

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF LAKESHORE**

And Independent Auditors' Report thereon

Year ended December 31, 2021

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Financial Statements

Year ended December 31, 2021

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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, 2021
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2021, and its results of operations and its changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

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

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



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

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

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

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

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 auditors' report that includes our opinion.

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

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

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

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

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

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



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

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

Approval date

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.



THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash and temporary investments	\$ 100,123,363	\$ 86,706,180
Taxes receivable	2,635,597	3,344,409
Trade and other receivables	3,496,438	3,848,963
Water receivables and unbilled revenue	3,216,734	3,612,478
Drainage receivables	3,584,784	2,227,951
Drainage recoverable from others	522,940	715,666
Inventory held for resale	18,147	18,147
Investments (note 2)	807,450	1,049,000
	<u>\$ 114,405,453</u>	<u>\$ 101,522,794</u>
Financial liabilities		
Short-term loans (note 4)	\$ 1,020,000	\$ 1,000,000
Accounts payable and accrued liabilities	7,538,280	8,938,846
Deposits	2,492,693	2,323,706
Deferred revenue (note 5)	16,506,970	21,399,526
Accrued interest on long-term liabilities	152,890	171,788
Net long-term liabilities (note 6)	24,789,632	27,379,756
Post-employment benefits (note 8)	1,293,402	1,263,891
Accumulated vested sick leave (note 9)	5,036	5,036
Landfill closure cost liability (note 10)	588,712	617,735
	<u>54,387,615</u>	<u>63,100,284</u>
Net financial assets	60,017,838	38,422,510
Non-financial assets		
Tangible capital assets (Schedule 1)	352,046,166	351,088,481
Unfunded capital in progress	3,139,303	-
Inventories of supplies	180,830	180,830
Prepaid expenses	128,284	76,263
	<u>355,494,583</u>	<u>351,345,574</u>
Contractual obligations and contingencies (notes 13 and 15)		
Accumulated surplus (Schedule 4)	<u>\$ 415,512,421</u>	<u>\$ 389,768,084</u>

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, 2021, with comparative information for 2020

	2021 Budget	2021 Actual	2020 Actual
Revenue:			
Taxation	\$ 37,464,733	\$ 37,572,205	\$ 35,827,531
User charges:			
Wastewater	6,338,141	6,746,241	6,428,370
Water	9,505,007	10,120,029	9,581,333
Recreation	1,989,535	1,542,539	1,706,408
Other	985,905	1,331,855	1,375,458
Government transfers (Schedule 2)	952,490	2,025,610	2,442,190
Other (note 11)	1,915,960	3,114,229	2,450,839
Deferred revenue earned (Schedule 2)	765,156	2,610,311	550,901
	<u>59,916,927</u>	<u>65,063,019</u>	<u>60,363,030</u>
Expenses (note 14):			
General government	5,318,971	6,599,010	4,735,398
Protection to persons and property	9,030,067	9,219,579	8,854,735
Transportation services	9,187,160	9,506,706	9,152,726
Environmental services	15,782,561	16,936,113	17,098,422
Recreation and cultural services	7,563,162	6,583,888	7,317,463
Planning and development	1,576,453	1,626,779	1,292,528
	<u>48,458,374</u>	<u>50,472,075</u>	<u>48,451,272</u>
Net revenue	11,458,553	14,590,944	11,911,758
Other:			
Grants and revenues (expenses) related to capital:			
Loss on sale of capital assets	-	(989,513)	(72,692)
Deferred revenue earned (Schedule 2)		13,288,648	2,002,867
Government transfers		-	387,252
Contribution from developers	-	-	11,693,714
Other	-	99,893	148,029
Capital assets decommissioned	-	(1,245,635)	134,779
	-	<u>11,153,393</u>	<u>14,293,949</u>
Annual surplus	11,458,553	25,744,337	26,205,707
Accumulated surplus, beginning of year	389,768,084	389,768,084	363,562,377
Accumulated surplus, end of year	\$ 401,226,637	\$ 415,512,421	\$ 389,768,084

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, 2021, with comparative information for 2020

	2021	2020
Annual surplus	\$ 25,744,337	\$ 26,205,707
Amortization of tangible capital assets	9,041,640	10,805,570
Acquisition of unfunded tangible capital in progress	(3,139,303)	-
Acquisition of tangible capital assets	(12,301,926)	(25,169,340)
less additions from prior year unfunded capital (non-cash)	-	-
Loss on sale of tangible capital assets	989,513	72,692
Capital assets decommissioned	1,245,635	-
Proceeds on sale of tangible capital assets	67,453	3,094
	21,647,349	11,917,723
Acquisition of inventories	(180,830)	(180,830)
Acquisition of prepaid expenses	(128,284)	(76,263)
Consumption of inventories	180,830	159,112
Consumption of prepaid expenses	76,263	165,383
	21,595,328	11,985,125
Change in net financial assets	21,595,328	11,985,125
Net financial assets, beginning of year	38,422,510	26,437,385
Net financial assets, end of year	\$ 60,017,838	\$ 38,422,510

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 25,744,337	\$ 26,205,707
Items not involving cash:		
Amortization of tangible capital assets	9,041,640	10,805,570
Loss on sale of tangible capital assets	989,513	72,692
Capital assets decommissioned	1,245,635	
Change in non-cash operating working capital:		
Taxes, trade and water receivables	1,457,081	(460,097)
Prepaid expenses	(52,021)	89,120
Inventories	-	(5,265)
Drain receivables and debt recoverable from others	(1,164,107)	1,105,525
Accounts payable, accrued liabilities and deposits	(1,231,579)	(868,193)
Deferred revenue	(4,892,556)	7,223,229
Unfunded liabilities - interest, benefits, landfill	(18,410)	(73,139)
	31,119,533	44,095,149
Investing:		
Decrease (increase) in investments	241,550	(271,022)
	241,550	(271,022)
Capital:		
Acquisition of unfunded tangible capital in progress	(3,139,303)	-
Acquisition of tangible capital assets (net)	(12,301,926)	(25,169,340)
Proceeds on disposal of tangible capital assets	67,453	3,094
	(15,373,776)	(25,166,246)
Financing:		
Debenture principal repayments	(2,590,124)	(2,431,827)
	(2,590,124)	(2,431,827)
Increase in cash and cash equivalents	13,397,183	16,226,054
Cash and cash equivalents, beginning of year	85,706,180	69,480,126
Cash and cash equivalents, end of year	\$ 99,103,363	\$ 85,706,180
Supplemental cash flow information:		
Cash and temporary investments	\$ 100,123,363	\$ 86,706,180
Short term capital loan	(1,020,000)	(1,000,000)
Cash and cash equivalents, end of year	\$ 99,103,363	\$ 85,706,180

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements

Year ended December 31, 2021

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

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2021

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.

(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.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(i) Tangible capital assets:

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

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

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

The Municipality has a capitalization threshold of \$10,000 – \$25,000, depending on the asset so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of 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.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(iii) Inventories:

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

(g) Investments:

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

(h) Inventory:

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

(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.

(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.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(k) Employee future benefits (continued):

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.

(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.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(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.

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

2. Investments:

	2021	2020
Debentures	\$ 807,450	\$ 1,049,000
	\$ 807,450	\$ 1,049,000

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2021

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

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

	2021	2020
Cash and investments	\$ 739,909	\$ 730,944
Accounts receivable	59,655	41,290
Accounts payable	(130,936)	(58,999)
	668,628	600,826
Long-term debt	(315,026)	(336,365)
Tangible capital assets	1,649,402	1,328,973
	2,003,004	1,704,898
Reserves	256,746	336,538
Reserve funds	411,882	376,696
	668,628	713,234
Tangible Capital Assets - net book value:		
Water – land, land improvements, buildings and equipment	1,027,776	807,269
Water – linear	540,568	513,667
Water – assets under construction	81,058	8,037
	\$ 1,649,402	\$ 1,328,973

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

	2021	2020
Amortization expense	\$ 50,303	\$ 44,576
Interest on long-term debt	35,881	37,694

The equity interest of each municipality shall be determined according to their proportional water consumption from the system, with the equity share being updated every four years per the Ownership Agreement. Lakeshore's equity in the System was reset to 3.36% effective January 1, 2021 with the next equity share reset to be effected January 1, 2025. The order also provides for the establishment of a Board of Management to govern the system.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2021

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 \$1,020,000 (2020 - \$1,000,000) for drainage construction. This loan is offered on an unsecured basis.

5. Deferred revenue:

	2021	2020
Obligatory reserve funds:		
Development Charges Act and Agreements	\$ 8,042,639	\$ 15,713,560
Parking and trees	167,102	186,683
Parkland dedication	681,625	380,774
Federal gas tax	5,599,455	3,390,169
Building code	2,016,149	1,728,340
	\$ 16,506,970	\$ 21,399,526

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:

	2021	2020
Total debentures payable	\$ 24,474,606	\$ 27,043,391
Share of Union Water System obligations	315,026	336,365
	\$ 24,789,632	\$ 27,379,756

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2021

6. Long-term liabilities (continued):

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

2021	\$ 2,601,352
2022	2,595,860
2023	2,582,430
2024	2,580,214
2025	2,161,885
Thereafter	12,267,891

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

	2021	2020
Taxation	\$ 11,247,448	\$ 11,926,674
User rates:		
Water	8,076,045	9,203,586
Wastewater	4,897,143	5,533,830
Benefitting landowners	568,996	715,666
	<u>\$ 24,789,632</u>	<u>\$ 27,379,756</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 \$925,666 (2020 - \$1,011,179). Of this amount, \$218,957 (2020 - \$245,274) was paid from wastewater rates, \$289,742 (2020 - \$332,220) from water rates, \$380,074 (2020 - \$401,010) from tax rates and \$36,893 (2020 - \$32,675) from benefitting landowners.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2021

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 \$979,712 (2020 - \$879,450) in contributions towards the OMERS plan which are recorded in the statement of operations. At December 31, 2021, 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

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

- (a) a discount factor of 4.0% (2020 - 4.0%)
- (b) an annual increase of 5.0% (2020 - 5.0%) for health and dental benefits
- (c) an employee will retire when they meet the criteria for a full pension from OMERS
- (d) for those that will not meet the OMERS criteria, assume that they will retire at the age of 65
- (e) all employees will stay until retirement

There are currently 15 (2020 - 18) former employees who are receiving these benefits.

The liability based on the above assumptions at the year-end date is \$1,293,402 (2020 - \$1,263,891).

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2021

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 \$295,589 (2020 - \$265,625) and is included in accounts payable.

The liability for these accumulated days, to the extent that they have vested and payment could be taken in cash by an employee upon termination, amounted to \$5,036 (2020 - \$5,036).

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% (2020 - 4%) discount rate and 2% (2020 - 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 \$588,712 at the yearend date (2020 - \$617,735).

11. Other income:

	2021	2020
Penalties and interest on taxation	\$ 707,925	\$ 336,363
Investment income	423,754	815,299
Permits and licenses	1,101,183	1,299,177
Miscellaneous	881,367	
	\$ 3,114,229	\$ 2,450,839

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2021

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:

	2021	2020
School boards	\$ 11,966,860	\$ 13,161,853
County of Essex	27,783,443	26,671,581
	<u>\$ 39,750,303</u>	<u>\$ 39,833,434</u>

13. Contractual obligation – Ontario Clean Water Agency:

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

14. Budget amounts:

The operating budget approved by Municipality Council for 2021 is reflected on the consolidated statement of operations and accumulated surplus. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Municipality does not budget activity within reserves and reserve funds, with the exception being those transactions, which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these consolidated financial statements to comply with PSAB reporting requirements.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2021

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.

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 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.

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2021

17. Segmented information (continued):

- (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.

18. Impact of COVID-19:

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

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

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

For the year ended December 31, 2020, the Municipality received \$1,927,172 in funding under the federal-provincial Safe Restart Agreement to support municipal operating pressures as a result of COVID-19. This funding that was used to offset expenses in 2021 is included in the consolidated statement of operations.

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

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2021

19. Comparative figures:

Prior year comparative figures have 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, 2021, with comparative information for 2020

	General					Infrastructure				Totals		
	Land	Land improvements	Buildings	Equipment	Vehicles	Plants and facilities	Roads	Underground	Bridges	Assets under construction	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost:												
Beginning of year	6,890,108	13,895,855	67,130,995	28,394,644	8,859,548	75,569,064	133,369,509	168,413,725	7,306,814	14,148,239	523,978,501	499,176,667
Additions	12,165	449,833	2,605,310	1,593,475	32,751	324,625	876,479	60,553	-	9,839,627	15,794,818	29,955,259
Disposals	-	(3,379)	(1,977,417)	(135,984)	(146,540)	(1,774)	(603,202)	(82,162)	-	(2,845,035)	(5,795,493)	(5,153,425)
Donations and transfers										-	-	-
Balance, end of year	6,902,273	14,342,309	67,758,888	29,852,135	8,745,759	75,891,915	133,642,786	168,392,116	7,306,814	21,142,831	533,977,826	523,978,501
Accumulated Amortization:												
Beginning of year	-	2,867,671	11,406,917	13,632,225	5,097,343	14,676,536	82,483,875	39,257,976	3,467,477	-	172,890,020	162,376,170
Amortization	-	318,790	1,682,069	1,085,902	532,122	1,045,484	4,904,235	1,815,205	101,147	-	11,484,954	10,805,570
Accumulated amortization on disposals	-	(3,379)	(949,160)	(135,818)	(146,540)	(1,179)	(1,076,207)	(130,117)	(914)	-	(2,443,314)	(291,720)
Balance, end of year	-	3,183,082	12,139,826	14,582,309	5,482,925	15,720,841	86,311,903	40,943,064	3,567,710	-	181,931,660	172,890,020
Net book value of tangible capital assets	6,902,273	11,159,227	55,619,062	15,269,826	3,262,834	60,171,074	47,330,883	127,449,052	3,739,104	21,142,831	352,046,166	351,088,481

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Deferred Revenue

Schedule 2

Year ended December 31, 2021, with comparative information for 2020

	Balance December 31, 2020	Interest earned	Contributions received (refunded)	Deferred revenue allocated	Balance December 31, 2021
Parkland	380,774	1,148	299,703	-	681,625
Development charges	13,244,620	33,621	6,151,089	(14,548,806)	4,880,525
Building Code	1,728,340	4,434	283,375	-	2,016,149
Federal Gas Tax	3,390,169	33,863	3,643,751	(1,468,328)	5,599,455
Trees	185,970	417	-	(20,000)	166,387
Provincial Grants	2,468,940	7,182	2,573,427	(1,887,434)	3,162,114
Parking	713	2	-	-	715
	21,399,526	80,667	12,951,346	(17,924,569)	16,506,970

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule of Reserves and Reserve Funds

Schedule 3

Year ended December 31, 2021, with comparative information for 2020

	Balance December 31, 2020	Interest earned	Contributions received	Inter fund transfers	Transfer from (to) capital	Transfer from (to) operations	Balance December 31, 2021
Reserve Funds							
Water	12,142,557	29,318	189,600	7,788,061	(4,022,527)	2,876,611	19,003,620
Union water system	376,696	-	35,186	-	-	-	411,882
Wastewater	3,324,234	3,360	491,562	63,286	(9,394,885)	1,612,016	(3,900,426)
Future employee benefits	713,308	1,691	-	-	-	-	714,999
ELK sale proceeds	1,188,719	3,114	-	-	-	248,920	1,440,753
	<u>17,745,514</u>	<u>37,483</u>	<u>716,348</u>	<u>7,851,347</u>	<u>(13,417,411)</u>	<u>4,737,547</u>	<u>17,670,827</u>
Reserves							
Working capital	2,866,306	8,310	1,376,406	-	(100,000)	-	4,151,022
Contingencies	1,455,841	3,274	-	-	-	(134,454)	1,324,661
Accumulated sick leave	55,000	130	-	-	-	-	55,130
Water operating	1,061,541	2,517	-	-	-	-	1,064,058
Union water system	336,538	-	-	-	-	(79,792)	256,746
Roads	9,599,926	24,966	-	92,491	(4,077,506)	5,844,300	11,484,177
Acquisition of capital assets	25,843,995	78,573	124,496	5,443,098	8,989,848	6,663,900	47,143,910
Future operating expenses	5,869,559	14,513	401,740	273,223	(497,728)	(471,689)	5,589,618
	<u>47,088,706</u>	<u>132,284</u>	<u>1,902,642</u>	<u>5,808,812</u>	<u>4,314,614</u>	<u>11,822,265</u>	<u>71,069,323</u>
	<u>64,834,220</u>	<u>169,766</u>	<u>2,618,990</u>	<u>13,660,159</u>	<u>(9,102,797)</u>	<u>16,559,812</u>	<u>88,740,151</u>

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Consolidated Schedule of Accumulated Surplus

Schedule 4

December 31, 2021, with comparative information for 2020

	2021	2020
Reserves and Reserve Funds:		
Reserve Funds (Schedule 3)	17,670,827	17,745,514
Reserves (Schedule 3)	71,069,323	47,088,706
	<u>88,740,151</u>	<u>64,834,220</u>
Surpluses:		
Tangible capital assets	331,142,905	324,673,954
Deficit - unfunded tangible capital in progress	(3,139,303)	
General revenue fund	175,590	1,886,764
General reduction of user charges	811,193	681,162
Benefitting landowners related to special charges and special areas	(178,075)	(249,566)
Unfunded:		
Post employment liabilities and sick leave	(1,298,438)	(1,268,927)
Landfill closure cost liability	(588,712)	(617,735)
Accrued interest on long-term debt	(152,890)	(171,788)
	<u>326,772,270</u>	<u>324,933,864</u>
Accumulated Surplus	<u>415,512,421</u>	<u>389,768,084</u>

THE CORPORATION OF THE MUNICIPALITY OF LAKESHORE

Schedule of Segmented Disclosure

Schedule 5

Year ended December 31, 2021

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation	Planning and Development	Total
Revenue							
Property taxes	37,572,205						37,572,205
Government transfers	169,622	33,911			17,500	108,462	329,495
User fees and sale of goods	1,283,388	118,855	145,944	16,866,267	1,154,491	171,719	19,740,664
Investment income	467,804						467,804
Gain or (Loss) on sale of tangible capital assets	(989,513)						(989,513)
Donated assets							-
Deferred revenue earned	1,925,828	45,444	795,190	8,456,454	6,328,551		17,551,467
Fines and penalties							-
Other revenues	1,536,758	24,001		17,877		1,067,789	2,646,425
	<u>41,966,092</u>	<u>222,211</u>	<u>941,134</u>	<u>25,340,598</u>	<u>7,500,542</u>	<u>1,347,970</u>	<u>77,318,547</u>
Expenses							
Salaries, wages and employee benefits	3,476,586	2,315,183	1,654,026	3,669,364	2,629,116	1,363,383	15,107,658
Interest on long-term debt	-	-	-	508,677	380,074	36,915	925,666
Materials	2,428,109	913,985	2,864,742	4,239,021	1,968,681	143,127	12,557,665
Contracted services	575,421	5,209,172	486,973	5,149,796	295,417	83,354	11,800,133
Rents and financial expenses	34,494	5,591	-		19,216	-	59,301
External transfers	-	508,828	-	471,184	-	-	980,012
Amortization	84,400	266,820	4,500,965	2,898,071	1,291,384	-	9,041,640
Inter-functional adjustments	-	-	-	-	-	-	-
	<u>6,599,010</u>	<u>9,219,579</u>	<u>9,506,706</u>	<u>16,936,113</u>	<u>6,583,888</u>	<u>1,626,779</u>	<u>50,472,075</u>
Annual surplus (deficit)	<u>35,367,082</u>	<u>(8,997,368)</u>	<u>(8,565,572)</u>	<u>8,404,485</u>	<u>916,654</u>	<u>(278,809)</u>	<u>26,846,472</u>