Consolidated Financial Statements of

THE CORPORATION OF THE TOWN OF LINCOLN

And Independent Auditor's Report thereon

Year ended December 31, 2022

THE CORPORATION OF THE TOWN OF LINCOLN

Consolidated Financial Statements

Year ended December 31, 2022

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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 Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Michael Kirkopoulos
Chief Administrative Officer

Charlotte Tunikaitis
Treasurer

August 11, 2023

KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton ON L8P 4W7
Canada
Tel 905-523-8200
Fax 905-523-2222

INDEPENDENT AUDITOR'S 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, 2022;
- 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, 2022 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditor's 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 auditor's 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
August 11, 2023

THE CORPORATION OF THE TOWN OF LINCOLN

Consolidated Statement of Financial Position

As at December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Cash	$ 3,773,412	$ 3,342,608
Investments (note 2)	16,191,892	16,240,685
Accounts receivable	2,975,647	5,300,833
Water charges receivable	1,922,453	1,937,756
Taxes receivable		
Current year	2,179,611	2,025,788
Previous years	1,790,081	1,840,330
Recoverable Long-Term Liabilities (note 8)	57,882	64,194
Investment in Peninsula West Power Inc. (note 3)	19,227,439	19,001,573
	48,118,417	49,753,767
Liabilities		
Accounts payable and accrued liabilities	11,421,990	7,920,040
Construction advance (note 4)	11,162,500	-
Employee benefits (note 5)	995,491	980,690
Liability for site remediation (note 6)	1,633,028	1,253,381
Other current liabilities	4,886,359	5,639,805
Deferred revenue (note 7)	5,268,819	10,523,683
Long-term debt (note 8)	6,853,279	7,322,024
	42,221,466	33,639,623
Net financial assets	5,896,951	16,114,144
Non-financial assets		
Tangible capital assets (note 9)	179,543,664	168,119,540
Inventories and prepaid expenses	948,220	659,708
	180,491,884	168,779,248
Accumulated surplus (note 10)	$ 186,388,835	$ 184,893,392

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, 2022, with comparative information for 2021

	Budget (note 18)	2022	2021
Revenue:			
Taxation and user charges:			
Residential and farm taxation	$ 17,023,588	$ 17,411,331	$ 16,296,717
Commercial, industrial and business taxation	3,501,909	3,613,840	3,554,865
Taxation from other governments	215,000	222,767	218,147
User charges	12,594,708	13,166,784	12,186,609
	33,335,205	34,414,722	32,256,338
Grants (note 16):			
Municipal grants	360,000	379,540	432,122
Provincial grants	323,380	4,198,501	1,762,483
Federal grants	1,960,116	2,302,325	1,052,926
	2,643,496	6,880,366	3,247,531
Other:			
Investment income	200,000	254,754	259,039
Penalties and interest on taxes	460,000	539,288	558,383
Contributions from developers	4,529,121	4,529,122	6,445,590
Developer contributed assets	-	88,105	228,077
Equity in Peninsula West Power Inc. (note 3)	-	506,706	493,354
Gain(loss) on disposal of tangible capital assets	5,000	463,533	(129,438)
Sundry	572,596	1,070,076	1,253,920
	5,766,717	7,451,584	9,108,925
Total revenues	41,745,418	48,746,672	44,612,794
Expenses:			
General government	7,192,182	9,003,655	8,081,208
Protection to persons and property	4,404,956	4,829,134	3,903,694
Transportation services	7,584,817	9,105,707	7,655,662
Environmental services	9,669,039	10,178,296	8,768,019
Health services	232,459	254,194	278,600
Social and family services	81,576	134,422	94,796
Recreation and cultural services	7,001,680	8,579,813	7,299,380
Planning and development	1,713,716	5,166,008	2,614,960
Total expenses	37,880,425	47,251,229	38,696,319
Annual surplus	3,864,994	1,495,443	5,916,475
Accumulated surplus, beginning of year	184,893,392	184,893,392	178,976,917
Accumulated surplus, end of year	$ 188,758,386	$ 186,388,835	$184,893,392

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, 2022, with comparative information for 2021

	2022	2021
Annual surplus	$ 1,495,443	$ 5,916,475
Acquisition of tangible capital assets	(18,461,021)	(15,560,379)
Amortization of tangible capital assets	6,791,200	6,335,868
Contributed tangible capital assets	(88,105)	(228,077)
(Gain) loss on disposal of tangible capital assets	(463,533)	129,438
Proceeds on disposal of tangible capital assets	797,335	97,525
Change in inventories and prepaid expenses	(288,512)	(193,257)
Change in net financial assets	(10,217,193)	(3,502,407)
Net financial assets, beginning of year	16,114,144	19,616,551
Net financial assets, end of year	$ 5,896,951	$ 16,114,144

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, 2022 with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 1,495,443	$ 5,916,475
Items not involving cash		
Amortization of tangible capital assets	6,791,200	6,335,868
Net (gain) loss on disposal of tangible capital assets	(463,533)	129,438
Developer contributed tangible capital assets	(88,105)	(228,077)
Equity in Peninsula West Power Inc.(note 3)	(506,706)	(493,354)
Deferred revenue earned	(7,375,775)	(7,640,234)
Change in non-cash assets and liabilities:		
Increase (decrease) in accounts receivable	2,325,186	(1,147,420)
Increase (decrease) in water charges receivable	15,303	(102,776)
Decrease (increase) in taxes receivable	(103,574)	29,033
Increase (decrease) in accounts payable and accrued liabilities	3,501,950	(307,939)
Increase in employee benefits	14,801	43,120
Decrease in liability for site remediation	379,647	257,775
(Increase) decrease in other current liabilities	(753,446)	813,487
Decrease (increase) in recoverable long-term liabilities	6,312	(47,625)
(Increase) in inventories and prepaid expenses	(288,512)	(193,257)
Net change in cash used in operating activities	4,950,191	3,364,514
Capital activities:		
Proceeds on disposal of tangible capital assets	797,335	97,525
Cash used to acquire tangible capital assets	(18,461,021)	(15,560,379)
Net change in cash from capital activities	(17,663,686)	(15,462,854)
Investing activities:		
Dividend received from Peninsula West Power Inc. (note 3)	280,840	140,066
Decrease in investments	48,793	7,749,148
Net change in cash from investing activities	329,633	7,889,214
Financing activities:		
Obligatory deferred receipts	2,120,911	4,080,271
Long-term liability assumed	-	50,000
Long-term liability principal repayment	(468,745)	(544,873)
Construction advance (note 4)	11,162,500	-
Net change in cash from financing activities	12,814,666	3,585,398
Net change in cash	430,804	(623,728)
Cash, beginning of year	3,342,608	3,966,336
Cash, end of year	$ 3,773,412	$ 3,342,608
Cash paid for interest on long-term liabilities	$ 207,742	$ 221,759
Cash received for interest income	293,096	384,371

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:

Beamsville Central Business Improvement Area
Public Library Board (2021, and up to March 6, 2022)

Lincoln Pelham Union Public Library (from March 7, 2022, onward). Effective March 7, 2022, the Lincoln Pelham Union Public Library was established pursuant to and in accordance with the provisions of the Public Libraries Act to serve Lincoln and Pelham. This board is under the management and control of the union board as described in the *Public Libraries Act,* which is a corporation incorporated pursuant to the Non-for-Profit Corporations Act, 2010, S.O. 2010 C. 15. Lincoln and Pelham are responsible for their proportionate share of the operating budget based on population. For 2022, Pelham's portion is 42% and Lincoln's portion is 58%. The library facilities will remain the responsibility and asset of the respective municipality. Lincoln will proportionately consolidate its interest in the assets, liabilities and results of the equity as of the effective date.

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%.

1. Significant accounting policies (continued):

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.

(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.

1. Significant accounting policies (continued):

(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.

(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.

1. Significant accounting policies (continued):

(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.

(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 $16,191,892 (2021 - $16,240,685) reported on the Consolidated Statement of Financial Position at cost, have a market value of $14,627,173 (2021 - $15,975,156) at December 31, 2022.

3. Investment 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, 2022 and December 31, 2021. The Town owns 59% (2021 - 59%) of the outstanding shares of Peninsula West Power Inc.

Financial position:

		2022		2021
Current assets	$	1,717,662	$	1,646,498
Capital assets		69,265		79,889
Investment in Niagara Peninsula Energy Inc. (25.5% ownership)		37,784,856		36,873,000
Deferred tax asset		60,442		41,419
Total assets		39,632,225		38,640,806
Current liabilities		58,433		56,753
Other liabilities		6,287,246		5,680,330
Total liabilities		6,345,679		5,737,083
Net assets		33,286,546		32,903,723
Minority interest		(13,647,481)		(13,490,524)
Fair market value adjustment		(411,626)		(411,626)
Investment in Peninsula West Power Inc. Results of operations:	$	19,227,439	$	19,001,573

Results of operations:

		2022		2021
Revenues	$	215,604	$	171,920
Operating expenses		205,572		170,136
		10,032		1,784
Other items		848,791		834,409
Net income before the undernoted		858,823		836,193
Minority interest		(352,117)		(342,839)
Net income - Peninsula West Power Inc.	$	506,706	$	493,354

The equity in Peninsula West Power Inc.

		2022		2021
Opening balance	$	19,001,573	$	18,648,285
Net Income		506,706		493,354
Dividends received		(280,840)		(140,066)
Closing balance - Investment in Peninsula West Power Inc.	$	19,227,439	$	19,001,573

4. Construction advance:

In 2022 the Town approved a floating rate construction bridge loan in the amount of $11,162,500 (2021 – nil) issued by Infrastructure Ontario for capital works which incurs interest at Infrastructure Ontario's floating construction rate. The loan will be converted to a debenture when construction is substantially complete, which is expected in 2023.

5. Employee benefits:

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

	2022	2021
Vacation pay	$ 256,791	$ 299,290
Post-employment benefits	738,700	681,400
	$ 995,491	$ 980,690

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, 2020 using a discount rate of 2.4% (2021 - 2.4%). 2022 figures are an extrapolation of the December 31, 2020 actuarial report.

Defined benefit plan information:

	2022	2021
Accrued benefit obligation:		
Balance, beginning of year	$ 699,400	$ 629,600
Current benefit cost	90,900	88,800
Interest	18,300	16,800
Actuarial loss	-	–
Benefits paid	(51,900)	(35,800)
Balance, end of year	756,700	699,400
Unamortized actuarial (loss) gain	(18,000)	(18,000)
Accrued benefit liability, end of year	$ 738,700	$ 681,400

5. Employee benefits (continued):

Included in expense in the Consolidated Statement of Operations is $Nil (2021 - $Nil) 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 2022, 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.

6. 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 $3,675,875 (2021 - $2,774,332). 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 $1,624,828 (2021 - $1,227,822) using a discount rate of 2% (2021 - 2%). The Town has also recognized $8,200 (2021 - $25,559) within liability for site remediation for three potential sites where remediation may be required in the future.

7. Deferred revenue:

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

	2022	2021
Development Charges Act	$ 1,634,380	$ 4,830,675
Aggregate Resources Act	-	239,333
CCBF (Federal Gasoline Tax)	851,310	2,011,274
Canada Cultural Spaces Fund	705,833	806,667
Other deferred revenue (Planning Act, Building Code Act & Other)	2,077,296	2,635,734
Balance, end of year	$ 5,268,819	$ 10,523,683

The continuity of obligatory reserve funds are summarized below:

	2022	2021
Balance, beginning of year	$ 10,523,683	$ 14,083,646
Contributions from:		
Development Charges Act	819,361	1,547,126
Recreational land (Planning Act)	217,900	148,700
Aggregate Resources Act	209,360	218,664
Building Permit Fees (Building Code Act)	-	464,283
CCBF (Federal Gasoline Tax)	754,408	1,479,643
Canada Cultural Spaces Fund	-	75,000
Other grants	5,840	-
Interest earned	114,042	146,855
Total revenue	2,120,911	4,080,271
Revenue earned	(7,375,775)	(7,640,234)
Balance, end of year	$ 5,268,819	$ 10,523,683

8. Net long-term liabilities:

(a) Net long-term liabilities is $6,795,397 (2021 – $7,257,830) which is made up of the following:

	2022	2021
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:	$ 6,853,279	$ 7,322,024
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:	(57,882)	(64,194)
	$ 6,795,397	$ 7,257,830

(b) The annual principal repayments subsequent to December 31, 2022 are as follows:

2023	$ 468,647
2024	301,210
2025	303,867
2026	306,612
2027	309,448
Thereafter	5,105,613
	$ 6,795,397

(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, 2022 is $57,882 (2021 - $64,194).

8. Net long-term liabilities (continued):

(e) Total interest on net long-term liabilities which are reported on the Consolidated Statement of Operations amounted to $203,890 in 2022 (2021 - $220,765). The long-term liabilities bear interest at rates ranging from 1.04% to 2.18%. 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, 2022.

9. Tangible capital assets:

2022	Land	Land Improvements	Buildings & Components	Linear Assets	Machinery & Equipment	Furniture & Fixtures	Work in Progress	Total
Cost								
Balance, beginning of year	$ 23,547,887	$ 13,189,945	$ 38,129,999	$ 174,275,452	$ 17,553,781	$ 4,529,620	$ 6,754,272	$ 277,980,956
Additions (transfers)	57,562	948,622	33,477	11,549,642	2,100,855	461,288	6,582,551	21,733,997
Disposals	(2,317)	(4,530)	(116,183)	(1,040,472)	(284,306)	(706,958)	(3,184,871)	(5,339,637)
Balance, end of year	23,603,132	14,134,037	38,047,293	184,784,622	19,370,330	4,283,950	10,151,952	294,375,316
Accumulated Amortization								
Balance, beginning of year	-	3,342,640	13,544,971	82,386,055	7,832,777	2,754,973	-	109,861,416
Amortization Expense	-	620,025	977,693	3,578,126	1,093,426	521,930	-	6,791,200
Disposals	-	(4,530)	(95,837)	(784,991)	(274,354)	(661,252)	-	(1,820,964)
Balance, end of year	-	3,958,135	14,426,827	85,179,190	8,651,849	2,615,651	-	114,831,652
Net Book Value, end of year	23,603,132	10,175,902	23,620,466	99,605,432	10,718,481	1,668,299	10,151,952	179,543,664
Net Book Value, December 31, 2021	23,547,887	9,847,305	24,585,028	91,889,397	9,721,004	1,774,647	6,754,272	168,119,540

9. Tangible capital assets (continued):

(a) Work-in-progress:

Work-in-progress has a value of $10,151,951 (2021 - $6,754,272) 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 $88,105 (2021 - $228,077).

(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 (2021 - $nil).

10. Accumulated surplus:

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

	2022	2021
Surplus:		
Invested in tangible capital assets	$ 179,543,664	$ 168,119,540
Unfunded capital	(2,478,153)	(5,021,295)
Operating surplus – BIA	57,290	50,643
Equity in Peninsula West Power Inc.	19,227,439	19,001,573
Unfunded:		
Long-term debentures	(6,795,397)	(7,257,830)
Construction Advance	(11,162,500)	-
Employee future benefits	(995,491)	(980,690)
Liability for site remediation	(1,633,028)	(1,253,381)
Other	(1,655,366)	(3,685,752)
	174,108,458	168,972,808
Reserves and Reserve Funds set aside by Council:		
Tax rate stabilization reserve	(973,495)	1,920,160
Cultural services reserve	172,472	-
Water main replacement	2,534,862	2,157,430
Wastewater main replacement	3,671,936	5,451,524
West Lincoln Memorial Hospital (note 14)	2,386,084	2,261,783
Buildings and facilities	-	964,521
Infrastructure	3,740,393	2,046,608
Technology modernization	396,865	746,600
Community improvement plans	-	312,613
Special purposes	351,260	59,345
Total Reserves and reserve funds	12,280,377	15,920,584
Total	$ 186,388,835	$ 184,893,392

11. 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 is $25,000 and expected to be collected in 2023.

12. Trust funds:

Trust funds administered by the Town amounting to $2,259,470 (2021 - $2,257,504) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

13. 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 2022 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 2022 was $1,081,413 (2021 - $983,320) 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, 2022.

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 $6.7 billion as at December 31, 2022 (2021 – deficit of $3.1 billion) based on an actuarial valuation of plan assets.

14. 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.

15. Commitments:

The Town has committed $8,000,000 to the West Lincoln Memorial Hospital Foundation for the purpose of construction of a new hospital. Town Council has committed to work with the Town of Grimsby, the 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, and the Town of Lincoln's portion is $8,000,000. At December 31, 2022, the WLMH reserve fund has a balance of $2,386,084 (2021 - $2,261,783). It is anticipated that the Town of Lincoln's contribution above the balance in the WLMH reserve fund will be debentured over thirty years and addressed through future budget cycles.

16. Grants:

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	2022	2021
Municipal grants:			
Region of Niagara	$ 360,000	$ 379,540	$ 432,122
Provincial grants:			
Other	-	195,981	130,230
Ontario Municipal Partnership Fund	224,300	227,000	229,300
Covid Recovery Grant	-	-	571,968
Senior Centre Long Term Care	32,000	57,163	127,989
Skills Development Fund	-	2,344,957	-
Library	42,080	45,335	40,880
Museum	25,000	39,199	45,504
OCIF	-	1,288,866	616,612
	323,380	4,198,501	1,762,483
Federal grants:			
Other	3,000	68,569	62,560
Canada Community Building Fund	1,937,116	1,937,116	377,346
ICIP Resilience Fund	-	-	512,187
Museum	20,000	296,640	100,833
	1,960,116	2,302,325	1,052,926
Total revenues	2,643,496	6,880,366	3,247,531

17. 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.

17. 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.

17. Segmented information (continued):

	2022								
	General Government	Protection to Persons & Property	Transportation Services	Environmental Services	Health Services	Social & Family Services	Recreation & Cultural Services	Planning & Development Services	Total
REVENUES									
Property taxation	$ 7,151,765	$ 3,961,099	$ 1,770,366	$ -	$ 66,734	$ 83,092	$ 6,465,789	$ 1,749,093	$ 21,247,938
User fees	114,381	1,141,313	62,337	9,972,279	152,636	-	1,003,417	720,421	13,166,784
Government grants									
Municipal	25,000	-	147,540	162,000	-	-	-	45,000	379,540
Provincial	283,802	-	1,358,442	-	-	57,163	146,759	2,352,335	4,198,501
Federal	7,048	-	1,944,395	-	-	-	321,279	29,603	2,302,325
Investment income	254,754	-	-	-	-	-	-	-	254,754
Penalties and interest	539,288	-	-	-	-	-	-	-	539,288
Developer contributions	-	-	3,491,524	47,982	-	-	900,030	89,586	4,529,122
Developer contributed assets	88,105	-	-	-	-	-	-	-	88,105
Equity in Peninsula West Inc.	506,706	-	-	-	-	-	-	-	506,706
Sundry	534,817	4,767	455,372	-	39,508	-	196,399	302,746	1,533,609
Total revenue	9,505,666	5,107,179	9,229,976	10,182,261	258,878	140,255	9,033,673	5,288,784	48,746,672
EXPENSES									
Salaries, wages and employee benefits	3,197,534	3,303,163	2,919,695	1,561,461	219,749	25,602	4,535,539	1,419,106	17,181,849
Purchased goods	2,532,320	617,378	1,372,846	315,797	27,466	62,759	1,419,234	301,205	6,649,005
Purchased services	1,642,881	335,156	1,265,021	7,160,706	213	22,847	1,109,287	3,433,737	14,969,848
Financial expenses	1,090,994	25,798	318,066	32,025	-	-	132,117	7,552	1,606,552
Transfers to others	23,000	1,472	-	-	-	1,500	22,395	4,408	52,775
Amortization expense	516,926	546,167	3,230,079	1,108,307	6,766	21,714	1,361,241	-	6,791,200
Total expenses	9,003,655	4,829,134	9,105,707	10,178,296	254,194	134,422	8,579,813	5,166,008	47,251,229
Surplus (Deficit)	502,011	278,045	124,269	3,965	4,684	5,833	453,860	122,776	1,495,443

17. 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
REVENUES									
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	9,696,325	200,724	190	511,385	661,935	12,186,609
Government grants									
Municipal	167,122	-	616,612	-	-	-	250,000	15,000	1,048,734
Provincial	814,139	-	377,346	-	-	127,989	144,712	59,031	1,523,217
Federal	-	-	-	-	-	-	671,689	3,891	675,580
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
Equity In Peninsula West Inc.	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	11,057,657	284,679	128,179	7,883,967	3,002,898	44,612,794
EXPENSES									
Salaries, w ages and employee benefits	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	5,890,904	9,748	25,079	529,771	464,946	9,533,178
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	8,768,019	278,600	94,796	7,299,380	2,614,960	38,696,319
Surplus (Deficit)	981,375	659,985	973,490	2,289,638	6,079	33,383	584,587	387,938	5,916,475

18. Budget data:

Budget data presented in these consolidated financial statements are based upon the 2022 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	$ 30,197,320
Capital, approved	34,529,239
Less:	
Transfers from other funds	(34,459,658)
Reclassification between revenue and expenses	4,203,577
Add:	
Developer contributions and government grants	7,274,941
Total revenue	41,745,419
Expenses & Transfers:	
Operating, approved	
Expenses	$ 24,813,362
Agencies, Boards, Commissions (ABCs)	1,164,054
Transfers	4,219,904
Capital, approved	34,529,239
Less:	
Reclassification between revenue and expenses	4,203,577
Capital expenses	(34,529,239)
Transfers to other funds	(3,311,673)
Add:	
Amortization of tangible capital assets	6,791,200
Total expenses	37,880,425
Net budgeted surplus	$ 3,864,994
Actual annual surplus as per Consolidated Statement of Operations	$ 1,495,443

19. Lincoln Pelham Union Public Library:

Statement of Operations for the year ended December 31, 2022

	Budget	2022	2021
Operating Revenue:			
Provincial Operating Funding:			
Public Library Operating Grant (PLOG)	27,394	27,394	27,394
Pay Equity Grant	13,486	13,486	13,486
Local Operating Funding - Town of Lincoln	1,164,054	1,164,054	1,147,538
Project Grants:			
Ontario Grants - Conditional	1,200	4,455	12,408
Federal Grants	3,000	9,497	4,075
Other Grants	-	10,835	33,234
Donations	15,000	6,226	6,789
Self Generated Revenue	9,500	12,657	11,150
Debt Services and Reserve Fund Revenues	10,000	10,000	10,945
Capital Revenue:			
Federal - ICIP Resiliance Grant	-	-	46,503
Provincial - ICIP Resiliance Grant	-	-	11,625
Total Revenues	1,243,634	1,258,604	1,325,147
Operating Expenditures:			
Materials Expenditures:			
General	79,000	75,853	102,629
Electronic	62,000	28,851	35,930
Staffing	994,528	964,500	930,944
Staff Training	10,000	7,066	13,099
Facilities/Utilities	6,800	7,319	6,116
Telecommunications Costs:			
Telephone and Fax	5,100	3,957	9,560
Dedicated Internet Connectivity Costs	12,600	5,049	1,312
Computer services	-	14,300	16,296
Transfers to Reserve	16,106	-	23,893
Other:			
Consulting Services	5,000	1,315	6,633
Library Board Expenses	1,000	1,232	465
Marketing, Printing, Advertising	6,000	10,965	4,623
Mileage	2,500	2,020	2,078
Office Supplies and Equipment	12,000	15,684	16,814
Postage and Courier	8,000	4,351	9,115
General Purchases	1,000	3,189	1,853
Interfunctional IT	-	6,327	-
Capital Expenditures			
Contracted Services - Capital	22,000	42,724	59,369
Total Expenditures	1,243,634	1,194,702	1,240,729
Annual Surplus (Deficit)	-	63,902	84,418