

**The Corporation of the Municipality of
Lambton Shores
Consolidated Financial Statements
For the year ended December 31, 2012**

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Independent Auditor's Report

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, 2012, 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, 2012 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
June 6, 2013

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

December 31	2012	2011
Financial assets		
Cash and cash equivalents (Note 1)	\$ 5,940,819	\$ 4,649,494
Taxes receivable	1,839,103	1,814,775
Accounts receivable	2,559,561	3,862,108
Portfolio investments (Note 2)	142,017	242,677
Inventories for resale	46,324	44,010
Due from trust funds	6,748	7,956
Long-term receivables	250,518	360,316
	10,785,090	10,981,336
Liabilities		
Accounts payable and accrued liabilities	2,022,981	1,568,977
Other liabilities	1,096,530	973,443
Deferred revenue (Note 3)	2,045,121	1,785,389
Net long-term debt (Note 4)	17,644,760	21,699,353
	22,809,392	26,027,162
Net debt	(12,024,302)	(15,045,826)
Non-financial assets		
Tangible capital assets (Note 5)	150,015,508	150,026,458
Prepaid expenses and inventories of supplies	92,293	92,603
	150,107,801	150,119,061
Accumulated surplus (Note 6)	\$ 138,083,499	\$ 135,073,235

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 2012	2012	2011
(Note 14)			
Revenue			
Taxation	\$ 9,413,384	\$ 9,464,997	\$ 8,634,382
Government grants - Federal	18,108	451,728	390,293
Government grants - Provincial	2,029,524	2,174,428	2,098,868
Municipal grants	151,529	163,912	158,253
User fees and service charges	6,964,696	7,290,958	6,816,866
Other (Note 8)	1,250,192	3,364,698	2,549,772
	<u>19,827,433</u>	<u>22,910,721</u>	<u>20,648,434</u>
Expenses (Note 9)			
General government	2,671,498	3,173,803	2,574,586
Protection services	3,830,930	3,571,970	3,520,085
Transportation services	3,050,035	2,870,013	3,085,547
Environmental services	5,411,904	5,667,557	5,655,907
Health services	99,016	73,830	83,843
Harbour	505,856	519,494	517,845
Recreation and cultural services	3,545,228	3,556,529	3,014,946
Planning and development	389,043	467,261	592,843
	<u>19,503,510</u>	<u>19,900,457</u>	<u>19,045,602</u>
Annual surplus	<u>323,923</u>	<u>3,010,264</u>	<u>1,602,832</u>
Accumulated surplus, beginning of year	<u>135,073,235</u>	<u>135,073,235</u>	<u>133,470,403</u>
Accumulated surplus, end of year	<u>\$ 135,397,158</u>	<u>\$ 138,083,499</u>	<u>\$ 135,073,235</u>

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

For the year ended December 31	Budget 2012	2012	2011
	(Note 14)		
Annual surplus	\$ 323,923	\$ 3,010,264	\$ 1,602,832
Acquisition of tangible capital assets	-	(4,395,716)	(4,906,311)
Amortization of tangible capital assets	-	4,253,219	3,802,339
Loss on disposal of tangible capital assets	-	52,721	109,673
Share of LAWSS adjustment (Note 7)	-	100,726	(55,812)
	323,923	3,021,214	552,721.
Usage (acquisition) of prepaid expenses and inventory of supplies	-	310	(3,626)
Net change in net debt	323,923	3,021,524	549,095
Net debt, beginning of year	(15,045,826)	(15,045,826)	(15,594,921)
Net debt, end of year	\$ (14,721,903)	\$ (12,024,302)	\$ (15,045,826)

The Corporation of the Municipality of Lambton Shores

Consolidated Statement of Cash Flows

For the year ended December 31	2012	2011
Operating activities		
Annual surplus	\$ 3,010,264	\$ 1,602,832
Items not involving cash		
Amortization	4,253,219	3,802,339
Loss on disposal or sale of tangible capital assets	52,721	109,673
Changes in non-cash operating balances		
Taxes receivable	(24,328)	(24,768)
Accounts receivable	1,302,547	(120,072)
Inventories for resale	(2,314)	17,450
Prepaid expenses and inventories of supplies	310	(3,626)
Accounts payable and accrued liabilities	454,004	(1,065,743)
Long-term receivables	109,798	3,188
Due from trust funds	1,208	8,244
Other liabilities	123,087	178,059
Deferred revenue	259,732	92,924
	<u>9,540,248</u>	<u>4,600,500</u>
Capital activities		
Acquisition of tangible capital assets	(4,395,716)	(4,906,311)
Share of LAWSS adjustment	100,726	(55,812)
	<u>(4,294,990)</u>	<u>(4,962,123)</u>
Investing activities		
Decrease in portfolio investments	100,660	6,488
Financing activities		
Proceeds from issuance of long-term debt	-	2,000,000
Repayment of long-term debt	(4,054,593)	(1,134,641)
	<u>(4,054,593)</u>	<u>865,359</u>
Increase in cash and cash equivalents	1,291,325	510,224
Cash and cash equivalents, beginning of year	<u>4,649,494</u>	<u>4,139,270</u>
Cash and cash equivalents, end of year	<u>\$ 5,940,819</u>	<u>\$ 4,649,494</u>

The Corporation of the Municipality of Lambton Shores

Summary of Significant Accounting Policies

December 31, 2012

**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 2012, the municipality's share of the System was 2.51% (2011 - 2.62%). 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.

The Corporation of the Municipality of Lambton Shores

Summary of Significant Accounting Policies

December 31, 2012

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

The Corporation of the Municipality of Lambton Shores

Summary of Significant Accounting Policies

December 31, 2012

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	<p>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.</p> <p>Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.</p> <p>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.</p> <p>Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.</p> <p>Sales of service and other revenue is recognized when the amount is determinable, collectibility is assured and the services provided.</p>

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

December 31, 2012

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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2012

1. Cash and Cash Equivalents/Bank Indebtedness

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, 2012, the Municipality had accessed the line of credit and have a balance owing of \$1,329,622 (2011 - \$nil). All amounts are repayable immediately on demand and Lambton Shores have the option to repay any amount under this credit at any time.

2. Portfolio Investments

	<u>2012</u>	<u>2011</u>
0.50% to 3.50% GIC, due December 11, 2012	\$ -	\$ 111,403
1.80% to 5.25% GIC, due March 6, 2012	-	115,000
Money Market Fund (interest 0.56% in 2012)	11,071	11,009
Sun Life Financial, 150 Common Shares	5,265	5,265
1.00% GIC, due March 6, 2013	125,681	-
	<u>\$ 142,017</u>	<u>\$ 242,677</u>

The income from portfolio investments for the year was \$5,837 (2011 - \$5,959). The carrying value and market value of the Municipality's guaranteed investment certificates (GIC's) and money market fund was \$136,752 (2011 - \$237,412). The Sun Life Financial common shares are recorded at cost. The market value of the shares at December 31, 2012 was \$3,956 (2011 - \$2,835).

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

December 31, 2012

3. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 142,650	\$ 342,027	\$ 1,260	\$ (409,527)	\$ 76,410
Development charges	1,085,047	554,432	17,617	(250,000)	1,407,096
Infrastructure programs	460,038	10,463	107	(21,578)	449,030
Parkland dedication	96,107	14,458	799	-	111,364
Deposits	1,547	-	-	(326)	1,221
	<u>\$ 1,785,389</u>	<u>\$ 921,380</u>	<u>\$ 19,783</u>	<u>\$ (681,431)</u>	<u>\$ 2,045,121</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, 2012

4. Net Long-term Debt

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

	<u>2012</u>	<u>2011</u>
Loan payable (re Industrial Park), 6.01%, payable \$11,437 principal and interest quarterly, due August 2012	\$ -	\$ 33,306
Loan payable (re Port Franks Marina), 6.04% payable \$7,953, principal and interest quarterly, due August 2012	-	23,157
Loan payable (re Parking Lot - Grand Bend), 5.12% payable \$35,568 principal and interest quarterly, due September 2016	1,401,772	1,470,424
Loan payable (re waterline), 4.75%, payable \$146,778 principal and interest semi-annually, due October 2, 2013	2,492,630	2,661,737
Loan payable (re The Shores Recreation Centre), 5.22%, payable \$107,083 principal and interest semi-annually, due September 15, 2033	2,712,472	2,782,301
Loan payable (re School/Recreation Centre Grand Bend), 5.09%, payable \$15,539 principal and interest quarterly, due June 2014	89,217	145,044
Loan payable (re Sewer Loan Forest/Water Loan, Arkona), 5.46%, payable \$4,441 principal and interest monthly, due August 2013	34,815	84,723
Loan payable (re Lambton Area Water Supply System), 6.25% to 8%, with repayments based on system usage, as described hereinafter	353,132	427,112
Loan payable (re sewer forcemain) prime minus 0.15%, payable \$23,333 principal plus interest quarterly, due on demand	1,213,333	1,306,667
Loan payable (re Phase IV waterline), 3.17%, payable \$24,781 principal and interest semi-annually, due October 2027	588,018	3,500,000

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

December 31, 2012

4. Net Long-Term Debt (continued)

Loan payable (re Beach Enhancement), 3.97%, payable \$91,602 principal and interest semi-annually, due June 2020	1,178,345	1,310,812
Loan payable (re water expansion), 2.37%, payable \$199,019 principal and interest semi-annually, due February 2021	3,048,037	3,368,135
Debenture payable (re sewer - Grand Bend), 6.375%, payable \$15,000 principal plus interest annually, due June 2013	15,000	30,000
Loan payable, (re waterline Thedford), 6.04%, payable \$7,836 principal and interest quarterly, due August 2012	-	22,816
Loan payable (re Parkhill Secondary Waterline), 6.98%, with repayments based on system usage, as described hereinafter	17,989	33,119
Loan payable (re Legacy Centre), with interest rate and repayment terms to be negotiated with Ontario Strategic Infrastructure Financing Authority, 2012 funds allocated for repayment not shown	4,500,000	4,500,000
	<u>\$ 17,644,760</u>	<u>\$ 21,699,353</u>

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

	<u>Principal Repayments</u>
2013	\$ 5,590,611
2014	1,048,392
2015	1,045,449
2016	1,084,064
2017	1,124,520
2018 to 2022	4,701,741
Thereafter	<u>3,049,983</u>
	<u>\$ 17,644,760</u>

The gross interest paid relating to the Municipality's long-term debt was \$661,494 (2011 - \$719,414).

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2012

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 \$76,418 (2011 - \$47,480). 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 \$353,132 (2011 - \$427,112), which represents 2.51% (2011 - 2.62%) 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 2.51%.

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 \$17,989 (2011 - \$33,119) which represents 8.06% (2011 - 8.76%) 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 8.06%.

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, 2012

5. Tangible Capital Assets

	2012								
	Land	Buildings	Equipment	Infrastructure Transportation	Infrastructure Environmental	Land Improvements	Rolling Stock	Work in Progress	Total
Cost, beginning 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
Additions	296,161	105,417	219,226	1,585,047	1,045,732	587,565	87,664	522,283	4,449,095
Disposals	(224)	(20,973)	(70,482)	(281,429)	(62,027)	(9,874)	(20,000)	(6,710)	(471,719)
Other	(1,399)	(44,340)	(41)	(8,254)	(91,878)	(743)	-	(44,016)	(190,671)
Cost, end of year	\$ 7,601,903	\$ 25,371,811	\$ 2,490,201	\$ 48,222,708	\$ 93,107,278	\$ 14,106,744	\$ 5,970,939	\$ 2,004,406	\$ 198,875,990
Accumulated amortization, beginning of year	\$ -	\$ 5,079,838	\$ 837,830	\$ 13,495,702	\$ 17,844,225	\$ 4,758,580	\$ 3,046,652	\$ -	\$ 45,062,827
Amortization	-	722,341	185,128	1,124,879	1,290,040	564,221	366,610	-	4,253,219
Disposals	-	(18,027)	(70,482)	(269,168)	(30,045)	(9,874)	(20,000)	-	(417,596)
Other	-	(16,196)	(25)	-	(21,168)	(579)	-	-	(37,968)
Accumulated amortization, end of year	\$ -	\$ 5,767,956	\$ 952,451	\$ 14,351,413	\$ 19,083,052	\$ 5,312,348	\$ 3,393,262	\$ -	\$ 48,860,482
Net carrying amount, end of year	\$ 7,601,903	\$ 19,603,855	\$ 1,537,750	\$ 33,871,295	\$ 74,024,226	\$ 8,794,396	\$ 2,577,677	\$ 2,004,406	\$ 150,015,508

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 \$2,004,406 (2011 - \$1,532,849). Contributed capital assets of \$1,771,804 (2011 - \$934,597) 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 Corporation of the Municipality of Lambton Shores
Notes to Consolidated Financial Statements

December 31, 2012

5. Tangible Capital Assets (continued)

									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	<u>\$ 7,307,365</u>	<u>\$ 25,331,707</u>	<u>\$ 2,341,498</u>	<u>\$ 46,927,344</u>	<u>\$ 92,215,451</u>	<u>\$ 13,529,796</u>	<u>\$ 5,903,275</u>	<u>\$ 1,532,849</u>	<u>\$ 195,089,285</u>
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	<u>\$ -</u>	<u>\$ 5,079,838</u>	<u>\$ 837,830</u>	<u>\$ 13,495,702</u>	<u>\$ 17,844,225</u>	<u>\$ 4,758,580</u>	<u>\$ 3,046,652</u>	<u>\$ -</u>	<u>\$ 45,062,827</u>
Net carrying amount, end of year	<u>\$ 7,307,365</u>	<u>\$ 20,251,869</u>	<u>\$ 1,503,668</u>	<u>\$ 33,431,642</u>	<u>\$ 74,371,226</u>	<u>\$ 8,771,216</u>	<u>\$ 2,856,623</u>	<u>\$ 1,532,849</u>	<u>\$ 150,026,458</u>

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

December 31, 2012

6. Accumulated Surplus

The Municipality segregates its accumulated surplus into the following categories:

	<u>2012</u>	<u>2011</u>
Investment in tangible capital assets	\$ 150,015,508	\$ 150,026,458
Current Funds	(1,058,190)	1,591,441
Reserves		
Working Funds	138,786	138,786
Contingencies	22,312	22,312
Acquisition of capital assets - real property	39,784	39,784
Road purposes	2,885	2,885
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	89,261	82,454
Reserve Funds		
Working funds	462,391	371,853
Equipment replacement - fire	426,204	212,340
Road purposes	710,053	503,268
Acquisition of capital assets - vehicle and equipment	537,196	244,443
Water	2,870,756	2,049,418
Acquisition of capital assets - real property	155,903	133,061
Sewer	526,825	564,997
Protection to persons	76,650	76,064
Cemetery memorial fund	56,262	58,778
Beach enhancement capital	15,740	15,578
Beach house debt	-	13,570
Parking	-	5,003
Road name change	17,375	17,242
Erosion control	6,523	6,473
Accessibility	8,512	8,447
Information technology	9,366	18,501
Recreation	251,237	258,444
Building department - vehicle and equipment	24,551	19,312
Building department	30,693	-
Unfunded		
Long-term debt	(17,644,760)	(21,699,353)
	<u>\$ 138,083,499</u>	<u>\$ 135,073,235</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, 2012

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 2.51% (2011 - 2.62%) proportionate interest of the following:

	2012	2011
Statement of Financial Position		
Financial Assets	<u>\$ 3,767,135</u>	<u>\$ 3,417,820</u>
Liabilities		
Current Liabilities	\$ 210,925	\$ 270,714
Long-term Liabilities	<u>14,069,000</u>	<u>16,302,000</u>
Total liabilities	<u>\$ 14,279,925</u>	<u>\$ 16,572,714</u>
Net Debt	(10,512,790)	(13,154,894)
Non-Financial Assets		
Tangible Capital Assets	<u>90,762,625</u>	<u>91,570,469</u>
Accumulated Surplus	<u>\$ 80,249,835</u>	<u>\$ 78,415,575</u>
Statement of Operations		
Revenues	\$ 9,725,526	\$ 9,499,699
Expenses - excluding amortization	6,073,568	6,750,786
Amortization	<u>1,817,698</u>	<u>1,852,231</u>
Annual surplus	<u>\$ 1,834,260</u>	<u>\$ 896,682</u>

8. Other Income

	Budget 2012	2012	2011
	(Note 14)		
Penalties and interest on taxation	\$ 263,160	\$ 317,608	\$ 303,511
Investment income	34,081	83,374	83,047
Rents, concessions and franchises	951,551	891,346	806,281
Donations	1,400	1,877,232	1,273,772
Other	-	348,586	137,022
Share of Lambton Area Water Supply System	-	(100,727)	55,812
Loss on disposal of tangible capital assets	-	<u>(52,721)</u>	<u>(109,673)</u>
	<u>\$ 1,250,192</u>	<u>\$ 3,364,698</u>	<u>\$ 2,549,772</u>

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

December 31, 2012

9. Expenses by Object

	Budget 2012	2012	2011
	(Note 14)		
Salaries, wages and employee benefits	\$ 4,165,584	\$ 4,379,830	\$ 3,913,517
Amortization	4,207,595	4,253,219	3,802,339
Materials	3,842,863	3,400,952	4,322,440
Contributions to other organizations	30,425	38,583	30,489
Rents and financial expenses	62,217	57,916	61,440
Fees and contracted services	6,395,186	7,108,463	6,195,963
Interest on long-term debt	799,640	661,494	719,414
	\$ 19,503,510	\$ 19,900,457	\$ 19,045,602

10. Contingent Liabilities

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2012 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 429,000 active and retired members and approximately 968 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, 2012. The results of this valuation disclosed total actuarial liabilities of \$69,292 million (2011 - \$64,500 million) in respect of benefits accrued for service with actuarial assets at that date of \$59,368 million (2011 - \$54,700) million indicating an actuarial deficit of \$9,924 million (2011 - \$7,100 million).

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2012

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 2012 was \$217,320 (2011 - \$183,517) for current service. The OMERS Board rate was 8.3% to 12.8% depending on income level (2011 - 7.4% to 10.7% depending on income level).

12. Commitments

The Corporation of the Municipality of Lambton Shores has entered into leasing contracts for various photocopiers and postage machines. The photocopiers lease has a five-year term, includes a copy usage agreement, and expires in 2017 and the postage machine lease has a five-year term and expires in 2013. The aggregate minimum lease payments for the next five years are as follows:

Year	Amount
2013	18,984
2014	7,428
2015	7,428
2016	7,428
2017	5,571

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 2013. As of December 31, 2012, \$66,145 has been spent and is included in work in progress.

13. Funds Held in Trust

At the year end, the Municipality held \$315,293 (2011 - \$298,377) 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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2012

14. Budget

The budget approved by Council on May 7, 2012 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 May 7, 2012 with adjustments as follows:

Budget Bylaw deficit for the year	\$ (13,430,405)
Add:	
Budgeted capital expenditures	17,961,923
Less:	
Amortization	<u>(4,207,595)</u>
Budget surplus per statement of operations	<u>\$ 323,923</u>

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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2012

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.

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

December 31, 2012

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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2012

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.

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

December 31, 2012

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, 2012

15. Segmented Information (continued)

For the year ended December 31	Policing	Planning and Zoning	Building and Assessment Management	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	2012 Total
Revenue																		
Taxation	\$ 2,258,730	\$ 90,374	\$ 94,278	\$ 446,309	\$ 769,646	\$ 3,036,066	\$ 15,482	\$ 803,207	\$ 399,809	\$ 47,550	\$ 687,594	\$ 183,248	\$ 162,372	\$ 388,371	\$ 102,586	\$ (12,233)	\$ (8,392)	\$ 9,464,997
Government grants	953,130	-	-	-	151,529	1,531,391	19,081	-	-	-	-	33,300	1,891	-	60,043	-	39,703	2,790,068
User fees	6,973	147,005	268,372	135,628	42,784	909,573	530,868	543,792	368,875	73,274	292,247	183,246	713,988	64,775	188,988	4,262,319	1,922,949	10,655,656
	<u>3,218,833</u>	<u>237,379</u>	<u>362,650</u>	<u>581,937</u>	<u>963,959</u>	<u>5,477,030</u>	<u>565,431</u>	<u>1,346,999</u>	<u>768,684</u>	<u>120,824</u>	<u>979,841</u>	<u>399,794</u>	<u>878,251</u>	<u>453,146</u>	<u>351,617</u>	<u>4,250,086</u>	<u>1,954,260</u>	<u>22,910,721</u>
Expenses																		
Wages and benefits	8,806	123,279	206,155	130,560	416,607	1,363,218	163,676	461,240	110,097	50,568	167,544	126,341	335,577	116,078	102,488	299,087	198,509	4,379,830
Goods and services	3,061,265	54,204	56,805	450,820	257,261	1,379,368	392,103	516,032	782,939	47,248	497,461	90,684	215,206	154,984	230,280	1,699,384	953,817	10,839,861
Amortization	-	-	7,833	6,299	206,577	1,491,788	86,995	495,891	747	104	19,062	95,666	270,565	238,873	-	957,127	375,692	4,253,219
Miscellaneous	(23,203)	9,840	(287)	(323)	(270)	(229,429)	531	178,289	(111)	(112)	11,051	(135)	124,465	27,948	14,815	271,572	42,906	427,547
	<u>3,046,868</u>	<u>187,323</u>	<u>270,506</u>	<u>587,356</u>	<u>880,175</u>	<u>4,004,945</u>	<u>643,305</u>	<u>1,651,452</u>	<u>893,672</u>	<u>97,808</u>	<u>695,118</u>	<u>312,556</u>	<u>945,813</u>	<u>537,883</u>	<u>347,583</u>	<u>3,227,170</u>	<u>1,570,924</u>	<u>19,900,457</u>
Net surplus (deficit)	\$ 171,965	\$ 50,056	\$ 92,144	\$ (5,419)	\$ 83,784	\$ 1,472,085	\$ (77,874)	\$ (304,453)	\$ (124,988)	\$ 23,016	\$ 284,723	\$ 87,238	\$ (67,562)	\$ (84,737)	\$ 4,034	\$ 1,022,916	\$ 383,336	\$ 3,010,264

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

December 31, 2012

15. Segmented Information (continued)

For the year ended December 31	Policing	Planning and Zoning	Building and Assessment Management	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	2011 Total
Revenue																		
Taxation	\$ 2,123,117	\$ 93,503	\$ 58,512	\$ 446,214	\$ 659,551	\$ 2,808,805	\$ (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	-	-	1,000	146,620	1,438,009	9,643	-	-	-	-	-	3,983	-	86,454	6,235	52,369	2,647,414
User fees	4,187	119,345	162,627	133,991	34,764	413,499	510,416	1,016,995	419,257	55,487	253,643	124,693	610,114	56,838	266,684	3,930,381	1,253,717	9,366,638
	<u>3,030,405</u>	<u>212,848</u>	<u>221,139</u>	<u>581,205</u>	<u>840,935</u>	<u>4,660,313</u>	<u>493,304</u>	<u>1,762,773</u>	<u>825,168</u>	<u>96,318</u>	<u>854,658</u>	<u>279,759</u>	<u>808,633</u>	<u>339,202</u>	<u>445,447</u>	<u>3,909,091</u>	<u>1,287,236</u>	<u>20,648,434</u>
Expenses																		
Wages and benefits	6,231	108,255	186,074	139,373	330,793	1,289,579	150,539	404,438	96,756	50,736	114,993	95,770	307,623	88,837	92,520	235,924	162,084	3,860,525
Goods and services	3,015,059	56,868	59,523	460,987	230,581	1,574,098	388,016	437,723	755,541	49,697	432,676	81,158	190,150	137,487	298,309	1,680,797	994,426	10,843,096
Amortization	-	-	7,028	5,493	201,010	1,453,739	70,649	301,068	747	164	19,863	73,190	262,133	146,831	-	944,976	315,448	3,802,339
Miscellaneous	(35,003)	5,240	1,170	1,704	1,001	(199,112)	3,245	172,574	412	528	16,668	554	134,400	28,532	56,834	312,351	38,544	539,642
	<u>2,986,287</u>	<u>170,363</u>	<u>253,795</u>	<u>607,557</u>	<u>763,385</u>	<u>4,118,304</u>	<u>612,449</u>	<u>1,315,803</u>	<u>853,456</u>	<u>101,125</u>	<u>584,200</u>	<u>250,672</u>	<u>894,306</u>	<u>401,687</u>	<u>447,663</u>	<u>3,174,048</u>	<u>1,510,502</u>	<u>19,045,602</u>
Net surplus (deficit)	\$ 44,118	\$ 42,485	\$ (32,656)	\$ (26,352)	\$ 77,550	\$ 542,009	\$ (119,145)	\$ 446,970	\$ (28,288)	\$ (4,807)	\$ 270,458	\$ 29,087	\$ (85,673)	\$ (62,485)	\$ (2,216)	\$ 735,043	\$ (223,266)	\$ 1,602,832

**The Corporation of the Municipality of
Lambton Shores
Forest Town Centre Business
Improvement Area
Financial Statements
For the year ended December 31, 2012**



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Auditor's Comments on Supplementary Financial Information

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, 2012, 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 June 6, 2013 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.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Sarnia, Ontario
June 6, 2013

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

December 31	2012	2011
Financial Assets		
Cash	\$ 3,155	\$ 4,982
Term deposit	11,071	11,009
Accounts receivable	<u>4,872</u>	<u>4,243</u>
	19,098	20,234
Liabilities		
Accounts payable	<u>500</u>	<u>1,100</u>
Net financial assets	<u>18,598</u>	<u>19,134</u>
Accumulated Surplus	<u>\$ 18,598</u>	<u>\$ 19,134</u>

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

For the year ended December 31	Budget	2012	2011
Revenues			
Assessments on members	\$ 38,840	\$ 28,217	\$ 28,216
Other	-	4,559	2,076
Total revenues	38,840	32,776	30,292
Expenditures			
Administration	13,153	14,541	13,548
Advertising and promotion	13,087	15,792	12,900
Retail	2,600	-	802
Maintenance	10,000	2,979	9,077
Total expenditures	38,840	33,312	36,327
Annual deficit	-	(536)	(6,035)
Accumulated surplus, beginning of year	19,134	19,134	25,169
Accumulated surplus, end of year	\$ 19,134	\$ 18,598	\$ 19,134

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

For the year ended December 31	2012	2011
Cash provided by (used in)		
Operating Activities		
Annual deficit	\$ (536)	\$ (6,035)
Increase in accounts receivable	(629)	(452)
Increase (decrease) in accounts payable	(600)	500
Net change in cash and cash equivalents	(1,765)	(5,987)
Cash and cash equivalents, beginning of year	15,991	21,978
Cash and cash equivalents, end of year	\$ 14,226	\$ 15,991
Represented by:		
Cash	\$ 3,155	\$ 4,982
Term deposit	11,071	11,009
	\$ 14,226	\$ 15,991

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

December 31, 2012

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, 2012**

Independent Auditor's Report

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, 2012, 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 financial statements present fairly, in all material respects, the financial position of the trust funds of The Corporation of the Municipality of Lambton Shores as at December 31, 2012 and the continuity of the trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Sarnia, Ontario
June 6, 2013

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

December 31, 2012

Assets	Total	Theford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery
Cash	\$ 53,953	\$ 7,159	\$ 36,731	\$ 10,063
Accounts receivable	70	70	-	-
Interest receivable	18,757	-	15,318	3,439
Investments (Note 2)	249,261	-	159,262	89,999
	\$ 322,041	\$ 7,229	\$ 211,311	\$ 103,501
Liabilities				
Accounts payable	\$ 6,748	-	\$ 4,952	\$ 1,796
Fund Balance	315,293	7,229	206,359	101,705
	\$ 322,041	\$ 7,229	\$ 211,311	\$ 103,501

**Statement of
Continuity**

For the year ended December 31, 2012

	Total	Theford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery
Balance, beginning of year	\$ 298,377	\$ 6,916	\$ 192,606	\$ 98,855
Receipts				
Interest	9,090	87	6,441	2,562
Perpetual care	16,916	313	13,753	2,850
Transfer from Municipality	-	-	-	-
	26,006	400	20,194	5,412
Expenditures				
Transfer to Municipality	9,090	87	6,441	2,562
Balance, end of the year	\$ 315,293	\$ 7,229	\$ 206,359	\$ 101,705

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

December 31, 2012

1. Summary of Significant Accounting Policies

Management Responsibility	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.
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.
Investments	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.

2. Investments

Beechwood Cemetery

3.0% to 7.5% GIC, due May 20, 2013	\$ 75,000
1.00% to 5.00% GIC, due May 29, 2017	60,000
1.10% to 4.00% GIC, due April 4, 2014	24,262
	<hr/>
	\$ 159,262

Arkona Cemetery

1.10% to 6.00% GIC, due August 1, 2016	\$ 13,101
1.00% to 5.00% GIC, due May 25, 2017	40,000
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/>
	\$ 89,999
	<hr/>
	\$ 249,261