 and 15)		
Accumulated surplus (schedule 4)	\$431,061,981	\$415,512,421

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Statement of Operations and Accumulated Surplus

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

	2022 Budget	2022 Actual	2021 Actual
Revenue:			
Taxation	\$39,083,983	\$39,334,445	\$37,572,205
User charges:			
Wastewater	6,780,636	7,355,767	6,746,241
Water	9,594,321	10,876,214	10,120,029
Recreation	2,936,635	2,869,832	1,542,539
Other	1,055,737	1,302,876	1,331,855
Government transfers	964,890	1,429,681	2,025,610
Other (note 11)	2,084,860	3,058,483	3,114,229
Deferred revenue earned (schedule 2)	961,836	3,444,090	2,610,311
Total revenue	63,462,898	69,671,388	65,063,019
Expenses (note 16):			
General government	6,446,748	9,265,136	6,599,010
Protection to persons and property	9,138,657	9,954,398	9,219,579
Transportation services	13,182,370	9,832,236	9,506,706
Environmental services	18,223,504	21,054,884	16,936,113
Recreation and cultural services	9,283,505	9,064,478	6,583,888
Planning and development	1,661,562	1,716,620	1,626,779
Total expenses	57,936,346	60,887,752	50,472,075
Net revenue	5,526,552	8,783,636	14,590,944
Other:			
Grants and revenues (expenses) related to capital:			
Loss on sale of capital assets	0	59,200	(989,513)
Deferred revenue earned (schedule 2)	957,589	6,652,106	13,288,648
Other	0	54,618	99,893
Capital assets decommissioned	0	0	(1,245,635)
Total other	957,589	6,765,924	11,153,393

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Statement of Operations and Accumulated Surplus (continued)

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

	2022 Budget	2022 Actual	2021 Actual
Annual surplus	\$6,484,141	\$15,549,560	\$25,744,337
Accumulated surplus, beginning of year	415,512,421	415,512,421	389,768,084
Accumulated surplus, end of year	\$421,996,562	\$431,061,981	\$415,512,421

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Statement of Changes in Net Financial Assets

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

	2022	2021
Annual surplus	\$15,549,560	\$25,744,337
Amortization of tangible capital assets	11,536,372	9,041,640
Acquisition of unfunded tangible capital in progress	0	(3,139,303)
Acquisition of tangible capital assets	(40,521,358)	(12,301,926)
Loss on sale of tangible capital assets	(59,200)	989,513
Capital assets decommissioned	0	1,245,635
Proceeds on sale of tangible capital assets	59,202	67,453
	(13,435,424)	21,647,349
Acquisition of inventories	(180,830)	(180,830)
Acquisition of prepaid expenses	(93,546)	(128,284)
Consumption of inventories	180,830	180,830
Consumption of prepaid expenses	128,284	76,263
Change in net financial assets	(13,400,686)	21,595,328
Net financial assets, beginning of year	60,017,838	38,422,510
Net financial assets, end of year	\$46,617,152	\$60,017,838

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Statement of Cash Flows

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

	2022	2021
Cash provided by (used in):		
Operations:		
Annual surplus	\$15,549,560	\$25,744,337
Items not involving cash:		
Amortization of tangible capital assets	11,536,372	9,041,640
Loss on sale of tangible capital assets	(59,200)	989,513
Capital assets decommissioned	0	1,245,635
Change in non-cash operating working capital:		
Taxes, trade and water receivables	(4,458,667)	1,457,081
Prepaid expenses	34,738	(52,021)
Drain receivables and debt recoverable from others	1,030,970	(1,164,107)
Accounts payable, accrued liabilities and deposits	4,136,083	(1,231,579)
Deferred revenue	2,010,010	(4,892,556)
Unfunded liabilities - interest, benefits and landfill	979,863	(18,410)
Net change in cash from operating activities	30,759,729	31,119,533
Investing activities:		
Decrease in investments	213,135	241,550
Net change in cash from investing activities	213,135	241,550
Capital activities:		
Acquisition of unfunded tangible capital in progress	0	(3,139,303)
Acquisition of tangible capital assets (net)	(40,521,358)	(12,301,926)
Proceeds on disposal of tangible capital assets	59,202	67,453
Net change in cash from capital activities	(40,462,156)	(15,373,776)
Financing activities:		
Debenture principal repayments	(2,579,479)	(2,590,124)
Net change in cash from financing activities	(2,579,479)	(2,590,124)
Increase (decrease) in cash and cash equivalents	(12,068,771)	13,397,183
Cash and cash equivalents, beginning of year	99,103,363	85,706,180
Cash and cash equivalents, end of year	\$87,034,592	\$99,103,363
Supplemental cash flow information:		
Cash and temporary investments	\$87,557,417	\$100,123,363
Short-term capital loan	(522,825)	(1,020,000)
Cash and cash equivalents, end of year	\$87,034,592	\$99,103,363

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

(a) Management responsibility:

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

(b) Basis of accounting:

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

(c) Basis of consolidation:

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

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(d) Taxes receivable and related revenues:

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

(e) Government transfers:

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(f) Non-financial assets:

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

(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
Land improvements	20 to 50 years
Buildings	40 to 50 years
Machinery and equipment	10 to 30 years
Vehicles	8 to 20 years
Water and waste plants and networks:	
Underground networks	40 to 100 years
Treatment plants and water storage towers	70 to 75 years
Processing equipment	10 to 60 years
Transportation:	
Roads	10 to 20 years
Bridges and structures	50 to 75 years

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(i) Tangible capital assets (continued):

Asset	Useful Life
Sidewalks	30 years
Storm sewers	25 to 100 years
Trails and walking paths	15 years
Pooled assets	5 to 25 years

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

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

(ii) Contribution of tangible capital assets:

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

(iii) Inventories:

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(g) Investments:

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

(h) Inventory:

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

(i) Deferred revenue:

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

(j) County and school boards:

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(k) Employee future benefits:

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

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

(l) Leases:

Leases are classified as capital or operating leases. Leases which transfer substantially the entire benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(m) Purchase premium:

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(n) Use of estimates:

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

(o) Liability for contaminated sites:

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

(p) Future accounting changes:

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

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(p) Future accounting changes (continued):

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

2. Investments:

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

3. Equity in the Union Water Supply System:

The equity in the UWSS is made up as follows

	2022	2021
Cash and investments	\$690,523	\$739,909
Accounts receivable	42,119	59,655
Accounts payable	(114,047)	(130,936)
Net financial assets before long-term debt and tangible capital assets	618,595	668,628
Long-term debt	(265,741)	(315,026)
Tangible capital assets	1,856,859	1,649,402
Accumulated surplus	\$2,209,713	\$2,003,004
Reserves	\$199,367	\$256,746
Reserve funds	419,229	411,882
Total reserves and reserve funds	\$618,596	\$668,628

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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

Tangible capital assets – net book value:

	2022	2021
Water - land, land improvements, buildings and equipment	\$1,301,045	\$1,027,776
Water - linear	552,818	540,568
Waster - assets under construction	2,996	81,058
Total	\$1,856,859	\$1,649,402

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

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

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

4. Short term loans:

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

5. Deferred revenue:

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

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

6. Long-term liabilities:

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

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

6. Long-term liabilities (continued):

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

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

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

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

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Pension agreement:

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

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

8. Post-employment benefits:

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

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

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

8. Post-employment benefits (continued):

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

9. Liability for vested sick leave benefits:

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

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

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

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

10. Landfill closure cost liability:

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

11. Other income:

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

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

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

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Contractual obligation – Ontario Clean Water Agency:

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

14. Contingencies:

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

15. Budget amounts:

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

15. Budget amounts (continued):

	Budget amount
Revenue:	
Operating	\$65,158,627
Capital	19,012,378
Less transfers from reserves	(19,750,518)
Total revenue	64,420,487
Expenses:	
Operating	65,158,627
Capital	19,012,378
Less:	
Transfers to reserves	(19,244,353)
Debt principal payments	(2,876,701)
Capital expenditures	(19,012,378)
Add amortization of tangible capital assets	14,898,773
Total expenses	57,936,346
Budgeted surplus per financial statements	\$6,484,141

16. Segmented information:

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

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

16. Segmented information (continued):

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

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

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

17. Comparative information:

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule 1 - Schedule of Tangible Capital Assets

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

GENERAL					
Cost	Land	Land improvements	Buildings	Equipment	Vehicles
Balance, beginning of year	\$6,902,273	\$14,342,309	\$67,758,888	\$29,852,135	\$8,745,759
Additions	11,252	461,118	896,273	1,938,912	749,391
Disposals	0	0	0	(144,055)	(60,905)
Donations and transfers	0	0	0	0	0
Balance, end of year	6,913,525	14,803,427	68,655,161	31,646,992	9,434,245
Accumulated amortization					
Balance, beginning of year	\$0	\$3,183,082	\$12,139,826	\$14,582,309	\$5,482,925
Amortization	0	369,779	2,107,084	1,163,571	547,889
Accumulated amortization on disposals	0	0	0	(144,054)	(60,904)
Balance, end of year	0	3,552,861	14,246,910	15,601,826	5,969,910
Net book value of tangible capital assets	\$6,913,525	\$11,250,566	\$54,408,251	\$16,045,166	\$3,464,335

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule 1 - Schedule of Tangible Capital Assets (continued)

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

INFRASTRUCTURE				
Cost	Plants and facilities	Roads	Underground	Bridges
Balance, beginning of year	\$75,891,915	\$133,642,786	\$168,392,116	\$7,306,814
Additions	675,064	4,484,953	395,356	0
Disposals	0	0	0	0
Donations and transfers	0	0	0	0
Balance, end of year	76,566,979	138,127,739	168,787,472	7,306,814
Accumulated amortization				
Balance, beginning of year	15,720,841	86,311,903	40,943,064	3,567,710
Amortization	1020,146	4,339,691	1,886,921	101,291
Accumulated amortization on disposals	0	0	0	0
Balance, end of year	16,740,987	90,651,594	42,829,985	3,669,001
Net book value of tangible capital assets	\$59,825,992	\$47,476,145	\$125,957,487	\$3,637,813

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule 1 - Schedule of Tangible Capital Assets (continued)

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

Cost	Assets under construction	2022 Total	2021 Total
Balance, beginning of year	\$21,142,831	\$533,977,826	\$523,978,501
Additions	41,044,292	50,656,611	15,794,818
Disposals	(10,135,253)	(10,340,213)	(5,795,493)
Donations and transfers	0	0	0
Balance, end of year	52,051,870	574,294,224	533,977,826
Accumulated amortization			
Balance, beginning of year	0	181,931,660	172,890,020
Amortization	0	11,536,372	11,484,954
Accumulated amortization on disposals	0	(204,958)	(2,443,314)
Balance, end of year	0	193,263,074	181,931,660
Net book value of tangible capital assets	\$52,051,870	\$381,031,150	\$352,046,166

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule 2 - Schedule of Deferred Revenue

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

	Balance, December 31, 2021	Interest earned	Contributions received (refunded)	Deferred revenue allocated	Balance, December 31, 2022
Parkland	\$681,625	\$17,343	\$239,000	\$(104,152)	\$833,816
Development charges	4,880,525	58,941	6,433,295	(5,209,485)	6,163,276
Building code	2,016,149	24,987	0	(121,352)	1,919,784
Federal gas tax	5,599,455	71,916	1,884,502	(3,217,943)	4,337,930
Trees	166,387	2,660	88,050	(45,000)	212,097
Provincial grants	3,162,114	88,106	3,197,398	(1,398,264)	5,049,354
Parking	715	8	0	0	723
Total	\$16,506,970	\$263,961	\$11,842,245	\$(10,096,196)	\$18,516,980

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule 3 - Schedule of Reserves and Reserve Funds

Year ended December 31, 2022

	Balance, December 31, 2021	Interest earned	Contributions received	Interfund transfers	Transfer from (to) capital	Transfer from (to) operations	Balance, December 31, 2022
Reserve funds:							
Water	\$19,003,620	\$282,332	\$0	\$4,436,762	\$(3,613,067)	\$2,879,679	\$22,989,326
Union water system	411,882	0	0	0	0	7,347	419,229
Wastewater	(3,900,426)	(117,785)	0	10,969,373	(28,041,301)	1,457,608	(19,632,531)
Future employee benefits	714,999	0	0	0	0	0	714,999
ELK sale proceeds	1,440,753	0	0	0	0	0	1,440,753
Total reserve funds	17,670,828	164,547	0	15,406,135	(31,654,368)	4,344,634	5,931,776
Reserves:							
Working capital	4,151,022	0	0	425,157	0	(1,362,393)	3,213,786
Contingencies	1,324,661	0	0	553,516	0	(165,000)	1,713,177
Accumulated sick leave	55,130	0	0	0	0	0	55,130
Water operating	1,064,058	0	0	0	0	0	1,064,058
Union water system	256,746	0	0	0	0	(57,379)	199,367
Roads	11,484,177	0	0	(2,913,720)	(3,111,330)	6,097,090	11,556,217
Acquisition of capital assets	47,143,910	0	104,502	(7,496,162)	(6,067,883)	6,553,649	40,238,016
Future operating expenses	5,589,618	0	17,815	284,351	(333,334)	432,950	5,991,400
Total reserve funds	71,069,322	0	122,317	(9,146,858)	(9,512,547)	11,498,917	64,031,151
Total reserves and reserve funds	\$88,740,150	\$164,547	\$122,317	\$6,259,277	\$(41,166,915)	\$15,843,551	\$69,962,927

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule 4 - Schedule of Accumulated Surplus

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

	2022	2021
Reserves and reserve funds:		
Reserve funds (schedule 3)	\$5,931,776	\$17,670,827
Reserves (schedule 3)	64,031,151	71,069,323
Total reserves and reserve funds	69,962,927	88,740,150
Surpluses:		
Tangible capital assets	364,586,352	331,142,905
Deficit - unfunded tangible capital in progress	(3,139,303)	(3,139,303)
General revenue fund	(1,044,902)	175,590
General reduction of user charges	3,768,383	811,193
Benefitting landowners related to special charges and special areas	(51,573)	(178,075)
Unfunded:		
Post-employment liabilities and sick leave	(2,323,986)	(1,298,438)
Landfill closure cost liability	(559,120)	(588,712)
Accrued interest on long-term debt	(136,797)	(152,890)
Total surpluses and unfunded	361,099,054	326,772,270
Accumulated surplus	\$431,061,981	\$415,512,420

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule 5 - Schedule of Segmented Disclosure

Year ended December 31, 2022

	General government	Protection services	Transportation services	Environmental services	Recreation	Planning and development	Total
Revenue:							
Property taxes	\$39,334,445	\$0	\$0	\$0	\$0	\$0	\$39,334,445
Government transfers	989,870	180,624	24,958	6,300	127,521	100,408	1,429,681
User fees and sale of goods	844,877	106,125	174,148	18,231,981	2,884,432	163,126	22,404,689
Investment income	1,469,832	0	0	0	0	0	1,469,832
Gain or (loss) of sale of tangible capital assets	59,200	0	0	0	0	0	59,200
Deferred revenue earned	628,404	184,981	1,144,749	7,243,289	804,814	89,959	10,096,196
Other revenues	658,761	899,161	34,619	30,729	19,999	0	1,643,269
Total revenue	43,985,389	1,370,891	1,378,474	25,512,299	3,836,766	353,493	76,437,312

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule 5 - Schedule of Segmented Disclosure (continued)

Year ended December 31, 2022

	General government	Protection services	Transportation services	Environmental services	Recreation	Planning and development	Total
Expenses:							
Salaries, wages and employee benefits	\$4,673,337	\$3,129,784	\$1,322,010	\$4,181,231	\$3,255,473	\$1,424,557	\$17,986,392
Interest on long-term debt	0	0	0	456,243	357,870	29,036	843,149
Materials	3,097,885	1,011,484	3,466,512	6,547,594	2,390,880	196,401	16,710,756
Contracted services	1,318,046	5,159,906	329,561	5,516,441	356,038	66,626	12,746,618
Rents and financial expenses	45,479	854	0	0	29,137	0	75,470
External transfers	0	486,147	0	707,806	0	0	1,193,953
Amortization	130,389	166,223	4,714,153	3,645,569	2,675,080	0	11,331,414
Inter-functional adjustments	0	0	0	0	0	0	0
Total expenses	9,265,136	9,954,398	9,832,236	21,054,884	9,064,478	1,716,620	60,887,752
Annual surplus (deficit)	\$34,720,253	\$(8,583,507)	\$(8,453,762)	\$4,457,415	\$(5,227,712)	\$(1,363,127)	\$15,549,560