

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF LAKESHORE**

And Independent Auditors' Report thereon

Year ended December 31, 2023

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Financial Statements

Year ended December 31, 2023

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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.

**KPMG LLP**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers 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, 2023
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2023, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "***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.



Emphasis of Matter – Comparative Information

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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

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

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

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

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's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a single, long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

September 30, 2025

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022 (Restated - Note 19)
Financial assets		
Cash and temporary investments	\$ 88,565,703	\$ 87,557,417
Taxes receivable	3,931,024	2,976,382
Trade and other receivables	4,460,991	7,021,870
Water receivables and unbilled revenue	4,087,186	3,809,184
Drainage receivables	1,946,557	2,598,799
Drainage recoverable from others	284,712	477,955
Inventory held for resale	18,147	18,147
Investments (note 3)	393,106	594,315
	<u>103,687,426</u>	<u>105,054,069</u>
Financial liabilities		
Short-term loans (note 5)	541,343	522,825
Accounts payable and accrued liabilities	15,539,705	11,083,725
Deposits	1,459,479	3,083,331
Deferred revenue (note 6)	12,833,932	18,516,980
Accrued interest on long-term liabilities	118,260	136,797
Net long-term liabilities (note 7)	19,566,940	22,210,153
Asset retirement obligation (notes 18)	1,730,214	1,670,954
Post-employment benefits (note 9)	2,422,900	2,323,400
Accumulated vested sick leave (note 10)	586	586
Landfill closure cost liability (note 11)	541,111	559,120
	<u>54,754,470</u>	<u>60,107,871</u>
Net financial assets	48,932,956	44,946,198
Non-financial assets		
Tangible capital assets (Schedule 1)	414,348,982	381,027,081
Unfunded capital in progress	3,327,940	3,139,303
Asset retirement obligation assets	1,073,402	1,125,397
Inventories of supplies	180,830	180,830
Prepaid expenses	73,118	93,546
	<u>419,004,272</u>	<u>385,566,157</u>
Contractual obligations and contingencies (notes 14 and 15)		
Accumulated surplus (Schedule 4)	\$ 467,937,228	\$ 430,512,355

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, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual (Restated - Note 19)
Revenue (note 16):			
Taxation	41,715,716	\$ 42,098,958	\$ 39,334,445
User charges:			
Wastewater	7,388,284	7,952,048	7,355,767
Water	10,070,095	10,742,692	10,876,214
Recreation	3,051,635	3,447,328	2,869,832
Other	1,100,672	1,680,902	1,302,876
Government transfers	906,182	2,272,160	1,429,681
Other (note 12)	2,409,860	5,710,751	3,058,483
Deferred revenue earned (Schedule 2)	4,423,295	3,072,097	3,444,090
	71,065,739	76,976,936	69,671,388
Expenses (note 16):			
General government	8,505,777	9,541,884	9,270,274
Protection to persons and property	8,911,388	9,887,201	9,464,987
Transportation services	8,398,987	11,752,733	10,329,138
Environmental services	19,122,915	21,166,864	21,081,498
Recreation and cultural services	9,803,083	10,616,848	9,087,789
Planning and development	1,710,019	1,770,105	1,716,620
	56,452,169	64,735,635	60,950,306
Net revenue	14,613,570	12,241,301	8,721,082
Other:			
Grants and revenues (expenses) related to capital:			
Gain (loss) on sale of capital assets	-	(279,306)	55,132
Deferred revenue earned (Schedule 2)	-	13,366,478	6,652,106
Contribution from developers	-	12,115,749	-
Other	30,597	(19,349)	54,618
	30,597	25,183,572	6,761,856
Annual surplus	14,644,167	37,424,873	15,482,938
Accumulated surplus, beginning of year	430,512,355	430,512,355	415,029,417
Accumulated surplus, end of year	\$ 445,156,522	\$ 467,937,228	\$ 430,512,355

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	2023	2022 (Restated - Note 19)
Annual surplus	\$ 37,424,873	\$ 15,482,938
Amortization of tangible capital assets	12,823,959	11,536,372
Amortization of asset retirement obligation assets	51,995	27,219
Acquisition of tangible capital assets	(46,487,544)	(40,521,358)
Acquisition of unfunded tangible capital assets	(188,637)	-
Loss on sale of tangible capital assets	279,306	(55,132)
Proceeds on sale of tangible capital assets	62,378	59,203
	3,966,330	(13,470,758)
Acquisition of inventories	(180,830)	(180,830)
Acquisition of prepaid expenses	(73,118)	(93,546)
Consumption of inventories	180,830	180,830
Consumption of prepaid expenses	93,546	128,284
Change in net financial assets	3,986,758	(13,436,020)
Net financial assets, beginning of year	44,946,198	58,382,218
Net financial assets, end of year	\$ 48,932,956	\$ 44,946,198

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022 (Restated - Note 19)
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 37,424,873	\$ 15,482,938
Items not involving cash:		
Amortization of tangible capital assets	12,823,959	11,536,372
Accretion and amortization of asset retirement obligations	111,255	62,553
Loss (gain) on sale of tangible capital assets	279,306	(55,132)
Change in non-cash operating working capital:		
Taxes, trade and water receivables	1,328,235	(4,458,667)
Prepaid expenses	20,428	34,738
Drain receivables and debt recoverable from others	845,485	1,030,970
Accounts payable, accrued liabilities and deposits	2,832,128	4,136,083
Deferred revenue	(5,683,048)	2,010,010
Unfunded liabilities - interest, benefits, landfill	62,954	979,863
	50,045,575	30,759,728
Investing:		
Decrease in investments	201,209	213,135
	201,209	213,135
Capital:		
Acquisition of unfunded tangible capital in progress	(188,637)	-
Acquisition of tangible capital assets (net)	(46,487,544)	(40,521,358)
Proceeds on disposal of tangible capital assets	62,378	59,203
	(46,613,803)	(40,462,155)
Financing:		
Debenture principal repayments	(2,643,213)	(2,579,479)
	(2,643,213)	(2,579,479)
Increase (decrease) in cash and cash equivalents	989,768	(12,068,771)
Cash and cash equivalents, beginning of year	87,034,592	99,103,363
Cash and cash equivalents, end of year	\$ 88,024,360	\$ 87,034,592
Supplemental cash flow information:		
Cash and temporary investments	\$ 88,565,703	\$ 87,557,417
Short term loans	(541,343)	(522,825)
Cash and cash equivalents, end of year	\$ 88,024,360	\$ 87,034,592

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements

Year ended December 31, 2023

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.

(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.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(e) Government transfers:

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

(f) Non-financial assets:

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

(i) Tangible capital assets:

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

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

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.

(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.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(j) County and school boards:

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

(k) Employee future benefits:

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

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 of twenty years.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2023

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, asset retirement obligations, 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:

(i) Adoption of new accounting standards:

The Municipality adopted prospectively PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments, PS 3450 Financial Instruments and retroactively PS 3280 Asset Retirement Obligations standards for the fiscal year beginning January 1, 2023.

The adoption of these new accounting standards had the following impact on the financial statements:

- 1) PS 3280 Asset Retirement Obligations has resulted in the recognition of legal obligations associated with the retirement of certain controlled tangible capital assets.
- 2) PS 3450 Financial Instruments has resulted in the selection of the fair value basis of measurement for certain financial instruments and recognition of unrealized remeasurement gains or losses on the Statement of Remeasurement Gains and Losses.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(p) Future accounting changes (continued):

(i) Adoption of new accounting standards (continued):

- 3) PS 1201 Financial Statement Presentation has resulted in the addition of a new financial statement called the Statement of Remeasurement of Gains and Losses that is separate from the statement of operations and accumulated surplus. This new statement includes unrealized gains and losses arising from the remeasurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when the Town includes the results of government business enterprises.
- 4) PS 3280, Asset Retirement Obligations – PS 3280 Asset Retirement Obligations (“ARO”) is recognized when, as at the financial reporting date, all of the following criteria are met:
 - There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
 - The past transaction or event giving rise to the liability has occurred;
 - It is expected that future economic benefits will be given up; and
 - A reasonable estimate of the amount can be made.
- 5) The substantial portion of ARO liability for the Town stems from the removal of asbestos in buildings owned by the Town. The ARO liability for removal of asbestos has been based on actual demolition cost (on a square foot basis) of a building containing asbestos and has been recognized under the modified retroactive method. Where renovations had taken place, the gross area of the structure was pro-rated to account for partial abatement. Assumptions used in the calculations are revised on an annual basis. All known asbestos is contained and possess no risk to the users.
- 6) The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing accounting standard PS 3270 Solid Waste Landfill Closure and Post-Closure Liability. The buildings had an expected useful life of 40 years, and the estimate has not changed since purchased.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(p) Future accounting changes (continued):

(i) Adoption of new accounting standards (continued):

- 7) PS 3450, Financial Instruments – PS 3450 Financial Instrument establishes standards on how to account for and report all types of financial instruments including derivatives. Financial instruments include primary instruments (such as receivables, payables, and equity instruments) and derivative financial instruments (such as financial options, futures and forwards, interest rate swaps and currency swaps). Any unrealized gains and losses are reported through a new statement called statement of remeasurement gains and losses. Unrealize gains and losses are realized upon settlement of the financial instrument when the financial instrument is sold or reaches maturity. The Town has no financial instruments carried at fair value and as a result has not presented a Statement of Remeasurement of Gains and Losses.

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Prior period adjustment – change in accounting policy:

Effective January 1, 2023, the Municipality of Lakeshore adopted Canadian public sector account stand PS 3280 Asset Retirement Obligations. This new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of certain tangible capital assets such as asbestos removal and disposal within buildings (see note 18). This standard was adopted using the modified retroactive approach.

The impact of the prior period adjustment on the December 31, 2022 comparative amounts is as follows:

	<u>Increase (Decrease)</u>
ARO Asset - Cost	\$ 1,257,310
ARO Asset - Accumulated Amortization	(104,694)
<u>Asset Retirement Obligation (liability)</u>	<u>(1,635,620)</u>
Accumulated Surplus, January 1, 2022	(483,004)
<u>Amortization/Accretion Expense</u>	<u>(62,553)</u>
Annual Surplus for the year ending December 31, 2022	(62,553)
<u>Accumulated Surplus, December 31, 2022</u>	<u>(545,557)</u>

3. Investments:

	2023	2022
Debentures	\$ 393,106	\$ 594,315

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2023

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

The equity in the UWSS is made up as follows:

	2023	2022 (Restated Note 2)
Cash and investments	\$ 817,726	\$ 690,523
Accounts receivable	61,326	42,119
Accounts payable	(77,202)	(114,047)
	801,850	618,595
Long-term debt	(210,318)	(265,741)
Asset retirement obligations	(572,143)	(558,733)
Tangible capital assets	1,897,062	1,917,050
	1,114,601	1,092,576
Reserves	357,392	199,367
Reserve funds	444,459	419,229
ARO Fund Equity	(514,394)	—
	287,457	618,596
Tangible Capital Assets - net book value:		
Water – land, land improvements, buildings and equipment	1,267,186	1,301,045
Water – linear	553,496	552,818
Water – assets under construction	18,632	2,996
	\$ 1,839,314	\$ 1,856,859

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

	2023	2022
Amortization expense	\$ 66,074	\$ 60,537
Interest on long-term debt	25,517	31,005

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, 2021. Subsequent to year end, the Municipality received 336 Class A Special Shares in Union Water Supply System Inc., the new corporation, and the investment will be accounted for as a government business enterprise in 2024. The ownership interest is to be updated every four years.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2023

5. 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 \$541,343 (2022 - \$522,825) for drainage construction. This loan is offered on an unsecured basis.

6. Deferred revenue:

	2023	2022
Obligatory reserve funds:		
Development Charges Act and Agreements	\$ 10,044,660	\$ 11,212,630
Parking and trees	206,434	212,820
Parkland dedication	1,089,227	833,816
Federal gas tax	—	4,337,930
Building code	1,493,611	1,919,784
	<u>\$ 12,833,932</u>	<u>\$ 18,516,980</u>

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

7. Long-term liabilities:

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

	2023	2022
Total debentures payable	\$ 19,356,622	\$ 21,944,412
Share of Union Water System obligations	210,318	265,741
	<u>\$ 19,566,940</u>	<u>\$ 22,210,153</u>

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

2024	\$ 2,568,084
2025	2,567,635
2026	2,148,551
2027	2,125,941
2028	2,201,747
Thereafter	<u>7,954,982</u>

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2023

7. Long-term liabilities (continued):

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

	2023	2022
Taxation	\$ 9,823,819	\$ 10,546,726
User rates:		
Water	5,681,952	6,887,271
Wastewater	3,738,632	4,298,201
Benefitting landowners	322,537	477,955
	<u>\$ 19,566,940</u>	<u>\$ 22,210,153</u>

Interest rates range from 2.205% to 6.0%. Total interest charges included in reporting on the consolidated statement of operations and accumulated surplus is \$752,371 (2022 - \$843,149). Of this amount, \$170,462 (2022 - \$195,497) was paid from wastewater rates, \$219,057 (2022 - \$260,746) from water rates, \$336,219 (2022 - \$357,871) from tax rates and \$26,633 (2022 - \$29,035) from benefitting landowners.

8. 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 \$1,098,684 (2022 - \$1,044,178) in contributions towards the OMERS plan which are recorded in the statement of operations. At December 31, 2023, 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.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2023

9. 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, 2023. The following significant actuarial assumptions were applied in estimating post-employment benefit liability:

- (a) a discount factor of 4.16% (2022 - 4.0%)
- (b) a health care trend rate of 4.4% for 2023

The liability based on the above assumptions at the year-end date is \$2,422,900 (2022 - \$2,323,400).

	2023
Accrued benefit liability, beginning	\$ 2,323,400
Annual expense	329,400
Benefits paid	(103,600)
Unamortized net actuarial loss	(126,300)
Accrued benefit obligations, end of year	\$ 2,422,900

10. 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 (2022 - \$286,904) 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 (2022 - \$586).

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2023

11. 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% (2022 - 4%) discount rate and 2% (2022 - 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 \$541,111 at the yearend date (2022 - \$559,120).

12. Other income:

	2023	2022
Penalties and interest on taxation	\$ 671,461	\$ 557,623
Investment income	3,495,573	1,500,561
Permits and licenses	850,360	914,134
Miscellaneous	693,357	86,165
	<u>\$ 5,710,751</u>	<u>\$ 3,058,483</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:

	2023	2022
School boards	\$ 12,591,518	\$ 12,338,254
County of Essex	30,888,485	29,001,457
	<u>\$ 43,480,003</u>	<u>\$ 41,339,711</u>

14. 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.

15. Contingencies:

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2023

16. Budget amounts:

The Financial Plan (Budget) By-Law adopted by Council on January 30, 2023 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 January 30, 2023 with adjustments as follows:

	Budget Amount
Revenue:	
Operating	\$ 77,846,976
Capital	26,741,908
Less:	
Transfers from reserves	(33,523,145)
Total revenue	71,065,739
Expenses:	
Operating	77,846,976
Capital	26,741,908
Less:	
Transfers to reserves	(28,846,568)
Debt principal payments	(5,201,401)
Capital expenditures	(26,741,908)
Add:	
Amortization of tangible capital assets	12,653,162
Total expenses	52,452,169
Other	30,597
Budgeted surplus per financial statements	14,644,167

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2023

17. Segmented information:

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

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

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

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

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2023

18. Asset retirement obligation:

Liabilities exist for the removal and disposal of asbestos or other hazardous substances within buildings and facilities owned by the Municipality of Lakeshore which include the Wastewater Treatment Plant, Police Station, Fire Stations, Public Works Yards, and other Parks & Recreation facilities.

	2023	2022 Restated (note 2)
Asset retirement obligation, beginning of the year	\$ 1,670,954	1,635,620
Accretion expense	<u>59,260</u>	<u>35,334</u>
Asset retirement obligation, end of year	<u>\$ 1,730,214</u>	<u>\$ 1,670,954</u>

19. Comparative information:

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2023, with comparative information for 2022

	General					Infrastructure					Totals	
	Land	Land improvements	Buildings	Equipment	Vehicles	Plants and facilities	Roads	Underground	Bridges	Assets under construction	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost:												
Beginning of year	6,913,525	14,803,427	68,655,161	31,646,992	9,434,245	76,566,979	137,176,123	168,787,472	7,306,814	52,051,870	573,342,608	533,977,826
Additions	-	1,749,353	2,068,990	4,211,398	984,421	294,601	10,031,326	12,879,914	-	34,052,896	66,272,899	50,656,611
Disposals	-	(22,915)	-	(152,589)	(584,687)	-	(1,640,594)	-	-	(19,785,355)	(22,186,140)	(11,291,829)
Donations and transfers	-	55,458	24,856	(429,213)	53,912	-	-	426,956	-	(443,339)	(311,370)	-
Balance, end of year	6,913,525	16,585,323	70,749,007	35,276,588	9,887,891	76,861,580	145,566,855	182,094,342	7,306,814	65,876,072	617,117,997	573,342,608
Accumulated Amortization:												
Beginning of year	-	3,529,212	14,246,910	15,588,297	5,969,911	16,740,987	89,741,224	42,829,985	3,669,001	-	192,315,527	181,931,660
Amortization	-	549,890	2,214,042	1,602,839	593,131	1,339,155	4,423,076	1,895,812	101,291	-	12,719,236	11,536,372
Accumulated amortization on disposals	-	(22,915)	-	(125,688)	(584,687)	-	(1,637,181)	-	-	-	(2,370,471)	(1,152,505)
Donations and transfers	-	9,496	128,491	(435,471)	-	-	402,207	-	-	-	104,723	-
Balance, end of year	-	4,065,683	16,589,443	16,629,977	5,978,355	18,080,142	92,929,326	44,725,797	3,770,292	-	202,769,015	192,315,527
Net book value of tangible capital assets	6,913,525	12,519,640	54,159,564	18,646,611	3,909,536	58,781,438	52,637,529	137,368,545	3,536,522	65,876,072	414,348,982	381,027,081

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Deferred Revenue

Schedule 2

Year ended December 31, 2023, with comparative information for 2022

	Balance December 31, 2022	Interest earned	Contributions received (refunded)	Deferred revenue allocated	Balance December 31, 2023
Parkland	833,816	31,505	(8,442)	232,348	1,089,227
Development charges	6,163,276	209,450	5,474,052	(5,225,450)	6,621,328
Building Code	1,919,784	53,819	(110,851)	(369,141)	1,493,611
Federal Gas Tax	4,337,930	25,826	1,966,437	(6,330,193)	-
Trees	212,097	6,844	61,150	(74,404)	205,687
Provincial Grants	5,049,354	250,099	2,795,614	(4,671,735)	3,423,332
Parking	723	24	-	-	747
	18,516,980	577,567	10,177,960	(16,438,575)	12,833,932

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule of Reserves and Reserve Funds

Schedule 3

Year ended December 31, 2023, with comparative information for 2022

	Balance December 31, 2022	Interest earned	Contributions received	Inter fund transfers	Transfer from (to) capital	Transfer from (to) operations	Balance December 31, 2023
Reserve Funds							
Water	22,989,326	1,020,033	-	968,188	(956,950)	4,674,844	28,695,441
Wastewater	(19,632,531)	(934,460)	-	7,093,549	(21,060,250)	3,392,944	(31,140,748)
Future employee benefits	714,999	-	-	-	-	-	714,999
ELK sale proceeds	1,440,753	-	-	-	-	-	1,440,753
	5,512,547	85,573	-	8,061,737	(22,017,200)	8,067,788	(289,555)
Reserves							
Working capital	3,213,786	-	-	(663,429)	-	613,233	3,163,590
Contingencies	1,713,177	-	-	48,777	-	-	1,761,954
Accumulated sick leave	55,130	-	-	-	-	-	55,130
Water operating	1,064,058	-	-	-	-	-	1,064,058
Union water system	419,229	-	-	-	-	(61,837)	357,392
Union water system	199,367	-	-	-	-	245,092	444,459
Roads	11,556,217	-	-	(4,707,660)	(2,840,583)	7,150,415	11,158,389
Acquisition of capital assets	40,238,016	-	89,767	7,842,028	7,763,960	(9,161,108)	46,772,663
Future operating expenses	5,991,400	-	16,000	122,494	714,613	(172,764)	6,671,743
	64,450,380	-	105,767	2,642,210	5,637,990	(1,386,969)	71,449,378
	69,962,927	85,573	105,767	10,703,947	(16,379,210)	6,680,819	71,159,823

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Schedule of Accumulated Surplus

Schedule 4

Year ended December 31, 2023, with comparative information for 2022

	2023	2022 (Restated - Note 19)
Reserves and Reserve Funds:		
Reserve Funds (Schedule 3)	(289,555)	5,931,776
Reserves (Schedule 3)	71,449,378	64,031,151
	<u>71,159,823</u>	<u>69,962,927</u>
Surpluses:		
Tangible capital assets	398,558,001	364,582,283
Deficit - unfunded tangible capital in progress	(3,327,940)	(3,139,303)
General revenue fund	1,785,496	(1,044,902)
General reduction of user charges	3,554,529	3,768,383
Benefitting landowners related to special charges and special areas	(53,011)	(51,573)
Asset retirement obligation (net)	(656,813)	(545,557)
Unfunded:	-	-
Post employment liabilities and sick leave	(2,423,486)	(2,323,986)
Landfill closure cost liability	(541,111)	(559,120)
Accrued interest on long-term debt	(118,260)	(136,797)
	<u>396,777,405</u>	<u>360,549,428</u>
Accumulated Surplus	<u>467,937,228</u>	<u>430,512,355</u>

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule of Segmented Disclosure

Schedule 5

Year ended December 31, 2023

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation	Planning and Development	Total
Revenue							
Property taxes	42,098,958	-	-	-	-	-	42,098,958
Government transfers	1,891,138	251,210	6,402	6,479	50,148	66,784	2,272,161
User fees and sale of goods	1,084,096	211,807	160,254	18,694,741	3,447,328	224,744	23,822,970
Investment income	3,453,956	-	-	-	-	-	3,453,956
Loss on sale of tangible capital assets	(279,306)	-	-	-	-	-	(279,306)
Deferred revenue earned	136,795	-	11,001,926	5,225,450	-	74,404	16,438,575
Other revenues	1,389,992	805,886	-	41,567	-	-	2,237,445
Contribution from developers	-	-	12,115,749	-	-	-	12,115,749
	49,775,629	1,268,903	23,284,331	23,968,237	3,497,476	365,932	102,160,508
Expenses							
Salaries, wages and employee benefits	5,091,844	2,972,556	1,926,321	4,067,601	3,595,937	1,396,957	19,051,216
Interest on long-term debt	-	-	-	389,519	336,219	26,633	752,370
Materials	2,621,143	954,780	4,813,595	5,770,942	3,099,464	248,640	17,508,564
Contracted services	1,275,450	4,975,567	249,887	5,950,949	459,253	97,875	13,008,981
Rents and financial expenses	66,185	8,398	-	37,901	46,070	-	158,554
External transfers	-	519,118	-	860,878	-	-	1,379,996
Amortization	487,262	456,782	4,762,930	4,089,074	3,079,905	-	12,875,953
	9,541,884	9,887,201	11,752,733	21,166,864	10,616,848	1,770,105	64,735,635
Annual surplus (deficit)	40,233,745	(8,618,298)	11,531,598	2,801,373	(7,119,372)	(1,404,173)	37,424,873