

Consolidated Financial Statements of

**THE CORPORATION OF THE  
TOWN OF LAKESHORE**

Year ended December 31, 2016

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Financial Statements

Year ended December 31, 2016

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Independent Auditors' Report	1 – 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Change in Net Debt	5
Consolidated Statement of Cash Flows	6
Consolidated Notes to Financial Statements	7 – 18
Schedule of Tangible Capital Assets	19 – 22
Schedule of Deferred Revenue	23
Schedule of Reserves and Reserve Funds	24
Consolidated Schedule of Accumulated Surplus	25
Schedule of Segment Disclosure	26



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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Lakeshore, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

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

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



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

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Lakeshore as at December 31, 2016, and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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

Chartered Professional Accountants, Licensed Public Accountants

June 13, 2017

Windsor, Canada

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Financial assets</b>		
Cash and temporary investments	\$ 36,757,197	\$ 23,782,513
Taxes receivable	2,939,403	2,761,779
Trade and other receivables	2,471,200	5,709,760
Water receivables and unbilled revenue	2,448,131	2,303,409
Drainage receivables	2,059,600	2,304,627
Drainage recoverable from others	1,380,744	1,554,852
Inventory held for resale	23,175	27,269
Investments (note 2)	429,608	123,698
	<u>\$ 48,509,058</u>	<u>\$ 38,567,907</u>
<b>Financial liabilities</b>		
Short-term loans (note 4)	\$ 1,700,001	\$ 11,445,001
Accounts payable and accrued liabilities	6,846,636	7,484,784
Deposits	2,468,928	1,460,272
Deferred revenue (note 5)	5,733,206	4,780,062
Accrued interest on long-term liabilities	240,512	210,576
Net long-term liabilities (note 6)	37,810,669	26,740,239
Post-employment benefits (note 8)	1,377,792	1,232,072
Accumulated vested sick leave (note 9)	39,982	43,678
Landfill closure cost liability (note 10)	706,166	801,594
	<u>56,923,892</u>	<u>54,198,278</u>
Net debt	(8,414,834)	(15,630,371)
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	327,668,738	320,856,062
Inventories of supplies	183,889	96,009
Prepaid expenses	134,224	157,835
	<u>327,986,851</u>	<u>321,109,906</u>
Contractual obligations, commitments and contingencies (notes 13 and 16)		
Accumulated surplus (Schedule 4)	<u>\$ 319,572,017</u>	<u>\$ 305,479,535</u>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget	2016 Actual	2015 Actual
Revenue:			
Taxation	\$ 26,651,729	\$ 27,489,308	\$ 25,598,779
User charges:			
Wastewater	4,550,224	4,875,803	4,427,647
Water	7,821,827	8,457,609	7,828,163
Recreation	2,121,022	2,435,519	2,082,388
Other	553,265	2,174,805	1,678,848
Government transfers	1,294,255	1,358,591	1,524,816
Other (note 11)	1,326,461	2,100,652	1,708,557
Deferred revenue earned (Schedule 2)	906,689	3,842,734	2,225,351
	<u>45,225,472</u>	<u>52,735,021</u>	<u>47,074,549</u>
Expenses (note 14):			
General government	3,855,629	1,811,816	1,913,544
Protection to persons and property	7,450,129	8,249,988	8,206,164
Transportation services	5,739,038	9,901,577	9,763,527
Environmental services	10,464,752	15,369,285	14,449,808
Recreation and cultural services	4,911,296	7,656,578	5,666,108
Planning and development	1,115,813	1,290,969	1,478,951
	<u>33,536,657</u>	<u>44,280,213</u>	<u>41,478,102</u>
Net revenue	11,688,815	8,454,808	5,596,447
Other:			
Grants and revenues (expenses) related to capital:			
Gain (loss) on sale of capital assets	-	(105,049)	149,031
Deferred revenue earned (Schedule 2)	2,368,642	2,368,642	2,908,446
Government transfers	-	1,199,597	2,806,925
Contribution from developers	-	2,150,708	149,469
Other	-	23,776	376,316
	<u>2,368,642</u>	<u>5,637,674</u>	<u>6,390,187</u>
Annual surplus	14,057,457	14,092,482	11,986,634
Accumulated surplus, beginning of year	305,479,535	305,479,535	293,492,901
Accumulated surplus, end of year	<u>\$ 319,536,992</u>	<u>\$ 319,572,017</u>	<u>\$ 305,479,535</u>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Statement of Change in Net Debt

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Annual surplus	\$ 14,092,482	\$ 11,986,634
Amortization of tangible capital assets	9,781,820	9,216,390
Acquisition of tangible capital assets	(16,715,970)	(18,410,725)
Loss (gain) on sale of tangible capital assets	105,049	(149,031)
Proceeds on sale of tangible capital assets	16,425	676,088
	<u>7,279,806</u>	<u>3,319,356</u>
Acquisition of inventories	(183,889)	(96,009)
Acquisition of prepaid expenses	(134,224)	(157,835)
Consumption of inventories	96,009	91,258
Consumption of prepaid expenses	157,835	157,831
	<u>7,215,537</u>	<u>3,314,601</u>
Change in net debt	7,215,537	3,314,601
Net debt, beginning of year	(15,630,371)	(18,944,972)
<b>Net debt, end of year</b>	<b>\$ (8,414,834)</b>	<b>\$ (15,630,371)</b>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 14,092,482	\$ 11,986,634
Items not involving cash:		
Amortization of tangible capital assets	9,781,820	9,216,390
Loss (gain) on sale of tangible capital assets	105,049	(149,031)
Change in non-cash operating working capital:		
Taxes, trade and water receivables	2,916,214	705,849
Prepaid expenses	23,611	(4)
Inventories	(83,786)	(9,222)
Drain receivables and debt recoverable from others	419,135	538,383
Accounts payable, accrued liabilities and deposits	370,508	(3,434,404)
Due to municipalities	-	(10,186)
Deferred revenue	953,144	(106,932)
Unfunded liabilities - interest, benefits, landfill	76,532	(196,448)
	<u>28,654,709</u>	<u>18,541,029</u>
Investing:		
Increase (decrease) in investments	(305,910)	460,133
	<u>(305,910)</u>	<u>460,133</u>
Capital:		
Acquisition of tangible capital assets	(16,715,970)	(18,410,725)
Proceeds on disposal of tangible capital assets	16,425	676,088
	<u>(16,699,545)</u>	<u>(17,734,637)</u>
Financing:		
Long-term debt issued	13,385,800	5,136,477
Debenture principal repayments	(2,315,370)	(1,909,088)
	<u>11,070,430</u>	<u>3,227,389</u>
Increase in cash and cash equivalents	22,719,684	4,493,914
Cash and cash equivalents, beginning of year	12,337,512	7,843,598
<b>Cash and cash equivalents, end of year</b>	<b>\$ 35,057,196</b>	<b>\$ 12,337,512</b>
Supplemental cash flow information:		
Cash and temporary investments	\$ 36,757,197	\$ 23,782,513
Short term capital loan	(1,700,001)	(11,445,001)
<b>Cash and cash equivalents, end of year</b>	<b>\$ 35,057,196</b>	<b>\$ 12,337,512</b>

See accompanying notes to consolidated financial statements.



# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements

Year ended December 31, 2016

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## 1. Significant accounting policies:

### (a) Management responsibility:

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

### (b) Basis of accounting:

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

### (c) Basis of consolidation:

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

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

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (d) Taxes receivable and related revenues:

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

### (e) Non-financial assets:

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

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (e) Non-financial assets (continued):

#### (i) Tangible capital assets:

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

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

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

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

#### (ii) Contribution of tangible capital assets:

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

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (e) Non-financial assets (continued):

#### (iii) Inventories:

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

### (f) Investments:

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

### (g) Inventory:

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

### (h) Deferred revenue:

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

### (i) County and school boards:

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

### (j) Employee future benefits:

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

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (k) Use of estimates:

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

### (l) Segment disclosure

The Town adopted PSAB Standard 2700 for Segment Disclosures. A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The Town has provided definitions of the segments used and presented financial information in segmented format in Note 17.

### (m) Future accounting changes:

Effective for fiscal periods beginning on or after April 1, 2017 all governments will be required to adopt PSAB Section 3320 - Contingent Assets, which defines and establishes disclosure standards for contingent assets, and PSAB Section 3380 – Contractual Rights, which defines contractual rights to future assets and revenue and establishes disclosure requirements.

Effective for fiscal periods beginning on or after April 1, 2019 all governments will be required to adopt PSAB Section 3450, Financial Instruments and Section 2601, Foreign Currency Translation. Section 3450, provides guidance on how to account for financial instruments including derivatives. Section 2601, provides guidance on how to account for and report transactions that are denominated in foreign currency in government financial statements.

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

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2016

## 2. Investments:

	2016	2015
Own debentures	\$ 429,608	\$ 123,698
	\$ 429,608	\$ 123,698

## 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:

	2016	2015
Cash and investments	\$ 491,439	\$ 482,502
Accounts receivable	23,483	27,581
Accounts payable	(17,527)	(66,377)
	497,395	443,706
Long-term debt	(439,439)	(460,508)
Tangible capital assets	1,235,855	1,253,230
	1,293,811	1,236,428
Reserves	59,196	59,196
Reserve funds	438,199	384,510
	497,395	443,706
Tangible Capital Assets - net book value:		
Water – land, land improvements, buildings and equipment	705,477	712,714
Water – linear	530,378	539,316
Water – assets under construction	-	1,200
	\$ 1,235,855	\$ 1,253,230

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2016

### 3. Equity in the Union Water Systems Board of Management (continued):

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

	2016	2015
Amortization expense	\$ 35,307	\$ 32,454
Interest on long-term debt	47,668	50,253

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 3.02% effective January 1, 2013 with the next equity share reset to be effected January 1, 2017. The order also provides for the establishment of a Board of Management to govern the system.

### 4. Short term loans:

The balance of \$1,700,001 (2015 - \$11,445,001) is for drainage construction, which carries an interest rate at prime minus 0.25% from TD Canada Trust. This loan is unsecured and due upon demand. The prior year included advances of \$10,000,000 in construction financing for the multi-use recreation facility project, which were converted to long-term debt upon project completion during 2016.

### 5. Deferred revenue:

	2016	2015
Obligatory reserve funds:		
Development Charges Act and Agreements	\$ 3,475,111	\$ 2,701,324
Parking and trees	120,292	132,439
Parkland dedication	1,406,183	1,159,666
Federal gas tax	228,287	288,195
Building code	503,333	498,438
	\$ 5,733,206	\$ 4,780,062

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

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2016

## 6. Long-term liabilities:

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

	2016	2015
Total debentures payable	\$ 37,371,230	\$ 26,279,731
Share of Union Water System obligations	439,439	460,508
	<u>\$ 37,810,669</u>	<u>\$ 26,740,239</u>

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

2017	\$	2,771,836
2018		2,831,218
2019		2,519,768
2020		2,569,425
2021		2,579,230
Thereafter		<u>24,539,192</u>

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

	2016	2015
Taxation	\$ 14,778,956	\$ 1,857,998
User rates:		
Water	13,418,736	11,529,344
Wastewater	8,232,234	11,798,045
Benefitting landowners	1,380,743	1,554,852
	<u>\$ 37,810,669</u>	<u>\$ 26,740,239</u>

Interest rates range from 1.609% to 6.35%. Total interest charges included in reporting on the consolidated statement of operations and accumulated surplus is \$981,403 (2015 - \$903,543). Of this amount, \$369,159 (2015 - \$407,878) was paid from wastewater rates, \$462,645 (2015 - \$419,436) from water rates, \$97,854 (2015 - \$27,744) from tax rates and \$51,745 (2015 - \$48,485) from benefitting landowners.



# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 7. Pension agreement:

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan on behalf of members of its staff. The plan provides defined pension benefits to employees based upon their length of credited service and rates of pay. However, as OMERS does not segregate its pension assets and liabilities information by individual employer, there is not sufficient information to enable the Town to account for the plan as a defined benefit plan. The amount contributed to OMERS for 2016 was \$676,281 (2015 - \$653,828).

## 8. Post-employment benefits

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

- (a) a discount factor of 5.0% (2015 – 5.0%)
- (b) an annual increase of 5.0% (2015 – 4.0%) 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 60
- (e) all employees will stay until retirement

There are currently 12 former employees who are receiving these benefits.

The liability based on the above assumptions at the year-end date is \$1,377,792 (2015 - \$1,232,072).

## 9. Liability for vested sick leave benefits:

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

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

Subsequent to January 1, 2000, 7 sick days per year are granted, and if unused, may be paid out or accumulated to a maximum of 30 days. At the year end, the liability for the accumulated days amounted to \$79,964 (2015 - \$87,356) 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 \$39,982 (2015 - \$43,678).

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 10. Landfill closure cost liability:

Essex County Landfill #3 was closed in 1997 and requires care consisting of hauling and treating leachate for an estimated period of 35 to 40 years. This landfill is the joint responsibility of the Town of Lakeshore, Town of Tecumseh and City of Windsor. The site is administered by the Essex-Windsor Solid Waste Authority. The liability was calculated assuming a 4% (2015 - 4%) discount rate and 2% (2015 - 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 \$706,166 at (2015 - \$801,594).

## 11. Other income:

	2016	2015
Penalties and interest on taxation	\$ 507,771	\$ 532,834
Investment income	284,313	242,439
Permits and licenses	1,308,568	933,284
	<u>\$ 2,100,652</u>	<u>\$ 1,708,557</u>

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

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

	2016	2015
School boards	\$ 12,909,338	\$ 12,897,534
County of Essex	20,597,938	19,545,900
	<u>\$ 33,507,276</u>	<u>\$ 32,443,434</u>

## 13. Contractual obligation – Ontario Clean Water Agency:

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

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2016

## 14. Expenses by object:

The consolidated statement of operations and accumulated surplus presents the consolidated expenses by function. The following is a summary of those same expenses by object:

	2016	2015
Salaries, wages and benefits	\$ 11,236,382	\$ 9,835,092
Interest on long-term debt	1,415,882	896,400
Materials and supplies	11,115,927	9,752,097
Contracted services	9,751,743	10,564,075
Rents and financial expenses	97,495	85,598
External transfers	880,964	1,128,461
Amortization	9,781,820	9,216,379
Total current expenses	\$ 44,280,213	\$ 41,478,102

## 15. Budget amounts:

The operating budget approved by Town Council for 2016 is reflected on the consolidated statement of operations and accumulated surplus. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Town does not budget activity within reserves and reserve funds, with the exception being those transactions, which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these consolidated financial statements to comply with PSAB reporting requirements.

## 16. Contingencies:

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

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 17. Segmented information:

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

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

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

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

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

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2016, with comparative information for 2015

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

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

INFRASTRUCTURE				
2016 (continued)	Underground	Bridges	Assets under construction	Totals
Cost:				
Beginning of year	\$ 144,839,366	\$ 6,138,876	\$ 12,561,994	\$ 443,681,404
Additions	1,719,876	137,574	115,321	27,062,418
Disposals	(54,532)	-	(12,497,156)	(13,395,390)
Donations and transfers	1,710,571	-	-	2,150,708
Balance, end of year	148,215,281	6,276,450	180,159	459,499,140
Accumulated amortization:				
Beginning of year	29,567,844	3,057,941	-	122,825,342
Amortization - 2016	1,580,694	88,032	-	9,781,820
Accumulated amortization on disposals	(54,298)	-	-	(776,760)
Balance, end of year	31,094,240	3,145,973	-	131,830,402
Net book value of tangible capital assets	\$ 117,121,041	\$ 3,130,477	\$ 180,159	\$ 327,668,738

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets (continued)

Schedule 1

Year ended December 31, 2016, with comparative information for 2015

GENERAL					
2015	Land	Land Improvements	Buildings	Equipment	
Cost:					
Beginning of year	\$ 6,929,932	\$ 9,597,715	\$ 51,736,468	\$ 7,053,962	
Additions	-	408,860	528,595	172,386	
Disposals	(40,000)	(30,332)	(464,379)	(33,504)	
Donations and transfers	-	-	-	-	
Balance, end of year	6,889,932	9,976,243	51,800,684	7,192,844	
Accumulated amortization:					
Beginning of year	-	1,377,252	4,209,757	3,366,297	
Amortization - 2015	-	188,086	1,050,661	318,194	
Accumulated amortization on disposals	-	(4,171)	(52,282)	(33,504)	
Balance, end of year	-	1,561,167	5,208,136	3,650,987	
Net book value of tangible capital assets	\$ 6,889,932	\$ 8,415,076	\$ 46,592,548	\$ 3,541,857	

GENERAL		INFRASTRUCTURE		
2015 (continued)	Vehicles	Pooled	Plants and Facilities	Roads
Cost:				
Beginning of year	\$ 7,508,002	\$ 10,327,264	\$ 83,472,839	\$ 91,393,133
Additions	205,055	1,077,281	5,987,716	4,826,515
Disposals	(232,533)	(21,183)	(356,889)	-
Donations and transfers	-	13,247	-	81,018
Balance, end of year	7,480,524	11,396,609	89,103,666	96,300,666
Accumulated amortization:				
Beginning of year	3,510,995	5,004,311	12,599,916	53,178,197
Amortization - 2015	455,132	485,736	1,408,327	3,698,653
Accumulated amortization on disposals	(232,533)	(21,183)	(308,284)	-
Balance, end of year	3,733,594	5,468,864	13,699,959	56,876,850
Net book value of tangible capital assets	\$ 3,746,930	\$ 5,927,745	\$ 75,403,707	\$ 39,423,816

INFRASTRUCTURE				
2015 (continued)	Underground	Bridges	Assets under construction	Totals
Cost:				
Beginning of year	\$ 142,807,848	\$ 6,138,876	\$ 9,483,912	\$ 426,449,951
Additions	1,976,767	-	14,860,442	30,043,617
Disposals	(452)	-	(11,782,360)	(12,961,632)
Donations and transfers	55,203	-	-	149,468
Balance, end of year	144,839,366	6,138,876	12,561,994	443,681,404
Accumulated amortization:				
Beginning of year	28,043,962	2,970,480	-	114,261,167
Amortization - 2015	1,524,140	87,461	-	9,216,390
Accumulated amortization on disposals	(258)	-	-	(652,215)
Balance, end of year	29,567,844	3,057,941	-	122,825,342
Net book value of tangible capital assets	\$ 115,271,522	\$ 3,080,935	\$ 12,561,994	\$ 320,856,062

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets (continued)

Schedule 1

Year ended December 31, 2016, with comparative information for 2015

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

2016 (continued)	Water	Sanitary	Assets under construction	Total
Cost:				
Beginning of year	\$ 123,135,825	\$ 81,723,628	\$ 12,561,994	\$ 443,681,404
Additions	1,417,682	67,207	115,321	27,062,418
Disposals	(113,900)	(34,535)	(12,497,156)	(13,395,390)
Donations and transfers	368,837	503,899	-	2,150,708
Balance, end of year	124,808,444	82,260,199	180,159	459,499,140
Accumulated amortization:				
Beginning of year	20,246,191	16,249,162	-	122,825,342
Amortization - 2016	1,618,086	1,158,393	-	9,781,820
Accumulated amortization on disposals	(112,263)	(34,535)	-	(776,760)
Balance, end of year	21,752,014	17,373,020	-	131,830,402
Net book value of tangible capital assets	\$ 103,056,430	\$ 64,887,179	\$ 180,159	\$ 327,668,738

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets (continued)

Schedule 1

Year ended December 31, 2016, with comparative information for 2015

2015	General	Fire	Recreation	Roads
Cost:				
Beginning of year	\$ 47,510,053	\$ 6,341,673	\$ 18,787,129	\$ 146,573,463
Additions	624,627	84,125	542,749	6,495,119
Disposals	(577,974)	(129,846)	(63,836)	(50,275)
Donations and transfers	-	-	-	122,950
Balance, end of year	47,556,706	6,295,952	19,266,042	153,141,257
Accumulated amortization:				
Beginning of year	779,499	3,108,726	5,430,596	70,781,830
Amortization - 2015	96,693	306,858	1,462,711	4,706,748
Accumulated amortization on disposals	(125,876)	(129,846)	(37,675)	(50,275)
Balance, end of year	750,316	3,285,738	6,855,632	75,438,303
Net book value of tangible capital assets	\$ 46,806,390	\$ 3,010,214	\$ 12,410,410	\$ 77,702,954

2015 (continued)	Water	Sanitary	Assets under construction	Total
Cost:				
Beginning of year	\$ 116,146,751	\$ 81,606,970	\$ 9,483,912	\$ 426,449,951
Additions	7,340,633	95,922	14,860,442	30,043,617
Disposals	(357,341)	-	(11,782,360)	(12,961,632)
Donations and transfers	5,782	20,736	-	149,468
Balance, end of year	123,135,825	81,723,628	12,561,994	443,681,404
Accumulated amortization:				
Beginning of year	19,064,242	15,096,274	-	114,261,167
Amortization - 2015	1,490,492	1,152,888	-	9,216,390
Accumulated amortization on disposals	(308,543)	-	-	(652,215)
Balance, end of year	20,246,191	16,249,162	-	122,825,342
Net book value of tangible capital assets	\$ 102,889,634	\$ 65,474,466	\$ 12,561,994	\$ 320,856,062



# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Deferred Revenue

Schedule 2

Year ended December 31, 2016, with comparative information for 2015

	Balance December 31, 2015	Interest earned	Contributions received	Revenue earned- capital	Revenue earned- operating	Balance December 31, 2016
Parkland	\$ 1,159,666	\$ 12,698	\$ 286,100	\$ 25,000	\$ 27,281	\$ 1,406,183
Development charges	2,701,324	44,792	5,102,341	395,000	4,159,046	3,294,411
Building code	498,438	4,895	-	-	-	503,333
Federal gas tax	288,195	3,080	1,680,493	1,600,000	143,481	228,287
Trees	108,527	1,187	28,000	-	41,569	96,145
Provincial Grants	-	699	-	348,642	(528,643)	180,700
Parking	23,912	235	-	-	-	24,147
	<b>\$ 4,780,062</b>	<b>\$ 67,586</b>	<b>\$ 7,096,934</b>	<b>\$ 2,368,642</b>	<b>\$ 3,842,734</b>	<b>\$ 5,733,206</b>

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Reserve and Reserve Funds

Schedule 3

Year ended December 31, 2016, with comparative information for 2015

	Balance December 31, 2015	Interest earned	Contributions received	Transfer to capital	Transfer from operations	Balance December 31, 2016
<b>Reserve funds:</b>						
Water	\$ 3,613,214	\$ 38,133	\$ -	\$ -	\$ 1,843,374	\$ 5,494,721
Union Water System	384,510	-	-	-	53,689	438,199
Wastewater	1,705,988	19,547	-	-	1,670,200	3,395,735
Future employee benefits	662,756	6,523	-	-	-	669,279
Multi-use recreational facility	-	469	-	(469)	-	-
ELK sale proceeds	707,267	9,566	-	(609,313)	495,625	603,145
	7,073,735	74,238	-	(609,782)	4,062,888	10,601,079
<b>Reserves:</b>						
Working capital	1,342,154	-	-	-	-	1,342,154
Contingencies	1,802,596	-	-	(172,373)	751,031	2,381,254
Accumulated sick leave	55,000	-	-	-	-	55,000
Water capital	495,343	-	-	-	-	495,343
Water operating	397,196	-	-	-	-	397,196
Union Water System	59,196	-	-	-	-	59,196
Roads	3,722,534	-	-	(1,567,423)	3,937,330	6,092,441
Landfill closure	70,550	-	-	-	-	70,550
Acquisition of capital assets	4,600,617	-	-	(1,484,805)	1,917,793	5,033,605
Future operating expenses	1,592,005	-	-	(283,267)	934,425	2,243,163
	14,137,191	-	-	(3,507,868)	7,540,579	18,169,902
	\$ 21,210,926	\$ 74,238	\$ -	\$ (4,117,650)	\$ 11,603,467	\$ 28,770,981

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Schedule of Accumulated Surplus

Schedule 4

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Reserve and reserve funds:		
Reserve funds (Schedule 3)	\$ 10,601,079	\$ 7,073,735
Reserves (Schedule 3)	18,169,902	14,137,191
	<u>28,770,981</u>	<u>21,210,926</u>
Surpluses:		
Tangible capital assets	291,285,935	285,061,184
General revenue fund	1,095,221	523,620
General reduction of user charges	1,298,473	1,561,670
Benefitting landowners related to special charges and special areas	(514,141)	(589,945)
Unfunded:		
Post-employment liabilities and sick leave	(1,417,774)	(1,275,750)
Landfill closure cost liability	(706,166)	(801,594)
Accrued interest on long-term debt	(240,512)	(210,576)
	<u>290,801,036</u>	<u>284,268,609</u>
Accumulated surplus	<u>\$ 319,572,017</u>	<u>\$ 305,479,535</u>

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Segmented Disclosure

Schedule 5

For the year ended December 31, 2016

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation	Planning and Development	Total
<b>Revenue:</b>							
Taxation	\$ 27,489,308	\$ -	\$ -	\$ -	\$ 1,163,480	\$ 110,356	\$ 28,763,144
Government transfers	533,200	363,191	387,961	13,333,412	2,772,829	212,123	17,602,716
User fees and sale of goods	1,238,337	133,786	253,249	-	-	-	1,625,372
Investment income	284,313	-	-	-	-	-	284,313
Gain or (loss) on sale of tangible capital assets	(109,764)	(4,322)	6,880	2,157	-	-	(105,049)
Donated assets	-	-	1,277,972	872,736	-	-	2,150,708
Deferred revenue earned	(85,794)	-	3,477,876	2,372,014	447,280	-	6,211,376
Fines and penalties	507,771	-	-	-	-	-	507,771
Other revenues	-	-	-	23,776	-	1,308,568	1,332,344
	29,857,371	492,655	5,403,938	16,604,095	4,383,589	1,631,047	58,372,695
<b>Expenses:</b>							
Salaries, wages and employee benefits	2,434,489	1,765,732	1,240,750	2,552,278	2,382,878	860,255	11,236,382
Interest on long-term debt	-	-	18,998	831,804	513,334	51,746	1,415,882
Materials	834,678	576,874	3,463,987	3,717,227	2,318,498	204,663	11,115,927
Contracted services	425,698	4,709,219	292,688	3,923,221	308,775	92,142	9,751,743
Rents and financial expenses	46,018	9,068	-	-	42,409	-	97,495
External transfers	-	413,727	-	418,074	49,163	-	880,964
Amortization	91,947	273,969	4,530,282	3,202,888	1,682,734	-	9,781,820
Inter-functional adjustments	(2,021,014)	501,399	354,872	723,793	358,787	82,163	-
	1,811,816	8,249,988	9,901,577	15,369,285	7,656,578	1,290,969	44,280,213
<b>Annual surplus (deficit)</b>	<b>\$ 28,045,555</b>	<b>\$ (7,757,333)</b>	<b>\$ (4,497,639)</b>	<b>\$ 1,234,810</b>	<b>\$ (3,272,989)</b>	<b>\$ 340,078</b>	<b>\$ 14,092,482</b>