

Consolidated Financial Statements of

**THE CORPORATION OF THE  
TOWN OF LAKESHORE**

Year ended December 31, 2014

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Financial Statements

Year ended December 31, 2014

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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, 2014 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, 2014, 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.

Chartered Professional Accountants, Licensed Public Accountants

September 22, 2015  
Windsor, Canada

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# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
<b>Financial assets</b>		
Cash and temporary investments	\$ 15,098,599	\$ 18,080,381
Taxes receivable	3,030,875	3,325,391
Trade and other receivables	6,424,658	11,532,752
Water receivables and unbilled revenue	2,025,264	1,920,320
Drainage receivables	3,382,159	2,741,797
Drainage debt recoverable from others	1,015,702	1,162,483
Inventory held for resale	22,800	27,399
Investments (note 2)	583,830	615,704
	<u>\$ 31,583,887</u>	<u>\$ 39,406,227</u>
<b>Financial liabilities</b>		
Short-term loans (note 4)	\$ 7,255,001	\$ 2,125,001
Accounts payable and accrued liabilities	11,120,629	12,855,729
Deposits	1,258,831	1,218,891
Deferred revenue (note 5)	4,886,994	13,619,940
Accrued interest on long-term liabilities	217,718	231,340
Net long-term liabilities (note 6)	23,512,850	25,150,456
Due to municipalities	10,186	19,911
Post-employment benefits (note 8)	1,281,852	1,184,352
Accumulated vested sick leave (note 9)	53,597	58,128
Landfill closure cost liability (note 10)	931,201	895,190
	<u>50,528,859</u>	<u>57,358,938</u>
Net debt	(18,944,972)	(17,952,711)
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	312,188,784	283,477,279
Inventories of supplies	91,258	104,190
Prepaid expenses	157,831	177,469
	<u>312,437,873</u>	<u>283,758,938</u>
Contractual obligations, commitments and contingencies (notes 13, 16, 17)		
Accumulated surplus (Schedule 4)	<u>\$ 293,492,901</u>	<u>\$ 265,806,227</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, 2014, with comparative information for 2013

	2014 Budget (note 15)	2014 Actual	2013 Actual
<b>Revenue:</b>			
Taxation	\$ 23,614,467	\$ 23,718,355	\$ 22,524,785
<b>User charges:</b>			
Sewer	4,223,830	4,173,504	4,090,333
Water	7,557,523	7,762,901	7,395,533
Recreation	1,519,372	1,722,418	1,644,501
Other	689,665	2,073,828	1,143,726
Government transfers	1,214,912	1,026,066	1,317,117
Other (note 11)	1,312,161	1,589,957	1,627,073
Deferred revenue earned (Schedule 2)	1,262,335	1,610,886	1,597,923
	<u>41,394,265</u>	<u>43,677,915</u>	<u>41,340,991</u>
<b>Expenses:</b>			
General government (note 14)	1,916,093	(1,136,384)	1,822,110
Protection to persons and property	8,655,822	8,958,809	8,197,975
Roadways and street lighting	5,207,614	9,657,510	9,229,240
Environmental services	11,206,951	14,731,324	14,513,902
Recreation and cultural services	3,346,336	4,449,815	4,113,443
Planning and development	1,264,308	1,187,152	1,166,477
	<u>31,597,124</u>	<u>37,848,226</u>	<u>39,043,147</u>
Net revenue	9,797,141	5,829,689	2,297,844
<b>Other:</b>			
Grants and revenues (expenses) related to capital:			
Loss on sale of capital assets	-	(262,402)	(191,980)
Deferred revenue earned (Schedule 2)	2,310,100	1,872,393	2,973,954
Government transfers	14,000,000	16,540,498	13,813,535
Donations	-	-	10,720
Contribution from developers	-	3,263,280	1,534,145
Other	-	443,216	46,006
	<u>16,310,100</u>	<u>21,856,985</u>	<u>18,186,380</u>
Annual surplus	26,107,241	27,686,674	20,484,224
Accumulated surplus, beginning of year	245,322,003	265,806,227	245,322,003
<b>Accumulated surplus, end of year</b>	<b>\$ 271,429,244</b>	<b>\$ 293,492,901</b>	<b>\$ 265,806,227</b>

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, 2014, with comparative information for 2013

	2014	2013
Annual surplus	\$ 27,686,674	\$ 20,484,224
Amortization of tangible capital assets	8,943,256	7,840,864
Acquisition of tangible capital assets	(37,955,503)	(36,186,835)
Loss on sale of tangible capital assets	262,402	191,979
Proceeds on sale of tangible capital assets	38,340	45,895
	(1,024,831)	(7,623,873)
Acquisition of inventories	(91,258)	(104,190)
Acquisition of prepaid expenses	(157,831)	(177,469)
Consumption of inventories	104,190	91,596
Consumption of prepaid expenses	177,469	208,588
Change in net debt	(992,261)	(7,605,348)
Net debt, beginning of year	(17,952,711)	(10,347,363)
<b>Net debt, end of year</b>	<b>\$ (18,944,972)</b>	<b>\$ (17,952,711)</b>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 27,686,674	\$ 20,484,224
Items not involving cash:		
Amortization of tangible capital assets	8,943,256	7,840,864
Loss on sale of tangible capital assets	262,402	191,979
Change in non-cash operating working capital:		
Taxes, trade and water receivables	5,297,666	(9,589,361)
Prepaid expenses	19,638	31,119
Inventories	17,532	(12,578)
Drain receivables and debt recoverable from others	(493,581)	(194,053)
Accounts payable, accrued liabilities and deposits	(1,695,160)	4,822,810
Due to municipalities	(9,725)	(6,480)
Deferred revenue	(8,732,946)	(7,685,300)
Unfunded liabilities - interest, benefits, landfill	115,358	411,517
	<u>31,411,114</u>	<u>16,294,741</u>
Investing:		
Increase (decrease) in investments	31,874	(27,415)
	<u>31,874</u>	<u>(27,415)</u>
Capital:		
Acquisition of tangible capital assets	(37,955,503)	(36,186,835)
Proceeds on disposal of tangible capital assets	38,340	45,895
	<u>(37,917,163)</u>	<u>(36,140,940)</u>
Financing:		
Long-term debt issued	206,665	158,383
Debenture principal repayments	(1,844,272)	(1,788,003)
	<u>(1,637,607)</u>	<u>(1,629,620)</u>
Increase (decrease) in cash and cash equivalents	(8,111,782)	(21,503,234)
Cash and cash equivalents, beginning of year	15,955,380	37,458,614
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,843,598</b>	<b>\$ 15,955,380</b>
Supplemental cash flow information:		
Cash and temporary investments	\$ 15,098,599	\$ 18,080,381
Short term capital loan	(7,255,001)	(2,125,001)
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,843,598</b>	<b>\$ 15,955,380</b>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements

Year ended December 31, 2014

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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, 2014

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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, 2014

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## 1. Significant accounting policies (continued):

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

#### (i) Tangible capital assets:

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

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

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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, 2014

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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.

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2014

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## 1. Significant accounting policies (continued):

### (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.

### (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) Future accounting changes:

Effective for fiscal periods beginning on or after April 1, 2014, all governments will be required to adopt PSAB Section 3260, Liability for Contaminated Sites. This standard provides guidance on how to account for and report a liability associated with the remediation of contaminated sites, defines which activities would be included in the liability for remediation, establishes when to recognize and how to measure a liability for remediation and provides guidance on financial statement presentation and disclosure.

Effective for fiscal periods beginning on or after April 1, 2016 all governments will be required to adopt PSAB Section 3460, 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, 2014

## 2. Investments:

	2014	2013
Own debentures	\$ 123,717	\$ 156,781
Ontario Savings Bonds – 3.0%, due June 2015	460,113	458,923
	<u>\$ 583,830</u>	<u>\$ 615,704</u>

## 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:

	2014	2013
Cash and investments	\$ 502,660	\$ 462,571
Accounts receivable	16,396	17,183
Accounts payable	(41,813)	(5,709)
	<u>477,243</u>	<u>474,045</u>
Due to related party	(10,186)	(19,911)
Long-term debt	(501,535)	(550,173)
Tangible capital assets	1,235,295	1,251,444
	<u>1,200,817</u>	<u>1,155,405</u>
Reserves	59,196	59,196
Reserve funds	418,047	414,849
	<u>477,243</u>	<u>474,045</u>
Tangible Capital Assets - net book value:		
Water – land, land improvements, buildings and equipment	685,442	679,157
Water – linear	544,788	555,572
Water – assets under construction	5,065	16,715
	<u>\$ 1,235,295</u>	<u>\$ 1,251,444</u>

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2014

### 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:

	2014	2013
Amortization expense	\$ 32,628	\$ 31,776
Interest on long-term debt	53,493	56,541

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 \$7,255,001 includes \$2,255,001 (2013 - 2,125,001) for capital drains, which carries an interest rate at prime minus 0.25% from TD Canada Trust. This loan is unsecured and due upon demand. The balance also includes an advance of \$5,000,000 in construction financing for the multi-use recreation facility project, which carries a floating interest rate as determined by Ontario Infrastructure and Lands Corporation (OILC) on the first business day of each calendar month. It is anticipated that this advance will be converted to long-term debt upon project completion.

### 5. Deferred revenue:

	2014	2013
Obligatory reserve funds:		
Development Charges Act and Agreements	\$ 2,907,388	\$ 2,120,339
Parking and trees	116,501	107,488
Parkland Dedication	1,359,385	1,187,373
Federal Gas tax	-	59
Building code	503,720	494,571
	4,886,994	3,909,830
Capital grant received but not earned	-	9,710,110
	\$ 4,886,994	\$ 13,619,940

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, 2014

## 6. Long-term liabilities:

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

	2014	2013
Total debentures payable, due 2015 to 2033	\$ 23,011,315	\$ 24,600,283
Share of Union Water System obligations	501,535	550,173
	<u>\$ 23,512,850</u>	<u>\$ 25,150,456</u>

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

2015	\$ 1,834,545
2016	1,827,850
2017	1,782,673
2018	1,812,900
2019	1,468,019
Thereafter	14,786,863

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

	2014	2013
Taxation	\$ 645,667	\$ 789,694
User rates:		
Water	12,248,466	12,954,683
Sewer	9,603,015	10,243,596
Benefitting landowners	1,015,702	1,162,483
	<u>\$ 23,512,850</u>	<u>\$ 25,150,456</u>

Interest rates range from 2.30% to 6.95%. Total interest charges reported on the consolidated statement of operations and accumulated surplus is \$960,167 (2013 - \$1,026,915). Of this amount, \$437,266 (2013 - \$465,086) was paid from sewer rates, \$443,190 (2013 - \$466,057) from water rates, \$34,387 (2013 - \$41,233) from tax rates and \$45,324 (2013 - \$54,539) from benefitting landowners.

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2014

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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 2014 was \$609,959 (2013 - \$583,801).

## 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% (2013 – 4.0%)
- (b) an annual increase of 4.0% (2013 - 5.6%) for health and dental benefits
- (c) in addition to the annual increase, inflation of 2% (2013 - 2%)
- (d) an employee will retire when they meet the criteria for a full pension from OMERS
- (e) for those that will not meet the OMERS criteria, assume that they will retire at the age of 60
- (f) all employees will stay until retirement

There are currently 4 former employees who are receiving these benefits.

The liability based on the above assumptions at the year-end date is \$1,281,852 (2013 - \$1,184,352).

## 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 \$192,335 (2013 - \$176,120) 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 \$53,597 (2013 - \$58,128).



# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2014

## 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% (2013 - 4%) discount rate and 2% (2013 - 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 \$931,201 at (2013 - \$895,190).

## 11. Other income:

	2014	2013
Penalties and interest on taxation	\$ 560,188	\$ 552,743
Investment income	294,915	444,303
Permits and licenses	734,854	630,027
	<u>\$ 1,589,957</u>	<u>\$ 1,627,073</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:

	2014	2013
School boards	\$ 12,834,654	\$ 13,029,149
County of Essex	18,683,478	17,792,296
	<u>\$ 31,518,132</u>	<u>\$ 30,821,445</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, 2014

## 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:

	2014	2013
Salaries, wages and benefits	\$ 9,683,597	\$ 9,393,541
Net long-term debt interest charges	960,147	1,026,915
Materials and supplies	6,723,257	9,316,752
Contracted services	11,039,004	10,904,396
Rents and financial expenses	80,841	75,313
External transfers	418,123	485,366
Amortization	8,943,257	7,840,864
<b>Total current expenses</b>	<b>\$ 37,848,226</b>	<b>\$ 39,043,147</b>

In 2012, an accrued liability of \$3,334,000 was recorded in General Government, as part of the Materials and supplies expense in relation to a legal matter. In 2013 an adjustment was made to reduce the accrued liability and expense to \$3,088,000 based on updated information. The remaining accrued liability was subsequently extinguished by a court ruling in favour of the Town; therefore the accrued liability was removed in 2014 resulting in a reduction in materials and supplies expense and deriving a credit balance in the 2014 General government expenses.

## 15. Budget amounts:

The operating budget approved by Town Council for 2014 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.

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2014

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## 16. Commitments:

The Town has the following commitments as at December 31, 2014:

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	Contract amount	Earned to December 31, 2014	Future commitments
Multi use recreation facility	\$ 55,431,467	\$ 43,735,082	\$ 11,695,385

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## 17. Contingencies:

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

## 18. Segmented information:

The Town is a lower tier municipality that provides a wide range of services to its citizens, including police, fire, water and many others. These services are provided by departments of the Town and their activities are reported by 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.

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

- (i) General government is comprised of levy revenue, council, council services, finance and administration activities.
- (ii) Protection services: are comprised of Police, Fire and Protective Inspection activities.
- (iii) Transportation services: are comprised of roadway maintenance and winter control activities.
- (iv) Environmental services: are comprised of water, sanitary and storm sewers solid waste collection and disposal and recycling.'

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2014

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## 18. Segmented information (continued):

(v) Recreation and cultural services: Recreational and cultural services are comprised of parks cultural activities and recreation facilities.

(vi) Planning and development: is comprised of planning and zoning, commercial and industrial.

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, 2014, with comparative information for 2013

GENERAL					
2014	Land	Land Improvements	Buildings	Equipment	
Cost:					
Beginning of year	\$ 6,805,753	\$ 7,073,117	\$ 10,306,766	\$ 6,318,256	
Additions	124,179	2,558,198	41,983,720	735,706	
Disposals	-	(33,600)	(554,018)	-	
Donations and transfers	-	-	-	-	
Balance, end of year	6,929,932	9,597,715	51,736,468	7,053,962	
Accumulated amortization:					
Beginning of year	-	1,255,091	3,923,704	3,078,467	
Amortization - 2014	-	144,841	640,307	287,830	
Accumulated amortization on disposals	-	(22,680)	(354,254)	-	
Balance, end of year	-	1,377,252	4,209,757	3,366,297	
Net book value of tangible capital assets	\$ 6,929,932	\$ 8,220,463	\$ 47,526,711	\$ 3,687,665	

GENERAL		INFRASTRUCTURE		
2014 (continued)	Vehicles	Pooled	Plants and Facilities	Roads
Cost:				
Beginning of year	\$ 7,346,533	\$ 9,267,673	\$ 83,381,242	\$ 86,770,383
Additions	519,987	901,598	119,465	3,349,371
Disposals	(358,518)	(126,935)	(27,868)	(245,444)
Donations and transfers	-	284,928	-	1,518,823
Balance, end of year	7,508,002	10,327,264	83,472,839	91,393,133
Accumulated amortization:				
Beginning of year	3,384,244	4,701,925	11,149,461	49,955,291
Amortization - 2014	459,353	429,321	1,462,465	3,449,022
Accumulated amortization on disposals	(332,602)	(126,935)	(12,010)	(226,116)
Balance, end of year	3,510,995	5,004,311	12,599,916	53,178,197
Net book value of tangible capital assets	\$ 3,997,007	\$ 5,322,953	\$ 70,872,923	\$ 38,214,936

INFRASTRUCTURE				
2014 (continued)	Underground	Bridges	Assets under construction	Totals
Cost:				
Beginning of year	\$ 139,359,832	\$ 6,138,876	\$ 27,162,787	\$ 389,931,218
Additions	2,078,872	-	25,991,610	78,362,706
Disposals	(90,388)	-	(43,670,485)	(45,107,256)
Donations and transfers	1,459,532	-	-	3,263,283
Balance, end of year	142,807,848	6,138,876	9,483,912	426,449,951
Accumulated amortization:				
Beginning of year	26,123,707	2,882,049	-	106,453,939
Amortization - 2014	1,981,686	88,431	-	8,943,256
Accumulated amortization on disposals	(61,431)	-	-	(1,136,028)
Balance, end of year	28,043,962	2,970,480	-	114,261,167
Net book value of tangible capital assets	\$ 114,763,886	\$ 3,168,396	\$ 9,483,912	\$ 312,188,784

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets (continued)

Schedule 1

Year ended December 31, 2014, with comparative information for 2013

		GENERAL			
2013	Land	Land Improvements	Buildings	Equipment	
Cost:					
Beginning of year	\$ 6,576,825	\$ 6,930,336	\$ 10,175,600	\$ 6,197,125	
Additions	236,370	142,781	131,166	251,369	
Disposals	(7,442)	-	-	(130,238)	
Donations and transfers	-	-	-	-	
Balance, end of year	6,805,753	7,073,117	10,306,766	6,318,256	
Accumulated amortization:					
Beginning of year	-	1,150,720	3,698,964	2,903,449	
Amortization - 2013	-	104,371	224,740	258,207	
Accumulated amortization on disposals	-	-	-	(83,189)	
Balance, end of year	-	1,255,091	3,923,704	3,078,467	
Net book value of tangible capital assets	\$ 6,805,753	\$ 5,818,026	\$ 6,383,062	\$ 3,239,789	

		GENERAL		INFRASTRUCTURE	
2013 (continued)	Vehicles	Pooled	Plants and Facilities	Roads	
Cost:					
Beginning of year	\$ 7,670,183	\$ 8,327,506	\$ 83,166,979	\$ 82,150,174	
Additions	128,713	1,054,397	214,736	5,303,322	
Disposals	(452,363)	(114,230)	(473)	(683,113)	
Donations and transfers	-	-	-	-	
Balance, end of year	7,346,533	9,267,673	83,381,242	86,770,383	
Accumulated amortization:					
Beginning of year	3,332,415	4,426,130	9,589,097	47,347,688	
Amortization - 2013	475,960	390,025	1,530,350	3,254,902	
Accumulated amortization on disposals	(424,131)	(114,230)	30,014	(647,299)	
Balance, end of year	3,384,244	4,701,925	11,149,461	49,955,291	
Net book value of tangible capital assets	\$ 3,962,289	\$ 4,565,748	\$ 72,231,781	\$ 36,815,092	

		INFRASTRUCTURE			
2013 (continued)	Underground	Bridges	Assets under construction	Totals	
Cost:					
Beginning of year	\$ 134,664,930	\$ 6,138,876	\$ 3,270,067	\$ 355,268,601	
Additions	3,347,346	-	30,706,963	41,517,163	
Disposals	(186,589)	-	(6,814,243)	(8,388,691)	
Donations and transfers	1,534,145	-	-	1,534,145	
Balance, end of year	139,359,832	6,138,876	27,162,787	389,931,218	
Accumulated amortization:					
Beginning of year	24,657,338	2,793,618	-	99,899,419	
Amortization - 2013	1,513,878	88,431	-	7,840,864	
Accumulated amortization on disposals	(47,509)	-	-	(1,286,344)	
Balance, end of year	26,123,707	2,882,049	-	106,453,939	
Net book value of tangible capital assets	\$ 113,236,125	\$ 3,256,827	\$ 27,162,787	\$ 283,477,279	

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets (continued)

Schedule 1

Year ended December 31, 2014, with comparative information for 2013

2014	General	Fire	Recreation	Roads
Cost:				
Beginning of year	\$ 3,144,564	\$ 6,335,453	\$ 17,319,159	\$ 140,746,773
Additions	44,969,124	45,180	1,467,970	4,237,409
Disposals	(603,634)	(38,960)	-	(671,001)
Donations and transfers	-	-	-	2,260,282
Balance, end of year	47,510,054	6,341,673	18,787,129	146,573,463
Accumulated amortization:				
Beginning of year	1,098,459	2,835,147	4,514,242	66,469,729
Amortization - 2014	88,814	312,539	916,354	4,910,017
Accumulated amortization on disposals	(407,774)	(38,960)	-	(597,917)
Balance, end of year	779,499	3,108,726	5,430,596	70,781,829
Net book value of tangible capital assets	\$ 46,730,555	\$ 3,232,947	\$ 13,356,533	\$ 75,791,634

2014 (continued)	Water	Sanitary	Assets under construction	Total
Cost:				
Beginning of year	\$ 114,532,439	\$ 80,690,043	\$ 27,162,787	\$ 389,931,218
Additions	1,243,854	407,559	25,991,610	78,362,706
Disposals	(95,308)	(27,868)	(43,670,485)	(45,107,256)
Donations and transfers	465,766	537,236	-	3,263,284
Balance, end of year	116,146,751	81,606,970	9,483,912	426,449,952
Accumulated amortization:				
Beginning of year	17,640,837	13,895,525	-	106,453,939
Amortization - 2014	1,502,771	1,212,761	-	8,943,256
Accumulated amortization on disposals	(79,366)	(12,010)	-	(1,136,027)
Balance, end of year	19,064,242	15,096,276	-	114,261,168
Net book value of tangible capital assets	\$ 97,082,509	\$ 66,510,694	\$ 9,483,912	\$ 312,188,784

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Tangible Capital Assets (continued)

Schedule 1

Year ended December 31, 2014, with comparative information for 2013

2013	General	Fire	Recreation	Roads
Cost:				
Beginning of year	\$ 3,148,649	\$ 6,521,712	\$ 16,863,417	\$ 133,912,274
Additions	29,217	126,046	484,104	7,805,420
Disposals	(33,302)	(312,305)	(28,362)	(1,125,186)
Donations and transfers	-	-	-	154,265
Balance, end of year	3,144,564	6,335,453	17,319,159	140,746,773
Accumulated amortization:				
Beginning of year	1,033,574	2,802,037	4,133,158	63,137,379
Amortization - 2013	92,285	317,183	408,327	4,269,316
Accumulated amortization on disposals	(27,400)	(284,073)	(27,243)	(936,966)
Balance, end of year	1,098,459	2,835,147	4,514,242	66,469,729
Net book value of tangible capital assets	\$ 2,046,105	\$ 3,500,306	\$ 12,804,917	\$ 74,277,044

2013 (continued)	Water	Sanitary	Assets under construction	Total
Cost:				
Beginning of year	\$ 112,107,755	\$ 79,444,727	\$ 3,270,067	\$ 355,268,601
Additions	2,015,486	349,927	30,706,963	41,517,163
Disposals	(74,873)	(420)	(6,814,243)	(8,388,691)
Donations and transfers	484,071	895,809	-	1,534,145
Balance, end of year	114,532,439	80,690,043	27,162,787	389,931,218
Accumulated amortization:				
Beginning of year	16,163,828	12,629,443	-	99,899,419
Amortization - 2013	1,487,671	1,266,082	-	7,840,864
Accumulated amortization on disposals	(10,662)	-	-	(1,286,344)
Balance, end of year	17,640,837	13,895,525	-	106,453,939
Net book value of tangible capital assets	\$ 96,891,602	\$ 66,794,518	\$ 27,162,787	\$ 283,477,279



# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Deferred Revenue

Schedule 2

Year ended December 31, 2014, with comparative information for 2013

	Balance December 31, 2013	Interest earned	Contributions received	Revenue earned- capital	Revenue earned- operating	Balance December 31, 2014
Parkland	\$ 1,187,373	\$ 23,412	\$ 148,600	\$ -	\$ -	\$ 1,359,385
Development charges	2,120,339	46,034	2,554,120	228,270	1,584,835	2,907,388
Building code	494,571	9,149	-	-	-	503,720
Federal gas tax	59	-	1,644,064	1,644,123	-	-
Trees	84,342	1,736	32,900	-	26,051	92,927
Parking	23,146	428	-	-	-	23,574
	<b>\$ 3,909,830</b>	<b>\$ 80,759</b>	<b>\$ 4,379,684</b>	<b>\$ 1,872,393</b>	<b>\$ 1,610,886</b>	<b>\$ 4,886,994</b>

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Reserve and Reserve Funds

Schedule 3

Year ended December 31, 2014, with comparative information for 2013

	Balance December 31, 2013	Interest earned	Contributions received	Transfer to capital	Transfer to operating	Balance December 31, 2014
<b>Reserve funds:</b>						
Water	\$ 2,714,403	\$ 12,285	\$ 468,391	\$ 2,787,077	\$ -	\$ 408,002
Union Water System	414,848	3,199	-	-	-	418,047
Sanitary Sewers	1,557,560	31,611	238,438	-	-	1,827,609
Future employee benefits	642,054	11,877	-	-	-	653,931
Multi-use recreational facility	7,217	20,331	1,381,177	1,149,246	259,479	-
ELK sale proceeds	618,995	16,687	495,625	193,171	18,434	919,702
	5,955,077	95,990	2,583,631	4,129,494	277,913	4,227,291
<b>Reserves:</b>						
Working capital	1,342,154	-	-	-	-	1,342,154
Contingencies	1,426,144	-	61,009	-	-	1,487,153
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	2,272,169	-	3,534,936	3,910,767	123,436	1,772,902
Landfill closure	70,550	-	-	-	-	70,550
Acquisition of capital assets	4,430,473	-	1,594,105	1,907,592	32,220	4,084,766
Future operating expenses	1,466,619	-	422,500	-	305,165	1,583,954
	12,014,844	-	5,612,550	5,818,359	460,821	11,348,214
	\$ 17,969,921	\$ 95,990	\$ 8,196,181	\$ 9,947,853	738,734	\$ 15,575,505

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Schedule of Accumulated Surplus

Schedule 4

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Reserve and reserve funds:		
Reserve funds (Schedule 3)	\$ 4,227,291	\$ 5,955,077
Reserves (Schedule 3)	11,348,214	12,014,844
	<u>15,575,505</u>	<u>17,969,921</u>
Surpluses:		
Tangible capital assets	291,800,383	253,309,714
General revenue fund	(19,721)	(2,793,046)
General reduction of user charges	372,048	395,615
Benefitting landowners related to special charges and special areas	(11,750,946)	(706,967)
Unfunded:		
Post-employment liabilities and sick leave	(1,335,449)	(1,242,480)
Landfill closure cost liability	(931,201)	(895,190)
Accrued interest on long-term debt	(217,718)	(231,340)
	<u>277,917,396</u>	<u>247,836,306</u>
Accumulated surplus	<u>\$ 293,492,901</u>	<u>\$ 265,806,227</u>