Consolidated Financial Statements of

THE CORPORATION OF THE TOWN OF LINCOLN

And Independent Auditors' Report thereon

Year ended December 31, 2021

THE CORPORATION OF THE TOWN OF LINCOLN

Consolidated Financial Statements

Year ended December 31, 2021

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Town of Lincoln (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The committee of the whole meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Michael Kirkopoulos
Chief Administrative Officer

Lawrence Wagner
Treasurer

September 8, 2022

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Lincoln (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of operations and accumulated surplus for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.
KPMG Canada provides services to KPMG LLP.

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

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

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

Those charged with governance are responsible for overseeing the Entity‘s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

September 8, 2022

THE CORPORATION OF THE TOWN OF LINCOLN

Consolidated Statement of Financial Position

As at December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash	$ 3,342,608	$ 3,966,336
Investments (note 2)	16,240,685	23,989,833
Accounts receivable	5,300,833	4,153,413
Water charges receivable	1,937,756	1,834,980
Taxes receivable		
Current year	2,025,788	2,467,055
Previous years	1,840,330	1,428,096
Recoverable Long-Term Liabilities (note 7)	64,194	16,569
Investment in Peninsula West Power Inc. (note 3)	19,001,573	18,648,285
	49,753,767	56,504,567
Liabilities		
Accounts payable and accrued liabilities	7,920,040	8,227,979
Employee benefits (note 4)	980,690	937,570
Liability for site remediation (note 5)	1,253,381	995,606
Other current liabilities	5,639,805	4,826,318
Deferred revenue (note 6)	10,523,683	14,083,646
Long term debt (note 7)	7,322,024	7,816,897
	33,639,623	36,888,016
Net financial assets	16,114,144	19,616,551
Non-financial assets		
Tangible capital assets (note 8)	168,119,540	158,893,915
Inventories and prepaid expenses	659,708	466,451
	168,779,248	159,360,366
Accumulated surplus (note 9)	$ 184,893,392	$ 178,976,917

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF LINCOLN

Consolidated Statement of Operations and Accumulated Surplus

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

	Budget (note 17)	2021	2020
Revenue:			
Taxation and user charges:			
Residential and farm taxation	$ 15,985,647	$ 16,296,717	$ 15,358,906
Commercial, industrial and business taxation	3,463,764	3,554,865	3,444,612
Taxation from other governments	220,000	218,147	223,059
User charges	6,938,434	7,025,547	7,001,868
	26,607,845	27,095,276	26,028,445
Grants (note 15):			
Municipal grants	360,000	432,122	1,500
Provincial grants	519,950	1,762,483	3,201,974
Federal grants	389,047	1,052,926	1,039,284
	1,268,997	3,247,531	4,242,758
Other:			
Investment income	250,000	259,039	526,707
Penalties and interest on taxes	460,000	558,383	401,146
Contributions from developers	6,445,590	6,445,590	10,780,937
Developer contributed assets	-	228,077	-
Peninsula West Power Inc. net income (note 3)	-	493,354	343,981
Loss on disposal of tangible capital assets	5,000	(129,438)	(289,328)
Sundry	855,366	1,253,920	1,264,465
	8,015,956	9,108,925	13,027,908
Total revenues	35,892,798	39,451,732	43,299,111
Expenses:			
General government	6,191,618	8,081,208	5,947,903
Protection to persons and property	4,092,461	3,903,694	4,353,257
Transportation services	6,996,264	7,655,662	8,400,421
Environmental services	4,426,749	3,606,957	3,344,716
Health services	228,302	278,600	220,349
Social and family services	81,750	94,796	72,181
Recreation and cultural services	6,937,904	7,299,380	6,641,939
Planning and development	2,036,767	2,614,960	2,348,875
Total expenses	30,991,815	33,535,257	31,329,641
Annual surplus	4,900,983	5,916,475	11,969,470
Accumulated surplus, beginning of year	178,976,917	178,976,917	167,007,447
Accumulated surplus, end of year	$ 183,877,900	$ 184,893,392	$178,976,917

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF LINCOLN

Consolidated Statement of Changes in Net Financial Assets

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

	2021	2020
Annual surplus	$ 5,916,475	$ 11,969,470
Acquisition of tangible capital assets	(15,560,379)	(16,869,261)
Amortization of tangible capital assets	6,335,868	6,013,868
Contributed tangible capital assets	(228,077)	-
Loss on disposal of tangible capital assets	129,438	289,328
Proceeds on disposal of tangible capital assets	97,525	63,420
Change in inventories and prepaid expenses	(193,257)	473,623
Change in net financial assets	(3,502,407)	1,940,448
Net financial assets, beginning of year	19,616,551	17,676,103
Net financial assets, end of year	$ 16,114,144	$ 19,616,551

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF LINCOLN

Consolidated Statement of Cash Flows

December 31, 2021 with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 5,916,475	$ 11,969,470
Items not involving cash		
Amortization of tangible capital assets	6,335,868	6,013,868
Net loss on disposal of tangible capital assets	129,438	289,328
Developer contributed tangible capital assets	(228,077)	-
Peninsula West Power Inc. net income (note 3)	(493,354)	(343,981)
Deferred revenue earned	(7,640,234)	(11,525,083)
Change in non-cash assets and liabilities:		
Increase in accounts receivable	(1,147,420)	(1,393,722)
Increase in water charges receivable	(102,776)	(393,566)
Decrease (increase) in taxes receivable	29,033	(1,572,523)
(Decrease) increase in accounts payable and accrued liabilities	(307,939)	1,728,250
Increase in employee benefits	43,120	99,533
Decrease (Increase) in liability for site remediation	257,775	(268,901)
Increase (decrease) in other current liabilities	813,487	(1,661,093)
(Increase) in recoverable long-term liabilities	(47,625)	-
(Increase) decrease in inventories and prepaid expenses	(193,257)	473,623
Net change in cash from operating activities	3,364,514	3,415,203
Capital activities:		
Proceeds on disposal of tangible capital assets	97,525	63,420
Cash used to acquire tangible capital assets	(15,560,379)	(16,869,261)
Net change in cash from capital activities	(15,462,854)	(16,805,841)
Investing activities:		
Dividend received from Peninsula West Power Inc. (note 3)	140,066	-
Decrease in investments	7,749,148	2,966,312
Net change in cash from investing activities	7,889,214	2,966,312
Financing activities:		
Obligatory deferred receipts	4,080,271	6,196,359
Long-term liability assumed	50,000	1,756,100
Long-term liability principal repayment	(544,873)	(612,613)
Net change in cash from financing activities	3,585,398	7,339,846
Net change in cash	(623,728)	(3,084,480)
Cash, beginning of year	3,966,336	7,050,816
Cash, end of year	$ 3,342,608	$ 3,966,336
Cash paid for interest on long-term liabilities	$ 221,759	$ 189,167
Cash received for interest income	384,371	749,207

The accompanying notes are an integral part of these consolidated financial statements.

1. Significant accounting policies:

The consolidated financial statements of The Corporation of the Town of Lincoln (the "Town") are prepared by management in accordance with Canadian public sector accounting standards ("PSAS"). Significant accounting policies adopted by the Town are as follows:

(a) Basis of consolidation:

i. Consolidated entities

These consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of the Town's financial affairs and resources to the Town and which are owned or controlled by the Town except for the Town's government business enterprise (Peninsula West Power Inc.), which is accounted for on the modified equity basis of accounting as described below. These financial statements include:

Public Library Board
Beamsville Central Business Improvement Area

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

The investment in Peninsula West Power Inc. ("PWPI") has been accounted for on a modified equity basis, consistent with accounting treatment for government business enterprises. Under the modified equity basis, PWPI's accounting principles are not adjusted to conform with those of the Town, and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of PWPI in its Consolidated Statement of Operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Town receives from PWPI are reflected as reductions in the investment asset account. The Town's share of PWPI is 59%.

ii. Accounting for Region and School Board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the Regional Municipality of Niagara are not reflected in these consolidated financial statements.

iii. Trust funds

Trust funds and their related operations are not included in these consolidated financial statements.

1. Significant accounting policies (continued):

(b) Basis of accounting:

The Corporation follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and creation of a legal obligation to pay.

(c) Investments:

Investments are carried at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is other than a temporary decline in market value, the respective investment is written down to recognize the loss.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

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

Asset	Useful Life - Years
Land improvements	7 to 20
Buildings and components	15 to 40
Linear assets	20 to 75
Machinery and equipment	10 to 20
Furniture and fixtures	4 to 20

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Work in progress assets are not amortized until the asset is available for productive use. Gains and/or losses on disposal of an asset are recorded on the Consolidated Statement of Operations as gain/loss on disposal of tangible capital assets.

(ii) Contributions of tangible capital assets:

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

(iii) Inventories:

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

1. Significant accounting policies (continued):

(e) Reserves and reserve funds:

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(f) Taxation revenue:

Taxes receivables and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred.

(g) Government transfers:

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made, except when and to the extent that stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished. Transfers to Charitable and non-profit organizations are recognized as expenses once the grants are paid.

(h) Deferred revenue:

Deferred revenue represent user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

Deferred revenue – obligatory reserve funds represents development charge contributions, payments in lieu of parking and parkland and gas tax, levied or received under authority of federal and provincial legislation and Town by-laws. These amounts have been collected but the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(i) Other income:

Other income is recognized as revenue when the service is performed.

(j) Investment income:

Investment income earned on surplus current funds, capital funds, reserves and reserve funds other than obligatory reserve funds (deferred revenue) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue.

1. Significant accounting policies (continued):

(k) Employee benefits:

The Town provides certain employee benefits which will require funding in future periods. These benefits include extended health and dental benefits for early retirees. The costs of life insurance and extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, health care cost trends, earned days accumulated for certain employees payable at retirement, long term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as service payments and health and dental benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gain or loss related to the past service of employees are amortized over the expected average remaining service life of the employee group

The costs of multi-employer defined benefit pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period. OMERS has been accounted for as a defined contribution plan since it's a multi-employer plan.

(l) Liability for site remediation:

Contamination is a result of contamination being introduced into the air, soil, water or sediment of a chemical, organic, radioactive material or live organism that exceeds an environmental standard. The liability is recognized net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

i. an environmental standard exists

ii. contamination exceeds the environmental standard

iii. the Town is directly responsible or accepts responsibility

iv. it is expected that future economic benefits will be given up; and

v. a reasonable estimate of the amount can be made.

The liability is estimated based on information that is available when the financial statements are prepared. It is based upon the costs directly attributable to the remediation activities required using a present value measurement technique.

1. Significant accounting policies (continued):

(m) Use of estimates:

The preparation of consolidated financial statements in conformity with public sector accounting standards 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 financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. Accounts subject to significant estimates include tangible capital assets and employee future benefits. These estimates and assumptions are based on management's best information and judgement and may differ from actual results.

2. Investments:

The total of investments of $16,240,685 (2020 - $23,989,833) reported on the Consolidated Statement of Financial Position at cost, have a market value of $15,975,156 (2020 - $24,159,990) at December 31, 2021.

3. Investments in Peninsula West Power Inc.:

The following provides condensed supplementary financial information for the operations of Peninsula West Power Inc. for the years ended December 31, 2021 and December 31, 2020. The Town owns 59% of the outstanding shares of Peninsula West Power Inc.

Financial position:

		2021		2020
Current assets	$	1,646,498	$	1,595,696
Capital assets		79,889		86,476
Investment in Niagara Peninsula Energy Inc. (25.5% ownership)		36,873,000		36,299,079
Deferred tax asset		41,419		38,455
Total assets		38,640,806		38,019,706
Current liabilities		56,753		32,109
Other liabilities		5,680,330		5,682,666
Total liabilities		5,737,083		5,714,775
Net assets		32,903,723		32,304,931
Minority interest		(13,490,524)		(13,245,020)
Fair market value adjustment		(411,626)		(411,626)
Investment in Peninsula West Power Inc.	$	19,001,573	$	18,648,285

Results of operations:

		2021		2020
Revenues	$	171,920	$	197,032
Operating expenses		170,136		192,742
		1,784		4,290
Other items		834,409		578,729
Net income before the undernoted		836,193		583,019
Minority interest		(342,839)		(239,038)
Net income – Peninsula West Power Inc.	$	493,354	$	343,981

The equity in Peninsula West Power Inc.:

		2021		2020
Opening balance	$	18,648,285	$	18,304,304
Net Income		493,354		343,981
Dividends received		(140,066)		-
Closing balance – investment in Peninsula West Power Inc.	$	19,001,573	$	18,648,285

4. Employee benefits:

The Town provides certain employee benefits which will require funding in future periods.

	2021	2020
Vacation pay	$ 299,290	$ 325,970
Post-employment benefits	681,400	611,600
	$ 980,690	$ 937,570

Accrued vacation pay:

Unused credits may be carried forward to the next year.

Post-employment benefits:

The Town pays certain medical and dental benefits for early retirees and life insurance benefits on behalf of its retired employees.

The accrued benefit liability for post-employment benefits was determined by actuarial valuation as at December 31, 2021 using a discount rate of 2.4% (2020 - 2.4%).

Defined benefit plan information:

	2021	2020
Accrued benefit obligation:		
Balance, beginning of year	$ 629,600	$ 524,800
Current benefit cost	88,800	43,100
Interest	16,800	19,200
Actuarial loss	-	81,500
Benefits paid	(35,800)	(39,000)
Balance, end of year	699,400	629,600
Unamortized actuarial (loss) gain	(18,000)	(18,000)
Accrued benefit liability, end of year	$ 681,400	$ 611,600

Included in expense in the Consolidated Statement of Operations is $0 (2020 - $1,100) for amortization of the actuarial (loss) gain. The unamortized actuarial gain is amortized over the expected average remaining service life of 11.3 years.

The main assumptions employed for the valuation are as follows:

Medical costs – medical costs were assumed to increase at 7% per annum in 2021, grading down at 1% per annum to a rate of 5% annum over time.

Dental costs – dental costs were assumed to increase at 5% per year.

5. Liability for site remediation:

The Town has provided for the remediation of sites, based on monitoring costs provided by an external consultant and internal subject matter experts. The future remediation costs have an estimated cost of $2,774,332 (2020 - $2,220,128). These costs are anticipated to be incurred over a period from 4 to 47 years and the annual costs have been increased at a rate of 2% per year. The estimated present value of the liability for site remediation of these two sites is $1,227,822 (2020 - $982,756) using a discount rate of 2% (2020 – 2%). The Town has also recognized $25,559 (2020 - $12,850) within liability for site remediation for three potential sites where remediation may be required in the future.

6. Deferred revenue:

The deferred revenues including obligatory reserve funds reported on the consolidated statement of financial position are made up of the following:

	2021	2020
Development Charges Act	$ 4,830,675	$ 9,329,615
Aggregate Resources Act	239,333	728,775
Federal Gasoline Tax	2,011,274	889,900
Canada Cultural Spaces Fund	806,667	832,500
Other deferred revenue (Planning Act & Building Code Act)	2,635,734	2,302,856
Balance, end of year	$ 10,523,683	$ 14,083,646

The continuity of obligatory reserve funds are summarized below:

	2021	2020
Balance, beginning of year	$ 14,083,646	$ 19,412,370
Contributions from:		
Development Charges Act	1,547,126	3,818,448
Recreational land (Planning Act)	148,700	510,942
Aggregate Resources Act	218,664	235,082
Building Permit Fees (Building Code Act)	464,283	508,439
Federal Gasoline Tax	1,479,643	721,608
Canada Cultural Spaces Fund	75,000	118,320
Interest earned	146,855	401,840
Total revenue	4,080,271	6,314,679
Revenue earned	(7,640,234)	(11,643,403)
Balance, end of year	$ 10,523,683	$ 14,083,646

7. Net long-term liabilities:

(a) Net long-term liabilities is $7,257,830 (2020 – $7,800,328) which is made up of the following:

	2021	2020
The Town has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by other municipalities. At the end of the year the outstanding principal amount of this liability is:	$ 7,322,024	$ 7,816,897
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage, municipal drainage and shoreline property assistance loans has been assumed by individuals. At the end of the year the outstanding principal amount of this liability is:	(64,194)	(16,569)
	$ 7,257,830	$ 7,800,328

(b) The annual principal repayments subsequent to December 31, 2021 are as follows:

2022	$ 462,435
2023	893,418
2024	1,288,631
2025	1,705,959
2026	2,178,704
Thereafter	5,415,060
	11,944,207

(c) The long-term liabilities in (a) issued in the name of the Town have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.

(d) The Town is contingently liable for long-term liabilities with respect to tile drainage, municipal drainage and shoreline property assistance loans. The total amount outstanding as at December 31, 2021 is $64,194 (2020 - $16,569).

7. Net long-term liabilities (continued):

(e) Total interest on net long-term liabilities which are reported on the Consolidated Statement of Operations amounted to $220,765 in 2021 (2020 - $189,167). The long-term liabilities bear interest at rates ranging from 1.66% to 6.5%. The interest on long-term liabilities assumed by individuals in the case of tile drainage and shoreline property assistance loans are not reflected in these financial statements.

(f) The Town has available a line of credit in the amount of $1,000,000 which bears interest at prime less 0.375%. There is no balance outstanding at December 31, 2021.

8. Tangible capital assets:

	2021							
	Land	Land Improvements	Buildings & Components	Linear Assets	Machinery & Equipment	Furniture & Fixtures	Work in Progress	Total
Cost								
Balance, beginning of year	$ 22,009,087	$ 7,429,302	$ 33,516,335	$ 168,206,978	$ 16,559,094	$ 3,857,572	$ 14,032,346	$ 265,610,714
Additions (transfers)	1,538,800	5,821,010	4,613,664	8,928,454	1,298,288	866,315	2,738,467	25,804,998
Disposals	-	(60,367)	-	(2,859,979)	(303,602)	(194,267)	(10,016,541)	(13,434,756)
Balance, end of year	23,547,887	13,189,945	38,129,999	174,275,453	17,553,780	4,529,620	6,754,272	277,980,956
Accumulated Amortization								
Balance, beginning of year	-	2,914,718	12,600,822	81,640,577	7,077,470	2,483,212	-	106,716,799
Amortization Expense	-	451,450	944,149	3,437,751	1,037,877	464,641	-	6,335,868
Disposals	-	(23,531)	-	(2,692,272)	(282,569)	(192,881)	-	(3,191,252)
Balance, end of year	-	3,342,637	13,544,971	82,386,056	7,832,778	2,754,972	-	109,861,414
Net Book Value, end of year	$ 23,547,887	$ 9,847,308	$ 24,585,028	$ 91,889,397	$ 9,721,002	$ 1,774,648	$ 6,754,272	$ 168,119,542
Net Book Value, December 31, 2020	$ 22,009,087	$ 4,514,584	$ 20,915,513	$ 86,566,401	$ 9,481,624	$ 1,374,360	$ 14,032,346	$ 158,893,915

8. Tangible capital assets (continued):

(a) Work-in-progress:

Work-in-progress has a value of $6,754,272 (2020 - $14,032,346) and has not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is $228,077 (2020 - $nil).

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and historical treasures:

The Town manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Town sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(e) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was $nil (2020 - $nil).

9. Accumulated surplus:

The balance of accumulated surplus on the consolidated statement of financial position is made up of the following:

	2021	2020
Surplus:		
Invested in tangible capital assets	$ 168,119,540	$ 158,893,915
Unfunded capital	(5,021,295)	(3,609,642)
Operating surplus - BIA	50,643	28,704
Investment in Peninsula West Power Inc.	19,001,573	18,648,285
Unfunded:		
Long-term debentures	(7,257,830)	(7,800,328)
Employee future benefits	(980,690)	(937,570)
Liability for site remediation	(1,253,381)	(995,606)
Other	(3,685,752)	(3,117,261)
	168,972,808	161,110,497
Reserves and Reserve Funds set aside by Council:		
For tax rate stabilization reserve	1,920,160	2,855,216
For water main replacement	2,157,430	3,214,865
For wastewater main replacement	5,451,524	4,995,275
For West Lincoln Memorial Hospital (note 14)	2,261,783	2,240,062
For buildings and facilities	964,521	1,903,678
For infrastructure	2,046,608	1,277,700
For technology modernization	746,600	740,330
For community improvement plans	312,613	617,984
For special purposes	59,345	21,310
Total Reserves and reserve funds	15,920,584	17,866,420
Total	$ 184,893,392	$ 178,976,917

10. Pledges:

Pledges have been received for various projects in Lincoln. Since pledges are not legally enforceable, they are recorded as revenue on a cash basis and accordingly are not recognized as assets in the consolidated financial statements. The total amount of pledges outstanding and the expected year of collection are as follows:

2022	$	35,000
2023		5,000
	$	40,000

11. Trust funds:

Trust funds administered by the Town amounting to $2,257,504 (2020 - $2,343,645) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

12. Pension agreements:

The Town makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of 168 members of its staff and Council. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contribution rates for 2021 were 9% for employees earning below the year's maximum pensionable earnings and 14.6% on earnings above the year's maximum pensionable earnings.

The amount contributed to OMERS for 2021 was $983,320 (2020 - $879,697) for current service cost and is included as an expenditure on the consolidated statement of operations.

There are no outstanding obligations for past service at December 31, 2021.

As OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. The OMERS pension plan has a deficit of $3.1 billion as at December 31, 2021 (2020 – deficit of $3.2 billion) based on an actuarial valuation of plan assets.

13. Contingent liabilities:

From time to time, the Town is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts, including punitive or extraordinary damages. These claims may be covered by the Town's insurance up to a maximum of $50,000,000 per occurrence. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

14. Commitments:

The Town previously committed $2,236,800 to the West Lincoln Memorial Hospital Foundation for the purpose of construction of a new hospital. Town Council has committed to work with Town of Grimsby, Town of West Lincoln, The Regional Municipality of Niagara and the West Lincoln Memorial Hospital Foundation to cover the municipal portion of funding for the new hospital building. The most recent estimated cost for the municipal portion is $50,000,000. At December 31, 2021, the WLMH reserve fund has a balance of $2,261,783 (2020 - $2,240,062). No formal agreement exists as of the financial statement date, but funding options for additional requirements will be addressed through future budget cycles.

15. Government transfers:

The Town recognizes the transfer of government funding as expenses or revenues in the period that the events giving rise to the transfer occurred. The government transfers reported on the consolidated statement of operations are:

Grant Revenue:	Budget	2021	2020
Municipal grants:			
Region of Niagara	$ 360,000	$ 432,122	$ 1,500
Provincial grants:			
Wage subsidies	850	12,407	-
ICIP Resilience Fund	-	32,422	-
Greenbelt Foundation	-	13,500	-
Ontario Municipal Partnership Fund	224,300	229,300	259,500
Municipal Disaster Recovery Assistance	-	-	335,765
Covid Recovery Grant	-	571,968	1,543,818
FCM - Municipal Asset Management	-	-	50,880
Senior Centre Long Term Care	32,000	127,989	32,000
Municipal Modernization Grant	-	12,870	-
Ontario Commuter Cycling Fund	-	-	103,058
MTO Gas Tax	113,000	-	110,312
Library	40,880	40,880	40,880
Museum	25,000	45,504	50,461
OCIF	-	616,612	616,612
Main Street Revitalization	-	-	58,689
Reconnect Festival and Event Program	83,920	59,031	-
	519,950	1,762,483	3,201,975
Federal grants:			
Federal gas tax	377,347	377,346	769,966
Community Service	-	-	116,986
Wage subsidies	1,700	58,668	20,339
ICIP Resilience Fund	-	512,187	-
BIA	-	3,891	-
Museum	10,000	100,833	131,993
	389,047	1,052,926	1,039,284
Total revenues	$ 1,268,997	$ 3,247,531	$ 4,242,759
Expenses:			
Charitable and non-profit organizations	$ 23,125	$ 53,595	$ 145,473

16. Segmented information:

Segmented information has been identified based upon various operating departments within the Town and their activities are reported by functional area in the body of the financial statements.

Certain operating departments along with the services they provide have been separately disclosed in the segmented information are as follows:

(i) General Government - Mayor and Council, Corporate Services, Finance Services:

The departments within General Government are responsible for the general management and control of the Town, including adopting by-laws, adopting administrative policy, levying taxes, providing administrative, technical, and financial services. They also ensure quality services are provided to the community and that the services provided are aligned with Council approved actions.

(ii) Protection to Persons & Property - Fire Department, By-law Enforcement, Animal and Weed Control, Building Services:

The Fire Department is responsible to provide fire suppression services, fire prevention programs, training and education related to prevention, detection or extinguishment of fires and emergency rescue services. By-law enforcement and animal and weed control are provided by the Office of the Town Clerk. The Building Department is responsible for permit processing and building inspections.

(iii) Transportation Services – Public Works:

The Public Works Department is responsible for operations, infrastructure management (roads, bridges and culverts), traffic control, parking control, streetlights and development engineering.

(iv) Environmental Services - Wastewater, Storm Water Management, Waterworks:

The Public Works Department is responsible for wastewater collection services, storm water management services and water distribution services.

(v) Health Services - Cemeteries:

The Community Services Department is responsible for the operation and maintenance of the Town cemeteries.

(vi) Social & Family Services - Assistance to Aged Persons:

The Community Services Department is responsible for the operation and maintenance the Lincoln Centre, including services for seniors.

16. Segmented information (continued):

(vii) Recreation and Cultural Services - Community Services, Library, Museum:

The Community Services Department is responsible for the development, provision and maintenance of facilities, parks and recreation and cultural programs and services. The Lincoln Public Library provides the community with materials, programs and services to support and encourage informal life-long learning. The Jordan Historical Museum is a living and displaying museum that records the German-Mennonite history of the area.

(viii) Planning & Development Services - Planning and Development, Business Improvement Area:

The Planning and Development Department provides direction to Council and the community through land use policy formulation and implementation. With the support of the Town, the Beamsville Business Improvement Area board of management provides business promotion and improvement functions in downtown Beamsville.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation is allocated to the segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges earned and developer contributions received were allocated to the segment for which the charge was collected.

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

16. Segmented information (continued):

2021

	General Government	Protection to Persons & Property	Transportation Services	Environmental Services	Health Services	Social & Family Services	Recreation & Cultural Services	Planning & Development Services	Total
REVENUE									
Property taxation	$ 5,481,059	$ 3,686,071	$ 5,437,018	$ -	$ 33,950	$ -	$ 3,264,965	$ 2,166,666	20,069,729
User fees	127,880	874,011	114,159	4,535,263	200,724	190	511,385	661,935	7,025,547
Government grants									-
Municipal	167,122	-	-	-	-	-	250,000	15,000	432,122
Provincial	814,139	-	616,612	-	-	127,989	144,712	59,031	1,762,483
Federal	-	-	377,346	-	-	-	671,689	3,891	1,052,926
Investment income	259,039	-	-	-	-	-	-	-	259,039
Penalties and interest	558,383	-	-	-	-	-	-	-	558,383
Developer contributions	74,250	-	2,192,067	1,288,308	-	-	2,834,707	56,258	6,445,590
Developer contributed assets	228,077	-	-	-	-	-	-	-	228,077
Peninsula West Engery Net Income	493,354	-	-	-	-	-	-	-	493,354
Sundry	859,280	3,597	(108,050)	73,024	50,005	-	206,509	40,117	1,124,482
Total revenue	9,062,583	4,563,679	8,629,152	5,896,595	284,679	128,179	7,883,967	3,002,898	39,451,732
EXPENSES									
Salaries, wages and employee benefit	$ 3,020,027	$ 2,752,856	$ 2,609,809	$ 1,493,015	$ 235,871	$ 7,413	$ 4,304,457	$ 1,361,442	15,784,890
Purchased goods	2,817,811	395,406	1,021,859	252,784	27,436	41,318	1,096,781	135,864	5,789,259
Purchased services	1,490,502	114,635	1,007,593	729,842	9,748	25,079	529,771	464,946	4,372,116
Financial expenses	265,628	-	102,489	67,246	-	-	133,721	630,444	1,199,528
Transfers to others	-	1,076	-	-	-	1,500	28,755	22,264	53,595
Amortization expense	487,240	639,721	2,913,912	1,064,070	5,545	19,486	1,205,895	-	6,335,869
Total expenses	8,081,208	3,903,694	7,655,662	3,606,957	278,600	94,796	7,299,380	2,614,960	33,535,257
Surplus (Deficit)	$ 981,375	$ 659,985	$ 973,490	$ 2,289,638	$ 6,079	$ 33,383	$ 584,587	$ 387,938	5,916,475

16. Segmented information (continued):

2020

	General Government	Protection to Persons & Property	Transportation Services	Environmental Services	Health Services	Social & Family Services	Recreation & Cultural Services	Planning & Development Services	Total
REVENUE									
Property taxation	$ 3,513,499	$ 2,262,219	$ 7,206,178	$ (137,546)	$ 77,524	$ 52,990	$ 3,150,679	$ 2,901,034	19,026,577
User fees	174,391	1,424,752	88,400	4,653,128	128,536	1,469	493,220	37,972	7,001,868
Government grants									-
Municipal	-	-	-	-	-	-	1,500	-	1,500
Provincial	1,854,198	335,765	843,203	-	-	32,000	136,808	-	3,201,974
Federal	4,606	-	769,966	-	-	-	248,979	15,733	1,039,284
Investment income	526,707	-	-	-	-	-	-	-	526,707
Penalties and interest	401,146	-	-	-	-	-	-	-	401,146
Developer contributions	28,055	973,005	1,288,849	5,716,518	-	-	2,774,510	-	10,780,937
Developer contributed assets	-	-	-	-	-	-	-	-	-
Peninsula West Engery Net Income	343,981	-	-	-	-	-	-	-	343,981
Sundry	48,007	(32,945)	145,478	(81,550)	35,177	-	685,171	175,799	975,137
Total revenue	6,894,590	4,962,796	10,342,074	10,150,550	241,237	86,459	7,490,867	3,130,538	43,299,111
EXPENSES									
Salaries, wages and employee benefit	$ 2,515,578	$ 2,652,340	$ 2,445,948	$ 1,427,858	$ 187,277	$ 6,133	$ 3,948,658	$ 1,114,044	14,297,836
Purchased goods	1,667,612	571,397	1,168,085	333,610	13,114	34,041	955,622	632,546	5,376,027
Purchased services	1,147,103	497,796	1,714,846	584,448	15,323	11,021	597,868	473,138	5,041,543
Financial expenses	179,962	-	78,669	62,070	-	-	132,115	2,079	454,895
Transfers to others	9,098	550	-	-	-	1,500	7,257	127,068	145,473
Amortization expense	428,550	631,174	2,992,873	936,730	4,635	19,486	1,000,419	-	6,013,867
Total expenses	5,947,903	4,353,257	8,400,421	3,344,716	220,349	72,181	6,641,939	2,348,875	31,329,641
Surplus (Deficit)	$ 946,687	$ 609,539	$ 1,941,653	$ 6,805,834	$ 20,888	$ 14,278	$ 848,928	$ 781,663	11,969,470

17. Budget data:

Budget data presented in these consolidated financial statements are based upon the 2021 operating and capital budgets approved by Council. The Town does not budget for amortization and, as a result, amortization is included based on actual cost. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget Amount
Revenue:	
Operating, approved	$ 28,326,885
Capital, approved	16,415,600
Less:	
Transfers from other funds	(16,415,600)
Reclassification between revenue and expenses	26,513
Add:	
Developer contributions and government grants	7,539,400
Total revenue	35,892,798
Expenses & Transfers:	
Operating, approved	
Expenses	$ 23,639,282
Agencies, Boards, Commissions (ABCs)	1,147,553
Transfers	3,540,050
Capital, approved	16,415,600
Less:	
Reclassification between revenue and expenses	26,513
Capital expenses	(16,415,600)
Transfers to other funds	(3,697,451)
Add:	
Amortization of tangible capital assets	6,335,868
Total expenses	30,991,815
Net budgeted surplus	$ 4,900,983
Actual annual surplus as per Consolidated Statement of Operations	$ 5,916,475

18. Comparative information:

Certain comparative information has been reclassified to conform to the presentation adopted in the current year. There is no impact to annual surplus as a result of the reclassification.

19. COVID-19 Pandemic:

In 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. As a result, the Town has experienced, and is continuing to experience, impacts on various services, including the closure of various park, recreation, and library facilities and administrative buildings for non-essential personnel, the cancellation of various programing, and a reduction in transit services/usage. These closures and cancellations have a direct impact on the Town's finances, primarily in relation to user fee revenues. In addition, Town Council has provided various measures to assist residents, including flexible payment options for property taxes.

During the year, the Town received $571,968 (2020 - $1,543,818) under the Province of Ontario's Safe Restart funding initiative to support operating and transit pressures faced as a result of the COVID-19 pandemic.

The Town continues to monitor the guidance from the Provincial government around opening of businesses and attractions. The current challenging economic climate may lead to adverse changes in cash flows, reduction of service levels and budgetary constraints, which may also have a direct impact on the Town's revenues, annual surplus or deficit and reserve and reserve funds in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the Town, surrounding economy and services are not known at this time.

20. Lincoln Public Library Board:

Operating Revenue	**Actual**	**Budget**
Provincial Operating Funding:	40,880	40,880
Public Library Operating Grant (PLOG)	*27,394*	*27,394*
Pay Equity Grant	*13,486*	*13,486*
Local Operating Funding - Town of Lincoln	1,147,538	1,147,538
Project Grants:	49,717	2,550
Ontario Grants - Conditional	*12,408*	*850*
Federal Grants	*4,075*	*1,700*
Other Grants	*33,234*	-
Donations	6,789	10,000
Self Generated Revenue	11,150	21,000
Debt Services and Reserve Fund Revenues	10,945	10,945
Capital Revenue		
Capital Grants:	58,128	-
Federal - ICIP Resiliance Grant	*46,503*	-
Provincial - ICIP Resiliance Grant	*11,625*	-
Total Revenues	**1,325,147**	**1,232,913**

Operating Expenditures	**Actual**	**Budget**
Materials Expenditures:	138,559	138,700
General	*102,629*	*76,700*
Electronic	*35,930*	*62,000*
Staffing	930,944	985,625
Staff Training	13,099	10,000
Facilities/Utilities	6,116	6,791
Telecommunications Costs:	20,432	28,296
Telephone and Fax	*9,560*	*10,248*
Dedicated Internet Connectivity Costs	*1,312*	*7,800*
Computer services	16,296	25,658
Transfers to Reserve	23,893	16,106
Other:	41,581	31,985
Consulting Services	*6,633*	*2,000*
Library Board Expenses	*465*	*1,000*
Marketing, Printing, Advertising	*4,623*	*5,000*
Mileage	*2,078*	*2,000*
Office Supplies and Equipment	*16,814*	*13,000*
Postage and Courier	*9,115*	*8,000*
General Purchases	*1,853*	*985*
Capital Expenditures		
Contracted Services - Capital	59,369	-
Total Expenditures	**1,240,729**	**1,232,913**
Annual Surplus/Net Revenues	**84,418**	**-**