

**The Corporation of the Municipality of  
Lambton Shores**

**Consolidated Financial Statements**

**For the year ended December 31, 2011**

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Consolidated Financial Statements  
For the year ended December 31, 2011

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## Independent Auditor's Report

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### **To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Municipality of Lambton Shores**

We have audited the accompanying consolidated financial statements of The Corporation of the Municipality of Lambton Shores, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statement of operations, consolidated statement of change in net debt and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

#### **Auditor's Responsibility**

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

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

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



**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Municipality of Lambton Shores as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Canada LLP*

Chartered Accountants, Licenced Public Accountants

Sarnia, Ontario  
August 7, 2012

**The Corporation of the Municipality of Lambton Shores**  
**Consolidated Statement of Financial Position**

**December 31** **2011** **2010**

**Financial assets**

Cash and cash equivalents (Note 1)	\$ 4,649,494	\$ 4,139,270
Taxes receivable	1,814,775	1,790,007
Accounts receivable	3,862,108	3,742,036
Portfolio investments (Note 2)	242,677	249,165
Inventories for resale	44,010	61,460
Due from trust funds	7,956	16,200
Long-term receivables	<u>360,316</u>	<u>363,504</u>
	<u>10,981,336</u>	<u>10,361,642</u>

**Liabilities**

Accounts payable and accrued liabilities	1,568,977	2,634,720
Other liabilities	973,443	795,384
Deferred revenue (Note 3)	1,785,389	1,692,465
Net long-term debt (Note 4)	<u>21,699,353</u>	<u>20,833,994</u>
	<u>26,027,162</u>	<u>25,956,563</u>

**Net debt**

(15,045,826) (15,594,921)

**Non-financial assets**

Tangible capital assets (Note 5)	150,026,458	148,976,347
Prepaid expenses and inventories of supplies	<u>92,603</u>	<u>88,977</u>
	<u>150,119,061</u>	<u>149,065,324</u>

**Accumulated surplus (Note 6)** **\$ 135,073,235** **\$ 133,470,403**

**Contingent liabilities (Note 10)**

\_\_\_\_\_ Treasurer \_\_\_\_\_ Mayor

**The Corporation of the Municipality of Lambton Shores  
Consolidated Statement of Operations**

For the year ended December 31	Budget 2011	2011	2010
	(Note 14)		
<b>Revenue</b>			
Taxation	\$ 8,745,269	\$ 8,634,382	\$ 8,110,735
Government grants - Federal	3,685,903	390,293	3,974,271
Government grants - Provincial	5,738,018	2,098,868	6,624,768
Municipal grants	151,716	158,253	151,184
User fees and service charges	9,381,464	6,816,866	8,078,486
Other (Note 8)	1,141,596	2,549,772	1,239,926
	<u>28,843,966</u>	<u>20,648,434</u>	<u>28,179,370</u>
<b>Expenses</b>			
General government	2,651,557	2,574,586	2,944,036
Protection services	3,668,066	3,520,085	3,300,720
Transportation services	2,909,836	3,085,547	3,486,126
Environmental services	5,330,448	5,655,907	5,646,154
Health services	82,184	83,843	76,137
Harbour	467,441	517,845	467,135
Recreation and cultural services	2,981,632	3,014,946	2,773,407
Planning and development	371,908	592,843	533,638
	<u>18,463,072</u>	<u>19,045,602</u>	<u>19,227,353</u>
<b>Annual surplus</b>	<u>10,380,894</u>	<u>1,602,832</u>	<u>8,952,017</u>
<b>Accumulated surplus, beginning of year</b>	<u>133,470,403</u>	<u>133,470,403</u>	<u>124,518,386</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 143,851,297</u>	<u>\$ 135,073,235</u>	<u>\$ 133,470,403</u>

**The Corporation of the Municipality of Lambton Shores**  
**Consolidated Statement of Change in Net Debt**

<b>For the year ended December 31</b>	<b>Budget 2011</b>	<b>2011</b>	<b>2010</b>
	(Note 14)		
<b>Annual surplus</b>	<b>\$ 10,380,894</b>	<b>\$ 1,602,832</b>	<b>\$ 8,952,017</b>
Acquisition of tangible capital assets	-	(4,906,311)	(14,334,646)
Amortization of tangible capital assets	-	3,802,339	3,492,206
Loss on disposal or sale of tangible capital assets	-	109,673	588,285
Share of LAWSS adjustment	-	(55,812)	18,856
	<b>10,380,894</b>	<b>552,721</b>	<b>(1,283,282)</b>
Usage (acquisition) of prepaid expenses and inventory of supplies	-	(3,626)	100,805
<b>Net change in net debt</b>	<b>10,380,894</b>	<b>549,095</b>	<b>(1,182,477)</b>
<b>Net debt, beginning of year</b>	<b>(15,594,921)</b>	<b>(15,594,921)</b>	<b>(14,412,444)</b>
<b>Net debt, end of year</b>	<b>\$ (5,214,027)</b>	<b>\$ (15,045,826)</b>	<b>\$ (15,594,921)</b>

**The Corporation of the Municipality of Lambton Shores**  
**Consolidated Statement of Cash Flows**

For the year ended December 31	2011	2010
<b>Operating activities</b>		
Annual surplus	\$ 1,602,832	\$ 8,952,017
Items not involving cash		
Amortization	3,802,339	3,492,206
Loss on disposal or sale of tangible capital assets	109,673	588,285
<b>Changes in non-cash operating balances</b>		
Taxes receivable	(24,768)	(257,596)
Accounts receivable	(120,072)	614,917
Inventories for resale	17,450	13,391
Prepaid expenses and inventories of supplies	(3,626)	100,805
Accounts payable and accrued liabilities	(1,065,743)	124,278
Long-term receivables	3,188	303,996
Due from trust funds	8,244	(9,868)
Other liabilities	178,059	309,575
Deferred revenue	92,924	(1,551,117)
	<u>4,600,500</u>	<u>12,680,889</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(4,906,311)	(14,334,646)
Share of LAWSS adjustment	(55,812)	18,856
	<u>(4,962,123)</u>	<u>(14,315,790)</u>
<b>Investing activities</b>		
Decrease in portfolio investments	6,488	87,961
<b>Financing activities</b>		
Proceeds from issuance of long-term debt	2,000,000	3,900,000
Repayment of long-term debt	(1,134,641)	(1,143,305)
	<u>865,359</u>	<u>2,756,695</u>
<b>Increase in cash and cash equivalents</b>	<b>510,224</b>	<b>1,209,755</b>
Cash and cash equivalents, beginning of year	<u>4,139,270</u>	<u>2,929,515</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,649,494</b>	<b>\$ 4,139,270</b>



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# The Corporation of the Municipality of Lambton Shores

## Summary of Significant Accounting Policies

December 31, 2011

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

The consolidated financial statements of the Municipality are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The Corporation of the Municipality of Lambton Shores (the "Municipality") is a municipality in the Province of Ontario and operates under the provisions of the Community Charter. The Municipality provides municipal services such as fire, public works, planning, parks, recreation and other general government services.

**Basis of Consolidation**

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the Municipality. The following entities have been consolidated:

Forest Town Centre Business Improvement Area	100%
Arkona Cemetery	100%
Lambton Shores Fire Board	100%

All inter-entity transactions and balances have been eliminated.

**Joint Local Board**

The Lambton Area Water Supply System (LAWSS) has been consolidated on a proportionate basis based upon the water flow of the municipality in proportion to the entire flows provided by the joint board for the previous year. Under the proportionate consolidation method, the municipality's pro rata share of each of the assets, liabilities, revenues and expenditures of the board are consolidated with similar items in the municipality's financial statements. For 2011, the municipality's share of the System was 2.62% (2010 - 2.56%). Material inter-organizational transactions and balances have been eliminated.

**Portfolio Investments**

Portfolio investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

**Inventories for resale**

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

**Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to operations as incurred.

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# The Corporation of the Municipality of Lambton Shores

## Summary of Significant Accounting Policies

**December 31, 2011**

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**Basis of Accounting** The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

**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. The change in non-financial assets during the year, together with the annual surplus, provides the change in net debt for the year.

**Tangible Capital Assets** Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, interest paid during the construction period, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing the year after it is capitalized as follows:

Buildings	15 to 95 years
Equipment	5 to 35 years
Infrastructure transportation	5 to 60 years
Infrastructure environmental	30 to 100 years
Land improvements	10 to 50 years
Rolling stock	10 to 25 years

Work in progress is not amortized until the asset is available for productive use, at which time it is capitalized.

**Collection of Taxes on Behalf of Other Taxation Authorities** The Municipality collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements.

The entities, the Municipality collects taxation revenue on behalf of are as follows:

- The Corporation of the County of Lambton
- Lambton Kent District School Board
- St. Clair District Catholic School Board
- Le Conseil Scolaire De District Du Centre-Sud-Ouest
- Conseil Scolaire De District Des Ecoles

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# The Corporation of the Municipality of Lambton Shores

## Summary of Significant Accounting Policies

**December 31, 2011**

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**Trust Funds** Trust funds held in trust by the Municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately.

**Retirement Benefits and  
Other Employee  
Benefit Plans**

The Municipality's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.

**Deferred Revenue**

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

**Government Transfers**

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

**Revenue Recognition**

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services, the requisition made by the County of Lambton in respect of County services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Part of the assessment process are supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the municipality determines the taxes applicable and renders supplementary billings. Taxation revenue is recorded at the time tax billings are issued. Assessments and related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when grant monies have been received or are receivable.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

Sales of service and other revenue is recognized when the amount is determinable, collectibility is assured and the services provided.

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**The Corporation of the Municipality of Lambton Shores**  
**Summary of Significant Accounting Policies**

**December 31, 2011**

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**Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

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# The Corporation of the Municipality of Lambton Shores

## Notes to Consolidated Financial Statements

**December 31, 2011**

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### 1. Cash and Cash Equivalents

The Municipality's bank accounts are maintained at two chartered banks and earn interest at rates from 0% to the bank's prime rate less 1.75%. The Municipality has established a bank operating line of credit of up to \$ 2,000,000 bearing interest at the bank's prime rate minus 0.15%. At December 31, 2011, the Municipality had not accessed the line of credit.

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### 2. Portfolio Investments

	<u>2011</u>	<u>2010</u>
0.50% to 3.50% GIC, due December 11, 2012	\$ 111,403	\$ 111,403
1.80% to 5.25% GIC, due March 6, 2012	115,000	115,000
Money Market Fund (interest 0.66% in 2011)	11,009	17,497
Sun Life Financial, 150 Common Shares	5,265	5,265
	<u>\$ 242,677</u>	<u>\$ 249,165</u>

The income from portfolio investments for the year was \$5,959 (2010 - \$6,479). The carrying value and market value of the Municipality's guaranteed investment certificates (GIC's) and money market fund was \$237,412 (2010 - \$243,900). The Sun Life Financial common shares are recorded at cost. The market value of the shares at December 31, 2011 was \$2,835 (2010 - \$4,551).

**The Corporation of the Municipality of Lambton Shores**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

**3. Deferred Revenue**

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 146,824	\$ 342,027	\$ 1,164	\$ (347,365)	\$ 142,650
Development charges	974,655	223,089	12,981	(125,678)	1,085,047
Infrastructure programs	480,235	10,666	105	(30,968)	460,038
Parkland dedication	88,878	6,750	479	-	96,107
Deposits	1,873	-	-	(326)	1,547
	<u>\$ 1,692,465</u>	<u>\$ 582,532</u>	<u>\$ 14,729</u>	<u>\$ (504,337)</u>	<u>\$ 1,785,389</u>

Federal gas tax

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Municipality and the Association of Municipalities of Ontario. Gas tax funding may be used towards designated community energy systems, public transit, water, wastewater, solid waste, capacity building projects and local roads and bridges as specified in the funding agreements.

Development charges

Development charges are collected as per municipal by-law and background study and are allocated to the designated projects therein.

Infrastructure programs

Funding is received for identified projects and allocated to the expense or capital asset as incurred.

Parkland dedication

Funds are collected from developers for the purchase and upgrade of parkland and are allocated to expense or capital asset as incurred.

Deposits

Miscellaneous deposits and pre-payments are for projects in progress and are allocated to the expense or capital asset as incurred.

**The Corporation of the Municipality of Lambton Shores**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

**4. Net Long-term Debt**

Net long-term debt reported on the consolidated statement of financial position is comprised of the following:

	<u>2011</u>	<u>2010</u>
Loan payable (re Industrial Park), 6.01%, payable \$11,437 principal and interest quarterly, due August 2012	\$ 33,306	\$ 75,458
Loan payable (re Port Franks Marina), 6.04% payable \$7,953, principal and interest quarterly, due August 2012	23,157	52,458
Loan payable (re Parking Lot - Grand Bend), 5.12% payable \$35,568 principal and interest quarterly, due September 2016	1,470,424	1,535,671
Loan payable (re waterline), 4.75%, payable \$146,778 principal and interest semi-annually, due October 2, 2013	2,661,737	2,823,090
Loan payable (re The Shores Recreation Centre), 5.22%, payable \$107,083 principal and interest semi-annually, due September 15, 2033	2,782,301	2,848,623
Loan payable (re School/Recreation Centre Grand Bend), 5.09%, payable \$15,539 principal and interest quarterly, due June 2014	145,044	198,117
Loan payable (re Sewer Loan Forest/Water Loan, Arkona), 5.46%, payable \$4,441 principal and interest monthly, due August 2013	84,723	131,986
Loan payable (re Lambton Area Water Supply System), 6.25% to 8%, with repayments based on system usage, as described hereinafter	427,112	470,400
Loan payable (re sewer forcemain) prime minus 0.15%, payable \$23,333 principal plus interest quarterly, due on demand	1,306,667	1,400,000
Loan payable (re roads and Port Franks Community Centre), 6.62%, payable \$43,079 principal and interest quarterly, due January 2011	-	42,377
Loan payable (re Phase IV waterline), with interest rate and repayment terms to be negotiated with Ontario Strategic Infrastructure Financing Authority	3,500,000	3,500,000

**The Corporation of the Municipality of Lambton Shores**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

**4. Net Long-Term Debt (continued)**

Loan payable (re Beach Enhancement), 3.97%, payable \$91,602 principal and interest semi-annually, due June 2020	<b>1,310,812</b>	1,438,173
Loan payable (re water expansion), 2.37%, payable \$199,019 principal and interest semi-annually, due February 2021	<b>3,368,135</b>	3,680,779
Debenture payable (re sewer - Grand Bend), 6.375%, payable \$15,000 principal plus interest annually, due June 2013	<b>30,000</b>	45,000
Loan payable, (re waterline Thedford), 6.04%, payable \$7,836 principal and interest quarterly, due August 2012	<b>22,816</b>	51,685
Loan payable (re Parkhill Secondary Waterline), 6.98%, with repayments based on system usage, as described hereinafter	<b>33,119</b>	40,177
Loan payable (re Legacy Centre), with interest rate and repayment terms to be negotiated with Ontario Strategic Infrastructure Financing Authority	<b>4,500,000</b>	2,500,000
	<b><u>\$ 21,699,353</u></b>	<b><u>\$ 20,833,994</u></b>

Principal repayments relating to net long term debt outstanding are due as follows:

	<u>Principal Repayments</u>
2012	\$ 3,970,256
2013	1,224,792
2014	1,187,889
2015	1,188,112
2016	1,232,510
2017 to 2021	6,010,341
Thereafter	<u>6,885,453</u>
	<b><u>\$ 21,699,353</u></b>

The gross interest paid relating to the Municipality's long-term debt was \$719,414 (2010 - \$645,470).



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# The Corporation of the Municipality of Lambton Shores

## Notes to Consolidated Financial Statements

December 31, 2011

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#### 4. Net Long-Term Debt (continued)

The responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals. At the end of the year, the outstanding principal amount of the liability is \$47,480 (2010 - \$87,160). The amount is not recorded in the "Consolidated Statement of Financial Position".

Annual principal and interest payments for the Corporation of the Municipality of Lambton Shores' municipal debt relating to the Lambton Area Water Supply System issued by the Corporation of the County of Lambton on behalf of the Corporation of the Municipality of Lambton Shores are determined by the Municipality's percentage of the total water flow in the system during the previous year. The Corporation of the Municipality of Lambton Shores' share of the municipal debt issued by the Corporation of the County of Lambton was \$427,112 (2010 - \$470,400), which represents 2.62% (2010 - 2.56%) of the municipal debt issued by the Corporation of the County of Lambton for the Lambton Area Water Supply System. The future principal payments relating to the Municipality's share of this municipal debt are based on the assumption that the Municipality's share of the municipal debt will remain at 2.62%.

Annual principal and interest payments for the Corporation of the Municipality of Lambton Shores' municipal debt relating to the Parkhill Secondary Waterline Debt issued by the Municipality of North Middlesex on behalf of the Corporation of the Municipality of Lambton Shores are determined by the Municipality's percentage of the total water flow in the system during the previous year. The Corporation of the Municipality of Lambton Shores' share of the municipal debt issued by the Municipality of North Middlesex was \$33,119 (2010 - \$40,177) which represents 8.76% (2010 - 8.393%) of the municipal debt issued by the Municipality of North Middlesex for the Parkhill Secondary Waterline Debt. The future principal repayments relating to the Municipality's share of this municipal debt are based on the assumption that the Municipality's share of the municipal debt will remain at 8.76%.

The annual principal and interest payments required to service the net long-term liabilities of the municipality are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

**The Corporation of the Municipality of Lambton Shores**  
Notes to Consolidated Financial Statements

December 31, 2011

**5. Tangible Capital Assets**

	2011										
	Land	Buildings	Equipment	Infrastructure Transportation	Infrastructure Environmental	Land Improvements	Rolling Stock	Work in Progress	Total		
Cost, beginning of year	\$ 7,216,307	\$ 17,430,642	\$ 2,106,801	\$ 46,196,732	\$ 91,545,380	\$ 13,570,837	\$ 5,541,458	\$ 7,805,758	\$ 191,413,915		
Additions	90,295	8,611,483	257,675	856,002	657,820	132,060	574,024	233,391	11,412,750		
Disposals		(734,383)	(23,000)	(125,390)	(37,864)	(173,506)	(212,207)	(6,506,439)	(7,812,789)		
Other	763	23,965	22	-	50,115	405	-	139	75,409		
Cost, end of year	\$ 7,307,365	\$ 25,331,707	\$ 2,341,498	\$ 46,927,344	\$ 92,215,451	\$ 13,529,796	\$ 5,903,275	\$ 1,532,849	\$ 195,089,285		
Accumulated amortization, beginning of year	\$ -	\$ 5,265,803	\$ 699,500	\$ 12,551,742	\$ 16,565,076	\$ 4,435,119	\$ 2,920,328	\$ -	\$ 42,437,568		
Amortization	-	472,892	161,318	1,052,714	1,280,220	496,664	338,531	-	3,802,339		
Disposals	-	(667,093)	(23,000)	(108,754)	(12,117)	(173,506)	(212,207)	-	(1,196,677)		
Other	-	8,236	12	-	11,046	303	-	-	19,597		
Accumulated amortization, end of year	\$ -	\$ 5,079,838	\$ 837,830	\$ 13,495,702	\$ 17,844,225	\$ 4,758,580	\$ 3,046,652	\$ -	\$ 45,062,827		
Net carrying amount, end of year	\$ 7,307,365	\$ 20,251,869	\$ 1,503,668	\$ 33,431,642	\$ 74,371,226	\$ 8,771,216	\$ 2,856,623	\$ 1,532,849	\$ 150,026,458		

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$1,532,849 (2010 - \$7,805,758). Contributed capital assets of \$934,597 in 2011 (2010 - \$nil) were recognized in the financial statements during the year. The Municipality holds various works of art and historical treasures. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

The municipality capitalized interest costs of \$nil (2010 - \$nil) associated with the acquisition or construction of a tangible capital asset.

**The Corporation of the Municipality of Lambton Shores**  
Notes to Consolidated Financial Statements

**December 31, 2011**

**5. Tangible Capital Assets (continued)**

	2010									
	Land	Buildings	Equipment	Infrastructure Transportation	Infrastructure Environmental	Land Improvements	Rolling Stock	Work in Progress	Total	
Cost, beginning of year	\$ 7,216,561	\$ 17,422,821	\$ 1,937,547	\$ 40,163,984	\$ 87,266,121	\$ 11,748,748	\$ 5,461,716	\$ 7,533,162	\$ 178,750,660	
Additions	-	15,740	209,128	6,937,353	4,997,863	1,822,224	79,742	6,209,752	20,271,802	
Disposals	-	-	(39,866)	(904,605)	(701,899)	-	-	(5,937,156)	(7,583,526)	
Other	(254)	(7,919)	(8)	-	(16,705)	(135)	-	-	(25,021)	
Cost, end of year	\$ 7,216,307	\$ 17,430,642	\$ 2,106,801	\$ 46,196,732	\$ 91,545,380	\$ 13,570,837	\$ 5,541,458	\$ 7,805,758	\$ 191,413,915	
Accumulated amortization, beginning of year	\$ -	\$ 4,795,523	\$ 583,899	\$ 12,357,198	\$ 15,685,515	\$ 4,005,312	\$ 2,582,165	\$ -	\$ 40,009,612	
Amortization	-	472,829	155,472	867,854	1,227,984	429,904	338,163	-	3,492,206	
Disposals	-	-	(39,867)	(673,310)	(344,908)	-	-	-	(1,058,085)	
Other	-	(2,549)	(4)	-	(3,515)	(97)	-	-	(6,165)	
Accumulated amortization, end of year	\$ -	\$ 5,265,803	\$ 699,500	\$ 12,551,742	\$ 16,565,076	\$ 4,435,119	\$ 2,920,328	\$ -	\$ 42,437,568	
Net carrying amount, end of year	\$ 7,216,307	\$ 12,164,839	\$ 1,407,301	\$ 33,644,990	\$ 74,980,304	\$ 9,135,718	\$ 2,621,130	\$ 7,805,758	\$ 148,976,347	

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$7,805,758 (2009 - \$7,533,162). Contributed capital assets of \$Nil in 2010 (2009 - \$8,000) were recognized in the financial statements during the year. The Municipality holds various works of art and historical treasures. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

The municipality capitalized interest costs of \$nil (2009 - \$146,663) associated with the acquisition or construction of a tangible capital asset.

**The Corporation of the Municipality of Lambton Shores**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

**6. Accumulated Surplus**

The Municipality segregates its accumulated surplus into the following categories:

	<u>2011</u>	<u>2010</u>
Investment in tangible capital assets	\$ 150,026,458	\$ 148,976,347
Current Funds	1,591,441	622,792
Reserves		
Working Funds	138,786	258,786
Contingencies	22,312	22,312
Acquisition of capital assets - real property	39,784	39,784
Road purposes	2,885	11,885
Water	7,425	7,425
Sewer	263,365	263,365
Acquisition of capital assets - vehicle and equipment	18,526	18,526
Forest Town Centre Business Improvement Area	2,360	2,360
Lambton Area Water Supply System	82,454	73,610
Reserve Funds		
Working funds	371,853	384,162
Equipment replacement - fire	212,340	307,601
Road purposes	503,268	131,857
Acquisition of capital assets - vehicle and equipment	244,443	254,929
Water	2,049,418	1,644,990
Acquisition of capital assets - real property	133,061	147,316
Sewer	564,997	627,918
Protection to persons	76,064	75,697
Cemetery memorial fund	58,778	61,546
Beach enhancement capital	15,578	15,503
Beach house debt	13,570	29,252
Parking	5,003	-
Road name change	17,242	17,159
Erosion control	6,473	6,441
Accessibility	8,447	8,406
Information technology	18,501	6,250
Recreation	258,444	273,934
Building department - vehicle and equipment	19,312	14,244
Unfunded		
Long-term debt	(21,699,353)	(20,833,994)
	<u>\$ 135,073,235</u>	<u>\$ 133,470,403</u>

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by by-law or Council resolution for specific purposes.

**The Corporation of the Municipality of Lambton Shores**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

**7. Joint Local Board Consolidation - Lambton Area Water Supply System (LAWSS)**

The following summarizes the financial position and operations of Lambton Area Water Supply System (LAWSS) which has been reported in these financial statements using the proportionate consolidation method.

The consolidated financial statements include the municipality's 2.62% (2010 - 2.56%) proportionate interest of the following:

	2011	2010
Statement of Financial Position		
Financial Assets	<u>\$ 3,417,820</u>	<u>\$ 3,146,546</u>
Liabilities		
Current Liabilities	\$ 270,714	\$ 271,165
Long-term Liabilities	<u>16,302,000</u>	<u>18,375,000</u>
Total liabilities	<u>\$ 16,572,714</u>	<u>\$ 18,646,165</u>
Net Debt	(13,154,894)	(15,499,619)
Non-Financial Assets		
Tangible Capital Assets	<u>91,570,469</u>	<u>93,018,512</u>
Accumulated Surplus	<u>\$ 78,415,575</u>	<u>\$ 77,518,893</u>
Statement of Operations		
Revenues	\$ 9,499,699	\$ 9,451,926
Expenses - excluding amortization	6,750,786	7,123,655
Amortization	<u>1,852,231</u>	<u>1,837,815</u>
Annual surplus	<u>\$ 896,682</u>	<u>\$ 490,456</u>

**8. Other Income**

	Budget 2011	2011	2010
	(Note 14)		
Penalties and interest on taxation	\$ 258,000	\$ 303,511	\$ 287,265
Investment income	33,412	83,047	56,393
Rents, concessions and franchises	830,308	806,281	825,284
Donations	19,876	1,273,772	254,634
Other	-	137,022	423,491
Share of Lambton Area Water Supply System	-	55,812	(18,856)
Loss on disposal of tangible capital assets	-	(109,673)	(588,285)
	<u>\$ 1,141,596</u>	<u>\$ 2,549,772</u>	<u>\$ 1,239,926</u>

**The Corporation of the Municipality of Lambton Shores**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

**9. Expenses by Object**

	Budget 2011	2011	2010
	(Note 14)		
Salaries, wages and employee benefits	\$ 3,802,476	\$ 3,860,525	\$ 3,704,965
Amortization	3,753,811	3,802,339	3,492,206
Materials	3,968,680	4,375,432	5,314,147
Contributions to other organizations	28,560	30,489	26,058
Rents and financial expenses	55,508	61,440	54,778
Fees and contracted services	6,090,281	6,195,963	5,989,729
Interest on long-term debt	781,620	719,414	645,470
	<b>\$ 18,480,936</b>	<b>\$ 19,045,602</b>	<b>\$ 19,227,353</b>

**10. Contingent Liabilities**

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2011 as litigation is still in progress. The Municipality's management is of the opinion that the Municipality has adequate insurance coverage to offset the amount of any claims and related costs, if any. Consequently, no provision for potential loss, if any, is reflected in these financial statements.

**11. Pension Agreements**

The Municipality makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS"), which is a multi-employer plan, on behalf of certain employees (40) of the Municipality. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on their length of service and rates of pay. The OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 400,000 active and retired members and approximately 947 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ("the Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2011. The results of this valuation disclosed total actuarial liabilities of \$64,500 million (2010 - \$60,000 million) in respect of benefits accrued for service with actuarial assets at that date of \$57,400 million (2010 -\$51,000) million indicating an actuarial deficit of \$7,100 million (2010 - \$9,000 million).

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**The Corporation of the Municipality of Lambton Shores**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

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**11. Pension Agreements (continued)**

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed for 2011 was \$183,517 (2010 - \$156,603) for current service. The OMERS Board rate was 7.4% to 10.7% depending on income level for 2011 (2010 - 6.4% to 9.7% depending on income level).

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**12. Commitments**

The Corporation of the Municipality of Lambton Shores has entered into leasing contracts for various photocopiers and postage machines. The leases were for a five-year term and expire in 2013. The aggregate minimum lease payments for the next two years are as follows:

Year	Amount
2012	35,192
2013	11,556

The municipality has committed to the installation of a PV solar panel system. The estimated cost of the project is \$225,000 and is expected to be finalized in 2012. To December 31, 2011, \$nil has been spent.

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**13. Funds Held in Trust**

At the year end, the Municipality held \$298,377 (2010 - \$290,082) in trust for cemetery care and maintenance. The funds are not included in these consolidated financial statements. Certain assets have been conveyed or assigned to the Municipality to be administered as directed by agreement or statute. The Municipality holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries.

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# The Corporation of the Municipality of Lambton Shores

## Notes to Consolidated Financial Statements

December 31, 2011

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### 14. Budget

The budget approved by Council on April 18, 2011 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards) which is allowable as per Ontario Regulation 284/09 of the Municipal Act. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget amounts anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget amounts presented in the statements of operations and change in net financial debt represent the budget adopted by Council on April 18, 2011 with adjustments as follows:

Budget Bylaw deficit for the year	\$ (1,194,783)
Add:	
Budgeted capital expenditures	15,329,488
Less:	
Amortization	<u>(3,753,811)</u>
Budget surplus per statement of operations	<u>\$ 10,380,894</u>

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### 15. Segmented Information

The Municipality of Lambton Shores is a very diverse rural municipality located on the shores of Lake Huron. The Municipality is made up of the former urban municipalities of Arkona, Bosanquet, Forest, Grand Bend and Thedford. As a municipality, we provide essential services and infrastructure to our residents as efficiently and effectively as possible. We also operate seasonal businesses that feed our tourism industry which make our communities vibrant.

Lambton Shores has adopted a business approach to the various municipal responsibilities and has separated the financial transactions into several business units that better reflect the true cost of providing the related services and infrastructure. The following provides a brief description of the individual business units adopted:

#### **Policing**

Police protection is provided by the Ontario Provincial Police (OPP) through a joint contract with nine other municipalities within Lambton County. The contract is administered by the Lambton Group Police Services Board of which Lambton Shores is a member.



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# The Corporation of the Municipality of Lambton Shores

## Notes to Consolidated Financial Statements

December 31, 2011

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### 15. Segmented Information (continued)

#### **Planning and Zoning**

The Planning Department is responsible for the management of growth and development within the Municipality. Planning services are provided by the Corporation of the County of Lambton with a designated planner working with Lambton Shores. Planning and zoning administration is provided by the Lambton Shores' staff of the Clerk's Department. Planning and zoning fees are set to recover costs associated with providing the service and reviewed annually. For segmented reporting purposes the business unit also includes revenues and costs associated with our industrial lands.

#### **Building and Assessment Management**

Lambton Shores employs a Chief Building Official (CBO) to provide building permit and inspection services as required by the Ontario Building Code. A contract building official is hired from time to time to assist the CBO during peak times. The Clerk's Department provides the administration support for the building services. Building permit fees are established to cover the cost of the building inspector and the administration of such. Assessment management is handled by the Finance Department to ensure that permits are followed up by Municipal Property Assessment Corporation (MPAC) and the pertinent assessment is added to our assessment roll and the proper taxation applied.

#### **Protection to Persons and Property**

Through its by-laws and regulations, Council sets standards for the community to ensure that the residents live in safe, orderly and attractive communities. Using its legislative powers, the Municipality manages activities that could negatively affect the community and uses by-law enforcement staff to enforce the regulations. The business unit includes by-law and parking enforcement, animal control, weed inspection, crossing guards, Conservation Authority costs and emergency management. Currently, the by-law enforcement is a contracted service with the administration being provided by Lambton Shores' staff. Lambton Shores has an emergency response plan in accordance with provincial legislation. The plan is reviewed and tested every year.

#### **Fire Services**

Fire prevention and emergency response in Lambton Shores is managed by the Lambton Shores Fire Board. Lambton Shores has five volunteer fire departments located throughout the Municipality, specifically in Arkona, Forest, Grand Bend, Northville and Thedford. Lambton Shores also provides fire service to four municipalities on a fee for service agreement basis. Forest provides coverage to Plympton-Wyoming, Arkona provides coverage to North Middlesex and Grand Bend provides coverage to Bluewater and South Huron. South Huron is a partial owner (one-third) of the Grand Bend Department's equipment which allows them to participate on the Lambton Shores Fire Board.

#### **Transportation Services**

The Community Services Department oversees the provision and maintenance of the municipality's infrastructure including roads, bridges, storm drains, sidewalks, street lights, traffic signals and winter control.

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# The Corporation of the Municipality of Lambton Shores

## Notes to Consolidated Financial Statements

December 31, 2011

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### 15. Segmented Information (continued)

#### Harbours

There are two marinas located within Lambton Shores, a full service harbour in Grand Bend and a seasonal dockage and community park facility in Port Franks. These seasonal operations are managed by the Lambton Shores Community Services Department. Lambton Shores owns the Port Franks facility and the majority of the land associated with the Grand Bend location; however, Lambton Shores leases the building and transient docks in the mouth area from the Department of Fisheries and Oceans.

#### Arenas

Lambton Shores operates two arena facilities; one in Forest known as "The Shores" and one in Thedford known as "The Legacy Centre". Although these facilities have attached community centres, the business unit is the cost centre for the ice pad areas, dressing rooms, public washrooms and the viewing and concession areas.

#### Solid Waste Management

Lambton Shores provides curbside residential and commercial solid waste and recycling collection and disposal through a contract with the Bluewater Recycling Association. Currently the garbage collection is funded through a user pay system which requires residents to purchase a bag tag for each bag collected at a rate of \$2.50 each. The Community Services staff provides leaf collection and yard waste options as well as maintaining a compost facility in Forest.

#### Cemeteries

The Municipality of Lambton Shores owns four cemeteries: Beechwood (Forest), Ward (9411 Sitter Road), Baptist (8975 Arkona Road) and Arkona. Lambton Shores also owns two-thirds of Pinery Cemetery, with the Municipality of South Huron owning the other one third. Arkona Cemetery is managed by a separate board appointed by Council; however, all operating revenues and costs flow through the Municipality. Beechwood Cemetery is maintained and managed by the Lambton Shores Community Services staff. The Ward and Baptist Cemeteries are essentially closed and there are no further sales, however, burials are permitted in previously sold lots. The Beechwood, Ward, Baptist and Arkona Trust Fund accounts also form part of the Lambton Shores financial records. Pinery Cemetery operates as a separate entity, governed by their own board of which Lambton Shores has a Council representative. In addition to the municipality-owned cemeteries, Lambton Shores provides a donation to the Lake Valley Grove Cemetery to help offset maintenance costs.

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# The Corporation of the Municipality of Lambton Shores

## Notes to Consolidated Financial Statements

**December 31, 2011**

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### 15. Segmented Information (continued)

#### **Recreation General**

Recreation and Leisure Services assist community organizations in the promotion of festivals, events and other community-oriented projects developed by the organizations. Program and promotional costs are included in the business unit. Lambton Shores constructed a wellness centre as part of the recreation complex in Forest. The business unit includes the revenues and expenses for the fitness centre and gymnasium. Lambton Shores has contracted the YMCA to manage the fitness centre; however the Municipality owns all of the equipment. The economic development activity in Lambton Shores is currently limited; however any costs associated with publication and promotional materials are provided by the Municipality as well as community grants to groups and organizations within the community.

#### **Parks**

Lambton Shores has a significant inventory of active and passive parks which also include sports parks such as baseball diamonds and soccer fields. The Community Services Department maintains all of the grounds, buildings and accessories within the parks.

#### **Beach**

Lambton Shores is fortunate to own one beach located on the Lake Huron shoreline in Grand Bend. In addition to maintaining this municipal beach and its amenities, the business unit also includes the activities for the beach house, beach patrol and the parking facilities in the area.

#### **Community Centres and Libraries**

Lambton Shores owns six community centres located in the various urban areas throughout the municipality. The centres vary in size but their primary function is to serve as gathering and activity centres for their respective communities, as well as an emergency reception centre. The Community Services Department is responsible for the booking and maintenance of these facilities. Lambton Shores provides and maintains five library facilities located in Arkona, Forest, Grand Bend, Port Franks and Thedford. The Corporation of the County of Lambton is responsible for providing the books and staffing needed to operate the community libraries.

#### **Drainage**

Lambton Shores has 187 drains under its control and management. The drains are created and maintained pursuant to the Municipal Drainage Act and require an extensive amount of administration and supervision. Lambton Shores also administers the Provincial Tile Loan program for residents. The costs in the business unit are the general costs that cannot be collected from property owners.

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**The Corporation of the Municipality of Lambton Shores**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

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**15. Segmented Information (continued)**

**Water**

Lambton Shores owns a significant amount of infrastructure which provides potable water to the residents. At the end of 2008 all properties located within the Municipality had the availability of potable water. The supply of water comes from two different sources - in the north, the Lake Huron Water Supply System and in the south, the Lambton Area Water Supply System. Currently we also have a backup supply to Thedford via the Municipality of North Middlesex. The maintenance of our infrastructure and systems is currently contracted to Operations Management International while the billing and administration function is done by the Municipality.

**Waste Water**

The Lambton Shores Wastewater Collection and Treatment System consists of the collection systems of the former urban areas including Arkona, Forest, Grand Bend and Thedford. Tertiary treatment facilities are located in Arkona and Forest and lagoon systems in Thedford and Grand Bend. Lambton Shores is considering the expansion and upgrade of the Grand Bend treatment facility. The maintenance of the infrastructure and systems is currently contracted to Operations Management International while the billing and administration function is done by the Municipality.

For each reported segment, revenues and expenditures represent amounts that are directly attributable to the segment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Corporation of the Municipality of Lambton Shores  
Notes to Consolidated Financial Statements

December 31, 2011

15. Segmented Information (continued)

For the year ended December 31	2011																	
	Policing	Planning and Zoning	Builder and Assessment Management	Protection to Persons and Property	Fire Services	Transportation Services	Harbours	Arms Management	Solid Waste Management	Cemeteries	Recreation General	Parks	Beach	Community Centres and Libraries	Drainage	Water	Waste Water	Total
Revenue	2,123,117	93,503	58,512	446,214	659,551	2,888,805	(26,755)	745,778	405,911	40,831	601,015	155,066	194,536	282,364	92,309	(27,525)	(18,850)	8,634,382
Government grants	903,101	119,245	162,627	1,000	146,620	1,438,009	9,643	1,016,995	419,257	55,487	293,643	124,693	3,983	56,838	86,454	6,235	52,389	2,647,414
User fees	4,187	212,848	221,139	581,205	840,935	4,660,313	510,416	1,762,773	825,168	96,318	854,658	279,799	610,114	319,202	266,684	3,980,381	1,253,717	9,386,638
Expenses	3,030,405	108,255	186,074	139,272	330,783	1,398,578	150,539	404,438	94,766	50,726	114,693	98,770	307,423	88,827	93,500	235,934	162,084	3,860,535
Salaries and benefits	6,311	231,841	152,628	460,982	230,581	1,574,028	437,233	437,233	755,524	49,726	437,276	81,158	190,450	136,487	298,309	1,480,787	984,026	10,843,096
Depreciation	3,015,059	56,868	7,028	5,493	201,010	1,453,239	70,649	301,048	747	164	19,863	71,190	262,133	146,831	262,133	944,976	315,448	3,805,339
Amortization	(35,003)	5,240	1,170	1,704	1,001	(198,112)	3,245	172,574	412	328	16,668	584	134,400	28,532	312,351	38,544	539,642	
Miscellaneous	170,363	253,795	607,557	763,385	4,118,304	612,449	1,315,803	853,456	101,125	584,200	250,672	894,306	401,687	447,663	3,174,048	1,510,502	19,045,602	
Net surplus (deficit)	\$ 44,118	\$ 42,485	\$ (32,556)	\$ (26,552)	\$ 77,550	\$ 542,009	\$ (119,145)	\$ 446,970	\$ (28,280)	\$ (4,807)	\$ 270,458	\$ 29,067	\$ (85,673)	\$ (62,485)	\$ (2,216)	\$ 735,043	\$ (223,266)	\$ 1,602,832

The Corporation of the Municipality of Lambton Shores  
Notes to Consolidated Financial Statements

December 31, 2011

15. Segmented Information (continued)

For the year ended December 31	2010																	
	Police	Planning and Control	Building and Assessment	Protection to Persons and Property	Fire services	Transportation Services	Harbours	Arenas	Solid Waste Management	Cemeteries	Recreation General	Parks	Beach	Community Centres and Libraries	Drainage	Water	Waste Water	Total
Revenue																		
Taxation	\$ 1,882,669	\$ 103,582	\$ 77,848	\$ 490,889	\$ 579,736	\$ 2,769,039	\$ (13,599)	\$ 606,913	\$ 396,711	\$ 99,218	\$ 489,514	\$ 146,277	\$ 253,550	\$ 263,522	\$ 72,304	\$ (15,824)	\$ (10,564)	\$ 8,110,275
Government grants	899,936	783	613	2,434	146,843	3,214,715	20,943	2,679,914	165	280	161,761	268	5,832	609	90,123	3,372,469	149,535	10,750,223
User fees	2,342	474,095	154,892	151,175	16,708	(72,500)	499,079	579,327	375,898	55,645	245,744	10,546	610,940	35,137	266,522	3,582,915	2,469,420	9,318,412
Expenses	2,784,947	578,460	233,353	604,498	743,285	5,913,254	506,423	3,866,154	772,774	115,143	896,519	156,091	870,322	299,748	428,549	6,942,510	2,469,420	28,179,370
Wages and benefits	6,938	113,525	188,548	125,563	340,703	1,213,608	160,660	365,570	88,539	55,670	24,703	120,340	279,972	109,742	70,706	270,761	171,417	3,704,965
Goods and services	2,649,785	63,145	70,307	490,346	233,755	1,953,825	339,883	372,445	726,291	50,642	492,064	64,018	212,229	135,535	361,240	1,626,310	945,322	10,817,813
Depreciation	7,746	2,114	62,015	2,114	196,632	1,229,376	72,668	292,729	1,440	1,350	19,655	64,781	232,335	125,122	1,240	916,647	290,184	3,492,208
Amortization	86,906	8,313	42,015	2,114	196,632	1,229,376	72,668	292,729	1,440	1,350	19,655	64,781	232,335	125,122	1,240	916,647	290,184	3,492,208
Miscellaneous	2,768,815	763,338	325,148	698,800	812,603	4,592,320	584,472	3,219,551	807,832	123,061	548,802	283,128	846,516	446,029	429,814	3,621,832	1,482,282	19,213,853
Net surplus (deficit)	\$ 41,132	\$ 315,122	\$ (91,795)	\$ (83,303)	\$ (71,549)	\$ 1,775,913	\$ (88,051)	\$ 2,646,693	\$ (34,067)	\$ 23,102	\$ 390,437	\$ (136,819)	\$ 16,222	\$ (162,190)	\$ 6,114	\$ 3,527,455	\$ 987,038	\$ 8,952,677

**The Corporation of the Municipality of  
Lambton Shores  
Forest Town Centre Business  
Improvement Area  
Financial Statements  
For the year ended December 31, 2011**

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## Auditor's Comments on Supplementary Financial Information

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**To the Members of the Forest Town Centre Business  
Improvement Area, Members of Council, Inhabitants and  
Ratepayers of The Corporation of the Municipality of Lambton Shores**

We have audited the consolidated financial statements of The Corporation of the Municipality of Lambton Shores which comprise the statement of consolidated financial position as at December 31, 2011, and the consolidated statement of operations, consolidated statement of changes in net debt and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon dated July xx, 2012 which contained an unmodified opinion on the consolidated financial statements. The audit was performed to form an opinion on the consolidated financial statements as a whole. The Forest Town Centre Business Improvement Area is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the consolidated financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.



Chartered Accountants, Licensed Public Accountants

Sarnia, Ontario  
August 7, 2012



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**The Corporation of the Municipality of Lambton Shores  
Forest Town Centre Business Improvement Area  
Statement of Financial Position**

<b>December 31</b>	<b>2011</b>	<b>2010</b>
<b>Financial Assets</b>		
Cash	\$ 4,982	\$ 4,481
Term deposit	11,009	17,497
Accounts receivable	4,243	3,791
	<u>20,234</u>	<u>25,769</u>
<b>Liabilities</b>		
Accounts payable	<u>1,100</u>	600
<b>Net financial assets</b>	<u>19,134</u>	<u>25,169</u>
<b>Accumulated Surplus</b>	<u>\$ 19,134</u>	<u>\$ 25,169</u>

**The Corporation of the Municipality of Lambton Shores  
Forest Town Centre Business Improvement Area  
Statement of Operations and Accumulated Surplus**

<b>For the year ended December 31</b>	<b>Budget</b>	<b>2011</b>	<b>2010</b>
<b>Revenues</b>			
Assessments on members	\$ 28,840	\$ 28,216	\$ 28,840
Other	-	2,076	24,671
<b>Total revenues</b>	<b>28,840</b>	<b>30,292</b>	<b>53,511</b>
<b>Expenditures</b>			
Administration	12,699	13,548	13,781
Advertising and promotion	14,041	12,900	10,157
Retail	2,100	802	805
Maintenance	-	9,077	21,863
<b>Total expenditures</b>	<b>28,840</b>	<b>36,327</b>	<b>46,606</b>
<b>Annual surplus (deficit)</b>	<b>-</b>	<b>(6,035)</b>	<b>6,905</b>
<b>Accumulated surplus, beginning of year</b>	<b>25,169</b>	<b>25,169</b>	<b>18,264</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 25,169</b>	<b>\$ 19,134</b>	<b>\$ 25,169</b>

**The Corporation of the Municipality of Lambton Shores  
Forest Town Centre Business Improvement Area  
Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2011</b>	<b>2010</b>
<b>Cash provided by (used in)</b>		
<b>Operating Activities</b>		
Annual surplus (deficit)	\$ (6,035)	\$ 6,905
Increase in accounts receivable	(452)	(1,604)
Increase in accounts payable	500	-
<b>Net change in cash and cash equivalents</b>	<b>(5,987)</b>	<b>5,301</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>21,978</b>	<b>16,677</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 15,991</b>	<b>\$ 21,978</b>
<b>Represented by:</b>		
Cash	\$ 4,982	\$ 4,481
Term deposit	11,009	17,497
	<b>\$ 15,991</b>	<b>\$ 21,978</b>

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**The Corporation of the Municipality of Lambton Shores  
Forest Town Centre Business Improvement Area  
Summary of Significant Accounting Policies**

**December 31, 2008**

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**Management Responsibility**

The financial statements of the Forest Town Centre Business Improvement Area of The Corporation of the Municipality of Lambton Shores are the representation of management prepared in accordance with accounting policies established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ministry of Municipal Affairs and Housing. Precise determination of some assets and liabilities may be dependent upon future events and estimates and approximations. These estimates and approximations have been based upon the available information, using careful judgement and review.

**Basis of Accounting**

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

**Term Deposits**

Term deposits are recorded at cost.

**The Corporation of the Municipality of  
Lambton Shores  
Trust Funds  
Financial Statements  
For the year ended December 31, 2011**

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## Independent Auditor's Report

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### **To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Municipality of Lambton Shores**

We have audited the accompanying trust fund financial statements of The Corporation of the Municipality of Lambton Shores, which comprise the balance sheet as at December 31, 2011, and the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

#### **Auditor's Responsibility**

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

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

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



**Opinion**

In our opinion, the trust fund financial statements present fairly, in all material respects, the financial position of The Corporation of the Municipality of Lambton Shores as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants

Sarnia, Ontario  
August 7, 2012

**The Corporation of the Municipality of Lambton Shores  
Trust Funds  
Balance Sheet**

**December 31, 2011**

<b>Assets</b>	<b>Total</b>	<b>Thedford Baptist and Ward Cemeteries</b>	<b>Beechwood Cemetery</b>	<b>Arkona Cemetery</b>
Cash	\$ 57,162	\$ 6,846	\$ 35,378	\$ 14,938
Accounts receivable	1,140	70	-	1,070
Interest receivable	15,224	-	12,376	2,848
Investments (Note 2)	229,261	-	149,262	79,999
	<b>\$ 302,787</b>	<b>6,916</b>	<b>\$ 197,016</b>	<b>\$ 98,855</b>
<b>Liabilities</b>				
Accounts payable	\$ 4,410	-	\$ 4,410	\$ -
<b>Fund Balance</b>	<b>298,377</b>	<b>6,916</b>	<b>192,606</b>	<b>98,855</b>
	<b>\$ 302,787</b>	<b>\$ 6,916</b>	<b>\$ 197,016</b>	<b>\$ 98,855</b>

**Statement of  
Continuity**

**For the year ended December 31, 2011**

	<b>Total</b>	<b>Thedford Baptist and Ward Cemeteries</b>	<b>Beechwood Cemetery</b>	<b>Arkona Cemetery</b>
<b>Balance, beginning of year</b>	<b>\$ 290,082</b>	<b>\$ 6,916</b>	<b>\$ 187,527</b>	<b>\$ 95,639</b>
<b>Receipts</b>				
Interest	8,721	86	6,267	2,368
Perpetual care	5,229	-	5,079	150
Transfer from Municipality	698	-	-	698
	<b>14,648</b>	<b>86</b>	<b>11,346</b>	<b>3,216</b>
<b>Expenditures</b>				
Transfer to Municipality	6,353	86	6,267	-
<b>Balance, end of the year</b>	<b>\$ 298,377</b>	<b>\$ 6,916</b>	<b>\$ 192,606</b>	<b>\$ 98,855</b>



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**The Corporation of the Municipality of Lambton Shores  
Trust Funds  
Notes to the Financial Statements**

**December 31, 2011**

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**1. Summary of Significant Accounting Policies**

<b>Management Responsibility</b>	The financial statements of The Corporation of the Municipality of Lambton Shores Trust Funds are the representation of management. Precise determination of some assets and liabilities may be dependent upon future events and estimates and approximations. These estimates and approximations have been based upon the available information, using careful judgment and review.
<b>Basis of Accounting</b>	Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.
<b>Investments</b>	Investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

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**The Corporation of the Municipality of Lambton Shores  
Trust Funds  
Notes to the Financial Statements**

**December 31, 2011**

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**2. Investments**

**Beechwood Cemetery**

3.0% to 7.5% GIC, due May 20, 2013	\$ 75,000
0.75% to 4.00% GIC, due May 29, 2012	50,000
1.10% to 4.00% GIC, due April 4, 2014	24,262
	<hr/>
	\$ 149,262
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**Arkona Cemetery**

1.10% to 6.00% GIC, due August 1, 2016	\$ 13,101
0.75% to 4.00% GIC, due May 25, 2012	30,000
0.50% to 6.00% GIC due December 29, 2014	25,000
0.75% to 4.00% GIC due November 28, 2013	11,898
	<hr/>
	\$ 79,999
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	\$ 229,261
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