

Consolidated Financial Statements of

**THE CORPORATION OF THE  
TOWN OF LAKESHORE**

Year ended December 31, 2015

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Financial Statements

Year ended December 31, 2015

---

Independent Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations and Accumulated Surplus	3
Consolidated Statement of Change in Net Debt	4
Consolidated Statement of Cash Flows	5
Consolidated Notes to Financial Statements	6 – 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



**KPMG LLP**  
618 Greenwood Centre  
3200 Deziel Drive  
Windsor ON N8W 5K8  
Canada

Telephone (519) 251-3500  
Telefax (519) 251-3530  
(519) 251-3540  
Internet www.kpmg.ca

## 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, 2015 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, 2015, 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

June 28, 2016  
Windsor, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

**KPMG Confidential**

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
<b>Financial assets</b>		
Cash and temporary investments	\$ 23,782,513	\$ 15,098,599
Taxes receivable	2,761,779	3,030,875
Trade and other receivables	5,709,760	6,424,658
Water receivables and unbilled revenue	2,303,409	2,025,264
Drainage receivables	2,304,627	3,382,159
Drainage recoverable from others	1,554,852	1,015,702
Inventory held for resale	27,269	22,800
Investments (note 2)	123,698	583,830
	<b>\$ 38,567,907</b>	<b>\$ 31,583,887</b>
<b>Financial liabilities</b>		
Short-term loans (note 4)	\$ 11,445,001	\$ 7,255,001
Accounts payable and accrued liabilities	7,484,784	11,120,629
Deposits	1,460,272	1,258,831
Deferred revenue (note 5)	4,780,062	4,886,994
Accrued interest on long-term liabilities	210,576	217,718
Net long-term liabilities (note 6)	26,740,239	23,512,850
Due to municipalities	-	10,186
Post-employment benefits (note 8)	1,232,072	1,281,852
Accumulated vested sick leave (note 9)	43,678	53,597
Landfill closure cost liability (note 10)	801,594	931,201
	<b>54,198,278</b>	<b>50,528,859</b>
Net debt	<b>(15,630,371)</b>	<b>(18,944,972)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	320,856,062	312,188,784
Inventories of supplies	96,009	91,258
Prepaid expenses	157,835	157,831
	<b>321,109,906</b>	<b>312,437,873</b>
Contractual obligations, commitments and contingencies (notes 13, 16, 17)		
Accumulated surplus (Schedule 4)	<b>\$ 305,479,535</b>	<b>\$ 293,492,901</b>

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, 2015, with comparative information for 2014

	2015 Budget	2015 Actual	2014 Actual
<b>Revenue:</b>			
Taxation	\$ 25,206,297	\$ 25,598,779	\$ 23,718,355
<b>User charges:</b>			
Sewer	4,357,024	4,427,647	4,173,504
Water	7,582,228	7,828,163	7,762,901
Recreation	1,808,572	2,082,388	1,722,418
Other	557,265	1,678,848	2,073,828
Government transfers	1,407,255	1,524,816	1,026,066
Other (note 11)	1,321,161	1,708,557	1,589,957
Deferred revenue earned (Schedule 2)	21,000	2,225,351	1,610,886
	<u>42,260,802</u>	<u>47,074,549</u>	<u>43,677,915</u>
<b>Expenses:</b>			
General government (note 14)	3,597,576	1,913,544	(1,136,384)
Protection to persons and property	7,637,222	8,206,164	8,958,809
Transportation services	5,120,896	9,763,527	9,657,510
Environmental services	9,848,315	14,449,808	14,731,324
Recreation and cultural services	3,860,870	5,666,108	4,449,815
Planning and development	1,245,663	1,478,951	1,187,152
	<u>31,310,542</u>	<u>41,478,102</u>	<u>37,848,226</u>
Net revenue	10,950,260	5,596,447	5,829,689
<b>Other:</b>			
Grants and revenues (expenses) related to capital:			
Gain (loss) on sale of capital assets	-	149,031	(262,402)
Deferred revenue earned (Schedule 2)	2,310,100	2,908,446	1,872,393
Government transfers	14,000,000	2,806,925	16,540,498
Contribution from developers	-	149,469	3,263,280
Other	-	376,316	443,216
	<u>16,310,100</u>	<u>6,390,187</u>	<u>21,856,985</u>
Annual surplus	27,260,360	11,986,634	27,686,674
Accumulated surplus, beginning of year	245,322,003	293,492,901	265,806,227
<b>Accumulated surplus, end of year</b>	<b>\$ 272,582,363</b>	<b>\$ 305,479,535</b>	<b>\$ 293,492,901</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, 2015, with comparative information for 2014

	2015	2014
Annual surplus	\$ 11,986,634	\$ 27,686,674
Amortization of tangible capital assets	9,216,390	8,943,256
Acquisition of tangible capital assets	(18,410,725)	(37,955,503)
Loss (gain) on sale of tangible capital assets	(149,031)	262,402
Proceeds on sale of tangible capital assets	676,088	38,340
	3,319,356	(1,024,831)
Acquisition of inventories	(96,009)	(91,258)
Acquisition of prepaid expenses	(157,835)	(157,831)
Consumption of inventories	91,258	104,190
Consumption of prepaid expenses	157,831	177,469
Change in net debt	3,314,601	(992,261)
Net debt, beginning of year	(18,944,972)	(17,952,711)
<b>Net debt, end of year</b>	<b>\$ (15,630,371)</b>	<b>\$ (18,944,972)</b>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 11,986,634	\$ 27,686,674
Items not involving cash:		
Amortization of tangible capital assets	9,216,390	8,943,256
Loss (gain) on sale of tangible capital assets	(149,031)	262,402
Change in non-cash operating working capital:		
Taxes, trade and water receivables	705,849	5,297,666
Prepaid expenses	(4)	19,638
Inventories	(9,222)	17,532
Drain receivables and debt recoverable from others	538,383	(493,581)
Accounts payable, accrued liabilities and deposits	(3,434,404)	(1,695,160)
Due to municipalities	(10,186)	(9,725)
Deferred revenue	(106,932)	(8,732,946)
Unfunded liabilities - interest, benefits, landfill	(196,448)	115,358
	<u>18,541,029</u>	<u>31,411,114</u>
Investing:		
Decrease in investments	460,133	31,874
	<u>460,133</u>	<u>31,874</u>
Capital:		
Acquisition of tangible capital assets	(18,410,725)	(37,955,503)
Proceeds on disposal of tangible capital assets	676,088	38,340
	<u>(17,734,637)</u>	<u>(37,917,163)</u>
Financing:		
Long-term debt issued	5,136,477	206,665
Debenture principal repayments	(1,909,088)	(1,844,272)
	<u>3,227,389</u>	<u>(1,637,607)</u>
Increase (decrease) in cash and cash equivalents	4,493,914	(8,111,782)
Cash and cash equivalents, beginning of year	7,843,598	15,955,380
<b>Cash and cash equivalents, end of year</b>	<b>\$ 12,337,512</b>	<b>\$ 7,843,598</b>
Supplemental cash flow information:		
Cash and temporary investments	\$ 23,782,513	\$ 15,098,599
Short term capital loan	(11,445,001)	(7,255,001)
<b>Cash and cash equivalents, end of year</b>	<b>\$ 12,337,512</b>	<b>\$ 7,843,598</b>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Notes to Financial Statements

Year ended December 31, 2015

---

### 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, 2015

---

### 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, 2015

---

### 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

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, 2015

---

### 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, 2015

---

### 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) Reporting for contaminated sites:

The Town adopted PSAB Standard PS 3260 Liability for Contaminated Sites effective January 1, 2015. Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. The Town adopted this standard on a prospective basis. The adoption of this standard as at January 1, 2015 was inconsequential to the 2015 consolidated financial statements. Contaminated sites are defined as the result of contamination being introduced that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- an environmental standard exists
- contamination exceeds the environmental standard
- the organization is directly responsible or accepts responsibility for the liability
- future economic benefits will be given up, and
- a reasonable estimate of the liability can be made.

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2015

---

### 1. Significant accounting policies (continued):

#### (m) 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 18.

#### (n) Future accounting changes:

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 this standards.

### 2. Investments:

	2015	2014
Own debentures	\$ 123,698	\$ 123,717
Ontario Savings Bonds – 3.0%, matured June 2015	-	460,113
	<u>\$ 123,698</u>	<u>\$ 583,830</u>

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2015

### 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:

	2015	2014
Cash and investments	\$ 482,502	\$ 502,660
Accounts receivable	27,581	16,396
Accounts payable	(66,377)	(41,813)
	443,706	477,243
Due to related party	-	(10,186)
Long-term debt	(460,508)	(501,535)
Tangible capital assets	1,253,230	1,235,295
	1,236,428	1,200,817
Reserves	59,196	59,196
Reserve funds	384,510	418,047
	443,706	477,243
Tangible Capital Assets - net book value:		
Water – land, land improvements, buildings and equipment	712,714	685,442
Water – linear	539,316	544,788
Water – assets under construction	1,200	5,065
	\$ 1,253,230	\$ 1,235,295

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

	2015	2014
Amortization expense	\$ 32,454	\$ 32,628
Interest on long-term debt	50,253	53,493

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.

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2015

---

#### 4. Short term loans:

The balance of \$11,445,001 includes \$1,445,001 (2014 - \$2,255,001) 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 \$10,000,000 (2014 - \$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:

	2015	2014
Obligatory reserve funds:		
Development Charges Act and Agreements	\$ 2,701,324	\$ 2,907,388
Parking and trees	132,439	116,501
Parkland dedication	1,159,666	1,359,385
Federal gas tax	288,195	-
Building code	498,438	503,720
	<u>\$ 4,780,062</u>	<u>\$ 4,886,994</u>

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, 2015

### 6. Long-term liabilities:

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

	2015	2014
Total debentures payable, due 2016 to 2031	\$ 26,279,731	\$ 23,011,315
Share of Union Water System obligations	460,508	501,535
	<u>\$ 26,740,239</u>	<u>\$ 23,512,850</u>

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

2016	\$2,315,370
2017	2,282,627
2018	2,325,356
2019	1,996,675
2020	2,028,504
Thereafter	15,791,707

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

	2015	2014
Taxation	\$ 1,857,998	\$ 645,667
User rates:		
Water	11,529,344	12,248,466
Sewer	11,798,045	9,603,015
Benefitting landowners	1,554,852	1,015,702
	<u>\$ 26,740,239</u>	<u>\$ 23,512,850</u>

Interest rates range from 2.205% to 6.95%. Total interest charges included in reporting on the consolidated statement of operations and accumulated surplus is \$903,543 (2014 - \$960,167). Of this amount, \$407,878 (2014 - \$437,266) was paid from wastewater rates, \$419,436 (2014 - \$443,190) from water rates, \$27,744 (2014 - \$34,387) from tax rates and \$48,485 (2014 - \$45,324) from benefitting landowners.



# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2015

---

### 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 2015 was \$653,828 (2014 - \$609,959).

### 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% (2014 - 5.0%)
- (b) an annual increase of 4.0% (2014 - 4.0%) for health and dental benefits
- (c) in addition to the annual increase, inflation of 2% (2014 - 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 9 former employees who are receiving these benefits.

The liability based on the above assumptions at the year-end date is \$1,232,072 (2014 - \$1,281,852).

### 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 \$189,076 (2014 - \$192,335) 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 \$43,678 (2014 - \$53,597).

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2015

---

### 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% (2014 - 4%) discount rate and 2% (2014 - 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 \$801,594 at (2014 - \$931,201).

### 11. Other income:

	2015	2014
Penalties and interest on taxation	\$ 532,834	\$ 560,188
Investment income	242,439	294,915
Permits and licenses	933,284	734,854
	<u>\$ 1,708,557</u>	<u>\$ 1,589,957</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:

	2015	2014
School boards	\$ 12,897,534	\$ 12,834,654
County of Essex	19,545,900	18,683,478
	<u>\$ 32,443,434</u>	<u>\$ 31,518,132</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, 2015

### 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:

	2015	2014
Salaries, wages and benefits	\$ 9,835,092	\$ 9,683,597
Interest on long-term debt	896,400	960,147
Materials and supplies	9,752,097	6,723,257
Contracted services	10,564,075	11,039,004
Rents and financial expenses	85,598	80,841
External transfers	1,128,461	418,123
Amortization	9,216,379	8,943,257
Total current expenses	\$ 41,478,102	\$ 37,848,226

### 15. Budget amounts:

The operating budget approved by Town Council for 2015 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. Commitments:

The Town has the following commitments as at December 31, 2015:

	Contract amount	Earned to December 31, 2015	Future commitments
Multi use recreation facility	\$ 55,471,022	\$ 53,542,092	\$ 1,928,930

# THE CORPORATION OF THE TOWN OF LAKESHORE

## Consolidated Notes to Financial Statements (continued)

Year ended December 31, 2015

---

### 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 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, 2015, with comparative information for 2014

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, 2015, with comparative information for 2014

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, 2015, with comparative information for 2014

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 Tangible Capital Assets (continued)

Schedule 1

Year ended December 31, 2015, with comparative information for 2014

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 Deferred Revenue

Schedule 2

Year ended December 31, 2015, with comparative information for 2014

	Balance December 31, 2014	Interest earned	Contributions received	Revenue earned- capital	Revenue earned- operating	Balance December 31, 2015
Parkland	\$ 1,359,385	\$ 19,534	\$ 208,460	\$ 427,713	\$ -	\$ 1,159,666
Development charges	2,907,388	54,654	3,094,678	802,177	2,553,219	2,701,324
Building code	503,720	6,798	-	15,410	(3,330)	498,438
Federal gas tax	-	2,113	1,600,470	1,314,388	-	288,195
Trees	92,927	1,205	37,800	-	23,405	108,527
OCIF	-	815	-	348,758	(347,943)	-
Parking	23,574	318	20	-	-	23,912
	<b>\$ 4,886,994</b>	<b>\$ 85,437</b>	<b>\$ 4,941,428</b>	<b>\$ 2,908,446</b>	<b>\$ 2,225,351</b>	<b>\$ 4,780,062</b>

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Reserve and Reserve Funds

Schedule 3

Year ended December 31, 2015, with comparative information for 2014

	Balance December 31, 2014	Interest earned	Contributions received	Transfer from (to) capital	Transfer from (to) operating	Balance December 31, 2015
<b>Reserve funds:</b>						
Water	\$ 408,002	\$ 20,759	\$ 85,220	\$ 2,787,077	\$ 312,156	\$ 3,613,214
Union Water System	418,047	-	(33,537)	-	-	384,510
Sanitary Sewers	1,827,609	23,995	-	-	(145,616)	1,705,988
Future employee benefits	653,931	8,825	-	-	-	662,756
Multi-use recreational facility	-	1,750	777,886	(731,175)	(48,461)	-
ELK sale proceeds	919,702	13,916	495,625	(721,976)	-	707,267
	4,227,291	69,245	1,325,194	1,333,926	118,079	7,073,735
<b>Reserves:</b>						
Working capital	1,342,154	-	-	-	-	1,342,154
Contingencies	1,487,153	-	324,663	-	(9,220)	1,802,596
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	1,772,902	-	4,248,202	(2,137,630)	(160,940)	3,722,534
Landfill closure	70,550	-	-	-	-	70,550
Acquisition of capital assets	4,084,766	-	1,455,104	(939,253)	-	4,600,617
Future operating expenses	1,583,954	-	268,500	(65,216)	(195,233)	1,592,005
	11,348,214	-	6,296,469	(3,142,099)	(365,393)	14,137,191
	\$ 15,575,505	\$ 69,245	\$ 7,621,663	\$ (1,808,173)	\$ (247,314)	\$ 21,210,926

# THE CORPORATION OF THE TOWN OF LAKESHORE

Consolidated Schedule of Accumulated Surplus

Schedule 4

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Reserve and reserve funds:		
Reserve funds (Schedule 3)	\$ 7,073,735	\$ 4,227,291
Reserves (Schedule 3)	14,137,191	11,348,214
	<u>21,210,926</u>	<u>15,575,505</u>
Surpluses:		
Tangible capital assets	285,061,184	291,800,383
General revenue fund	523,620	(19,721)
General reduction of user charges	1,561,670	372,048
Benefitting landowners related to special charges and special areas	(589,945)	(11,750,946)
Unfunded:		
Post-employment liabilities and sick leave	(1,275,750)	(1,335,449)
Landfill closure cost liability	(801,594)	(931,201)
Accrued interest on long-term debt	(210,576)	(217,718)
	<u>284,268,609</u>	<u>277,917,396</u>
Accumulated surplus	<u>\$ 305,479,535</u>	<u>\$ 293,492,901</u>

# THE CORPORATION OF THE TOWN OF LAKESHORE

Schedule of Segmented Disclosure

Schedule 5

For the year ended December 31, 2015

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation	Planning and Development	Total
<b>Revenue:</b>							
Taxation	\$ 25,598,779	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,598,779
Government transfers	613,500	365,885	414,172	36,793	2,810,090	91,301	4,331,741
User fees and sale of goods	341,818	137,211	65,306	12,255,810	2,082,388	1,134,513	16,017,046
Investment income	242,450	-	-	-	-	-	242,450
Gain or (loss) on sale of tangible capital assets	-	-	149,031	-	-	-	149,031
Donated assets	-	-	149,469	-	-	-	149,469
Deferred revenue earned	-	-	1,314,387	-	-	-	1,314,387
Fines and penalties	539,561	-	-	-	-	-	539,561
Other revenues	1,354,178	-	748,478	-	2,074,252	945,364	5,122,272
	28,690,286	503,096	2,840,843	12,292,603	6,966,730	2,171,178	53,464,736
<b>Expenses:</b>							
Salaries, wages and employee benefits	2,182,368	1,673,401	1,249,194	2,366,941	1,546,151	817,037	9,835,092
Interest on long-term debt	-	-	26,026	812,303	-	58,071	896,400
Materials	818,389	594,469	3,343,311	3,038,340	1,804,158	153,430	9,752,097
Contracted services	513,723	4,802,978	518,746	3,966,447	398,800	363,381	10,564,075
Rents and financial expenses	43,152	8,096	-	-	34,350	-	85,598
External transfers	-	358,482	-	596,901	173,078	-	1,128,461
Amortization	96,683	306,858	4,292,756	3,057,371	1,462,711	-	9,216,379
Inter-functional adjustments	(1,740,771)	461,880	333,495	611,505	246,860	87,031	-
	1,913,544	8,206,164	9,763,528	14,449,808	5,666,108	1,478,950	41,478,102
<b>Annual surplus (deficit)</b>	<b>\$ 26,776,742</b>	<b>\$ (7,703,068)</b>	<b>\$ (6,922,685)</b>	<b>\$ (2,157,205)</b>	<b>\$ 1,300,622</b>	<b>\$ 692,228</b>	<b>\$ 11,986,634</b>