

**The Corporation of the Municipality of
Lambton Shores
Consolidated Financial Statements
For the year ended December 31, 2014**

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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, 2014, 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
May 26, 2015

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

December 31	2014	2013
		(restated)
Financial assets		
Cash and cash equivalents (Note 2)	\$ 8,737,049	\$ 5,787,532
Taxes receivable	1,950,569	1,979,828
Accounts receivable	3,345,792	2,777,307
Portfolio investments (Note 3)	513,535	518,535
Inventories for resale	49,448	49,618
Due from trust funds	4,712	4,736
Long-term receivables	161,694	164,733
	14,762,799	11,282,289
Liabilities		
Accounts payable and accrued liabilities	2,598,888	1,485,745
Other liabilities	1,219,507	1,120,617
Deferred revenue (Note 4)	2,368,253	2,166,454
Net long-term debt (Note 5)	15,032,023	16,061,527
	21,218,671	20,834,343
Net debt	(6,455,872)	(9,552,054)
Non-financial assets		
Tangible capital assets (Note 6)	184,117,899	184,734,017
Prepaid expenses and inventories of supplies	88,607	78,998
	184,206,506	184,813,015
Accumulated surplus (Note 7)	\$ 177,750,634	\$ 175,260,961

Contingent liabilities (Note 11)

_____ Treasurer

_____ Mayor

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

For the year ended December 31	Budget 2014	2014	2013
	(Note 15)		(restated)
Revenue			
Taxation	\$ 10,617,470	\$ 10,569,675	\$ 10,133,192
Government grants - Federal	3,213,612	1,089,429	430,474
Government grants - Provincial	5,020,307	2,718,150	2,276,785
Municipal grants	153,990	179,993	214,391
User fees and service charges	9,571,249	8,654,450	6,980,390
Other (Note 9)	1,215,899	1,506,337	1,499,174
	29,792,527	24,718,034	21,534,406
Expenses (Note 10)			
General government	2,651,442	2,700,673	2,878,788
Protection services	4,217,624	4,402,473	3,694,812
Transportation services	3,781,499	3,838,551	3,359,107
Environmental services	6,014,879	6,101,544	6,050,381
Health services	118,994	88,972	77,456
Harbour	661,762	575,221	647,630
Recreation and cultural services	3,680,985	3,503,029	3,490,109
Planning and development	701,048	1,017,898	660,599
	21,828,233	22,228,361	20,858,882
Annual surplus	7,964,294	2,489,673	675,524
Accumulated surplus, beginning of year	175,260,961	175,260,961	174,585,437
Accumulated surplus, end of year	\$ 183,225,255	\$ 177,750,634	\$ 175,260,961

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

For the year ended December 31	Budget 2014	2014	2013
	(Note 15)		(restated)
Annual surplus	\$ 7,964,294	\$ 2,489,673	\$ 675,524
Acquisition of tangible capital assets	(13,126,098)	(4,837,861)	(3,557,856)
Amortization of tangible capital assets	5,100,743	5,139,855	5,086,987
Loss on disposal or sale of tangible capital assets	-	67,060	4,469
Proceeds on sale of tangible capital assets	-	23,048	104,916
Share of LAWSS adjustment (Note 8)	-	224,016	144,913
	(61,061)	3,105,791	2,458,953
Usage of prepaid expenses and inventory of supplies	-	(9,609)	13,295
Net change in net debt	(61,061)	3,096,182	2,472,248
Net debt, beginning of year	(9,552,054)	(9,552,054)	(12,024,302)
Net debt, end of year	\$ (9,613,115)	\$ (6,455,872)	\$ (9,552,054)

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

For the year ended December 31	2014	2013
		(restated)
Operating activities		
Annual surplus	\$ 2,489,673	\$ 675,524
Items not involving cash		
Amortization	5,139,855	5,086,987
Loss on disposal or sale of tangible capital assets	67,060	4,469
Changes in non-cash operating balances		
Taxes receivable	29,259	(140,725)
Accounts receivable	(568,485)	(217,746)
Inventories for resale	170	(3,294)
Prepaid expenses and inventories of supplies	(9,609)	13,295
Accounts payable and accrued liabilities	1,113,143	(537,236)
Long-term receivables	3,039	85,785
Due from trust funds	24	2,012
Other liabilities	98,890	24,087
Deferred revenue	201,799	121,333
	8,564,818	5,114,491
Capital activities		
Acquisition of tangible capital assets	(4,837,861)	(3,557,856)
Share of LAWSS adjustment	224,016	144,913
Proceeds on sale of tangible capital assets	23,048	104,916
	(4,590,797)	(3,308,027)
Investing activities		
Decrease (increase) in portfolio investments	5,000	(376,518)
Financing activities		
Repayment of long-term debt	(1,029,504)	(1,583,233)
Increase (decrease) in cash and cash equivalents	2,949,517	(153,287)
Cash and cash equivalents, beginning of year	5,787,532	5,940,819
Cash and cash equivalents, end of year	\$ 8,737,049	\$ 5,787,532

The Corporation of the Municipality of Lambton Shores

Summary of Significant Accounting Policies

December 31, 2014

**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 public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. 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 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.

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%

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 2014, the municipality's share of the System was 2.10% (2013 - 2.35%). 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.

The Corporation of the Municipality of Lambton Shores

Summary of Significant Accounting Policies

December 31, 2014

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	20 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.

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.

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, 2014

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. The municipality receives supplemental tax revenues and are also subject to tax adjustments as a result of appeals. Each year, management provides a best estimate of the affect on tax revenue.

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

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

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards 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, 2014

1. Prior Period Adjustment

During the current year, the municipality determined that there were unrecorded tangible capital assets with in-service dates ranging from 1973 to 1995. As a result, tangible capital assets were understated in prior years. The result of this correction to the prior year is as follows:

Consolidated Statement of Financial Position as at December 31, 2013

	As originally reported	Change	Restated
Tangible capital assets	\$ 158,549,391	\$ 26,184,626	\$ 184,734,017

Consolidated Statement of operations as at December 31, 2013

	As originally reported	Change	Restated
Environmental services	5,620,051	430,330	6,050,381
Annual surplus	1,105,854	(430,330)	675,524
Accumulated surplus, beginning of year	147,970,481	26,614,956	174,585,437
Accumulated surplus, end of year	\$ 149,076,335	\$ 26,184,626	\$ 175,260,961

Consolidated Detailed Statement of Net Debt as at December 31, 2013

	As originally reported	Change	Restated
Amortization of tangible capital assets	\$ 4,656,657	\$ 430,330	\$ 5,086,987

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

December 31, 2014

2. 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, 2014, the Municipality has not accessed the line of credit and have a balance owing of \$nil (2013 - \$nil). All amounts are repayable immediately on demand and Lambton Shores has the option to repay any amount under this credit at any time.

3. Portfolio Investments

	<u>2014</u>	<u>2013</u>
1.00% to 2.55% GIC, due March 7, 2016	\$ 250,000	\$ 250,000
2.25% GIC, due March 7, 2016	250,000	250,000
0.80% GIC, due October 16, 2014	-	5,000
Money Market Fund (interest 0.48% in 2014)	8,270	8,270
Sun Life Financial, 150 Common Shares	5,265	5,265
	<u>\$ 513,535</u>	<u>\$ 518,535</u>

The income from portfolio investments for the year was \$9,533 (2013 - \$3,674). The market value of the Municipality's guaranteed investment certificates (GIC's) and money market fund is the same as the carrying value above. The Sun Life Financial common shares are recorded at cost. The market value of the shares at December 31, 2014 was \$6,288 (2013 - \$5,628).

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

December 31, 2014

4. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 53,718	\$ 317,686	\$ 936	\$ (345,947)	\$ 26,393
Development charges	1,518,612	334,190	20,250	(100,000)	1,773,052
Infrastructure programs	477,165	9,495	178	(38,425)	448,413
Parkland dedication	116,328	2,250	1,276	-	119,854
Deposits	631	-	-	(90)	541
	<u>\$ 2,166,454</u>	<u>\$ 663,621</u>	<u>\$ 22,640</u>	<u>\$ (484,462)</u>	<u>\$ 2,368,253</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, 2014

5. Net Long-term Debt

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

	<u>2014</u>	<u>2013</u>
Loan payable (re Parking Lot - Grand Bend), 5.12% payable \$35,568 principal and interest quarterly, due September 2016	1,253,532	1,329,537
Loan payable (re waterline), 4.75%, payable \$146,778 principal and interest semi-annually, due October 2023	2,129,640	2,315,394
Loan payable (re The Shores Recreation Centre), 5.22%, payable \$107,083 principal and interest semi-annually, due September 2033	2,561,542	2,638,951
Loan payable (re School/Recreation Centre Grand Bend), 5.09%, payable \$15,539 principal and interest quarterly, due June 2014	-	30,494
Loan payable (re Lambton Area Water Supply System), 7.85% to 8%, with repayments based on system usage, as described hereinafter	190,470	274,081
Loan payable (re sewer forcemain) prime minus 0.15%, payable \$23,333 principal plus interest quarterly, due on demand	1,026,667	1,120,000
Loan payable (re Phase IV waterline), 3.17%, payable \$24,781 principal and interest semi-annually, due October 2027	524,690	556,852
Loan payable (re Beach Enhancement), 3.97%, payable \$91,602 principal and interest semi-annually, due June 2020	897,264	1,040,566
Loan payable (re water expansion), 2.37%, payable \$199,019 principal and interest semi-annually, due February 2021	2,384,766	2,720,309

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

December 31, 2014

5. Net Long-Term Debt (continued)

Loan payable (re: Legacy Centre), 2.00%, payable \$26,696 interest and principal semi-annually, due November 2034	876,574	-
Loan payable (re Parkhill Secondary Waterline), 6.98%, with repayments based on system usage, as described hereinafter	-	7,608
Loan payable (re Legacy Centre), construction loan interest rate during the year was 1.59%. Debenture interest rate and repayment terms to be negotiated with Ontario Strategic Infrastructure Financing Authority	-	4,027,735
Loan payable (re Legacy Centre), 3.49%, payable \$96,057, interest and principal semi-annually, due December 2039	3,186,878	-
	\$ 15,032,023	\$ 16,061,527

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

	Principal Repayments
2015	\$ 1,151,623
2016	2,282,342
2017	1,147,575
2018	1,114,246
2019	1,150,684
2020 to 2023	3,718,435
Thereafter	4,467,118
	\$ 15,032,023

The gross interest paid relating to the Municipality's long-term debt was \$552,446 (2013 - \$598,853).

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2014

5. 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 \$38,351 (2013 - \$62,567). 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 \$190,470 (2013 - \$274,081), which represents 2.10% (2013 - 2.35%) 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 2.10%.

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 \$nil (2013 - \$7,608) which represents 4.29% (2013 - 5.64%) of the municipal debt issued by the Municipality of North Middlesex for the Parkhill Secondary Waterline Debt. There are no future principal repayments relating to the Municipality's share of this municipal debt, as the balance is \$nil.

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, 2014

6. Tangible Capital Assets

	2014								
	Land	Buildings	Equipment	Infrastructure Transportation	Infrastructure Environmental	Land Improvements	Rolling Stock	Work in Progress	Total
Cost, beginning of year	\$ 7,594,221	\$ 25,640,978	\$ 2,708,938	\$ 60,047,098	\$ 131,945,299	\$ 14,285,470	\$ 6,258,626	\$ 2,702,891	\$ 251,183,521
Additions	-	161,502	73,943	1,489,989	623,954	381,782	555,735	1,555,241	4,842,146
Disposals	(166)	(30,856)	(52,298)	(201,866)	(13,595)	(61,881)	(231,756)	(4,285)	(596,703)
Other	(3,181)	(103,869)	(93)	-	(208,814)	(1,688)	-	(1,568)	(319,213)
Cost, end of year	\$ 7,590,874	\$ 25,667,755	\$ 2,730,490	\$ 61,335,221	\$ 132,346,844	\$ 14,603,683	\$ 6,582,605	\$ 4,252,279	\$ 255,109,751
Accumulated amortization, beginning of year	\$ -	\$ 6,463,489	\$ 1,107,315	\$ 20,602,473	\$ 29,145,887	\$ 5,835,985	\$ 3,294,355	\$ -	\$ 66,449,504
Amortization	-	716,535	215,724	1,538,871	1,780,156	532,117	356,452	-	5,139,855
Disposals	-	(26,695)	(42,995)	(158,869)	(11,859)	(43,322)	(218,570)	-	(502,310)
Other	-	(41,439)	(69)	-	(52,271)	(1,418)	-	-	(95,197)
Accumulated amortization, end of year	\$ -	\$ 7,111,890	\$ 1,279,975	\$ 21,982,475	\$ 30,861,913	\$ 6,323,362	\$ 3,432,237	\$ -	\$ 70,991,852
Net carrying amount, end of year	\$ 7,590,874	\$ 18,555,865	\$ 1,450,515	\$ 39,352,746	\$ 101,484,931	\$ 8,280,321	\$ 3,150,368	\$ 4,252,279	\$ 184,117,899

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 \$4,252,279 (2013 - \$2,702,891). Contributed capital assets of \$nil (2013 - \$11,905) 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, 2014

6. Tangible Capital Assets (continued)

									2013 Restated
	Land	Buildings	Equipment	Infrastructure Transportation	Infrastructure Environmental	Land Improvements	Rolling Stock	Work in Progress	Total
Cost, beginning of year	\$ 7,601,903	\$ 25,371,811	\$ 2,490,201	\$ 59,242,771	\$ 131,733,813	\$ 14,106,744	\$ 5,970,939	\$ 2,004,406	\$ 248,522,588
Additions	-	336,274	263,325	877,333	407,376	179,806	795,257	722,497	3,581,868
Disposals	(5,646)	(1,062)	(44,528)	(73,006)	(62,249)	-	(507,570)	(13,819)	(707,880)
Other	(2,036)	(66,045)	(60)	-	(133,641)	(1,080)	-	(10,193)	(213,055)
Cost, end of year	<u>\$ 7,594,221</u>	<u>\$ 25,640,978</u>	<u>\$ 2,708,938</u>	<u>\$ 60,047,098</u>	<u>\$ 131,945,299</u>	<u>\$ 14,285,470</u>	<u>\$ 6,258,626</u>	<u>\$ 2,702,891</u>	<u>\$ 251,183,521</u>
Accumulated amortization, beginning of year	\$ -	\$ 5,767,956	\$ 952,451	\$ 19,154,663	\$ 27,424,462	\$ 5,312,348	\$ 3,393,262	\$ -	\$ 62,005,142
Amortization	-	720,998	199,432	1,512,897	1,778,369	524,512	350,779	-	5,086,987
Disposals	-	(552)	(44,528)	(65,087)	(24,823)	-	(449,686)	-	(584,676)
Other	-	(24,913)	(40)	-	(32,121)	(875)	-	-	(57,949)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 6,463,489</u>	<u>\$ 1,107,315</u>	<u>\$ 20,602,473</u>	<u>\$ 29,145,887</u>	<u>\$ 5,835,985</u>	<u>\$ 3,294,355</u>	<u>\$ -</u>	<u>\$ 66,449,504</u>
Net carrying amount, end of year	<u>\$ 7,594,221</u>	<u>\$ 19,177,489</u>	<u>\$ 1,601,623</u>	<u>\$ 39,444,625</u>	<u>\$ 102,799,412</u>	<u>\$ 8,449,485</u>	<u>\$ 2,964,271</u>	<u>\$ 2,702,891</u>	<u>\$ 184,734,017</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 \$2,702,891 (2012 - \$2,004,406). Contributed capital assets of \$11,905 (2012 - \$1,771,804) 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, 2014

7. Accumulated Surplus

The Municipality segregates its accumulated surplus into the following categories:

	<u>2014</u>	<u>2013</u>
		(restated)
Investment in tangible capital assets	\$ 184,117,899	\$ 184,734,017
Current Funds	(1,913,109)	(1,094,741)
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	72,248	83,581
Reserve Funds		
Working funds	506,175	486,366
Equipment replacement - fire	128,623	256,579
Road purposes	828,768	741,818
Road purposes - committed funds	173,348	-
Acquisition of capital assets - vehicle and equipment	602,533	624,592
Water	4,970,631	3,750,051
Acquisition of capital assets - real property	192,514	138,737
Sewer	393,669	420,858
Protection to persons	304,362	125,747
Cemetery memorial fund	57,483	56,865
Beach enhancement capital	16,082	15,909
Opportunities and contingency	100,000	-
Parking	24,464	13,924
Road name change	17,752	17,561
Erosion control	6,664	6,592
Accessibility	8,697	8,603
Information technology	41,939	19,708
Recreation	485,741	374,364
Building department - vehicle and equipment	35,645	30,013
Building department	1,045,086	15,901
Harbour related expenses	70,000	-
Unfunded		
Long-term debt	(15,032,023)	(16,061,527)
	<u>\$ 177,750,634</u>	<u>\$ 175,260,961</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, 2014

8. 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 2.10% (2013 - 2.35%) proportionate interest of the following:

	2014	2013
Statement of Financial Position		
Financial Assets	<u>\$ 3,549,197</u>	<u>\$ 3,799,501</u>
Liabilities		
Current Liabilities	\$ 108,802	\$ 210,562
Long-term Liabilities	<u>9,070,000</u>	<u>11,663,000</u>
Total liabilities	<u>\$ 9,178,802</u>	<u>\$ 11,873,562</u>
Net Debt	(5,629,605)	(8,074,061)
Non-Financial Assets		
Tangible Capital Assets	<u>89,153,218</u>	<u>89,606,049</u>
Accumulated Surplus	<u>\$83,523,613</u>	<u>\$ 81,531,988</u>
Statement of Operations		
Revenues	\$ 9,924,818	\$ 9,673,297
Expenses - excluding amortization	6,070,648	6,506,913
Amortization	<u>1,862,545</u>	<u>1,884,231</u>
Annual surplus	<u>\$ 1,991,625</u>	<u>\$ 1,282,153</u>

9. Other Income

	Budget 2014	2014	2013
	(Note 15)		
Penalties and interest on taxation	\$ 285,829	\$ 342,043	\$ 323,652
Investment income	29,121	145,561	109,697
Rents, concessions and franchises	879,843	876,311	857,530
Donations	21,106	47,719	126,135
Other	-	385,779	231,849
Share of Lambton Area Water Supply System	-	(224,016)	(145,220)
Loss on disposal of tangible capital assets	-	<u>(67,060)</u>	<u>(4,469)</u>
	<u>\$ 1,215,899</u>	<u>\$ 1,506,337</u>	<u>\$ 1,499,174</u>

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

December 31, 2014

10. Expenses by Object

	Budget 2014	2014	2013
	(Note 15)		(restated)
Salaries, wages and employee benefits	\$ 4,392,965	\$ 4,229,724	\$ 4,079,852
Amortization	5,100,743	5,139,855	5,086,987
Materials	4,383,769	5,156,535	4,256,385
Contributions to other organizations	41,654	62,353	49,502
Rents and financial expenses	82,146	105,727	79,052
Fees and contracted services	7,187,709	6,981,721	6,708,251
Interest on long-term debt	639,247	552,446	598,853
	\$21,828,233	\$22,228,361	\$ 20,858,882

11. Contingent Liabilities

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2014 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.

12. 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 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 451,115 active and retired members and 974 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, 2014. The results of this valuation disclosed total actuarial liabilities of \$76,924 million (2013 - \$73,004 million) in respect of benefits accrued for service with actuarial assets at that date of \$69,846 million (2013 -\$64,363) million indicating an actuarial deficit of \$7,078 million (2013 - \$8,641 million).

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2014

12. 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 2014 was \$267,275 (2013 - \$249,256) for current service. The OMERS Board rate was 9.0% to 14.6% depending on income level (2013 - 9.0% to 14.6% depending on income level).

13. Commitments

The Corporation of the Municipality of Lambton Shores has entered into an agreement with OMI Inc. to provide operations and maintenance services that expires December 31, 2019. The annual costs (not including HST) to the municipality are as follows:

Year	Amount
2015	1,143,803
2016	1,309,933
2017	1,343,179
2018	1,377,274
2019	1,412,099

The Municipality, in partnership with The Municipality of South Huron has entered into contracts for the engineering and construction of the Grand Bend Area Wastewater Treatment Facility. Initial capital costs, plant capacity, and joint ownership of the new facility are to be shared on the basis of the plant's capacity (Lambton Shores 64.7% and South Huron 35.3%). The construction and engineering contracts combined cost is \$18,137,969 (including contingency and HST) and \$3,438,027 (including HST) has been spent to December 31, 2014.

The municipality has committed to purchase a work truck and reversible plow attachment with a total cost of \$192,500 (including HST) that is to be delivered in early 2015.

14. Funds Held in Trust

At the year end, the Municipality held \$337,483 (2013 - \$327,116) 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, 2014

15. Budget

The budget approved by Council on March 6, 2014 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 March 6, 2014 with adjustments as follows:

Budget Bylaw deficit for the year	\$ (61,061)
Add:	
Budgeted capital expenditures	13,126,098
Less:	
Amortization	<u>(5,100,743)</u>
Budget surplus per statement of operations	<u>\$ 7,964,294</u>

16. 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, 2014

16. 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.

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, 2014

16. 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. The first half of the fiscal year, the garbage collection was 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 second half of the fiscal year, a new automated collection service was brought into effect and is funded through an annual fee that ranges from \$60-\$180 per year. 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, 2014

16. 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 191 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 net 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, 2014

16. 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 Canada Inc. 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 currently in the process of completing an expansion and upgrade of the Grand Bend treatment facility. The maintenance of the infrastructure and systems is currently contracted to Operations Management International Canada Inc. 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, 2014

16. Segmented Information (continued)

For the year ended December 31, 2014	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	2014 Total
Revenue																		
Taxation	\$ 2,461,635	\$ 106,766	\$ 25,244	\$ 468,138	\$ 867,858	\$ 3,350,519	\$ 159,451	\$ 764,479	\$ 562,066	\$ 89,570	\$ 799,220	\$ 228,888	\$ 277,142	\$ 330,699	\$ 121,059	\$ (23,647)	\$ (19,412)	\$ 10,569,675
Government grants	847,257	-	-	138,671	144,777	1,348,538	34,079	87,657	-	-	-	20,000	2,831	-	166,046	-	1,197,716	3,987,572
User fees	198,017	139,112	1,305,736	99,360	50,442	92,098	464,772	535,577	308,694	65,220	292,353	33,177	571,252	91,254	622,901	3,921,137	1,369,685	10,160,787
	<u>3,506,909</u>	<u>245,878</u>	<u>1,330,980</u>	<u>706,169</u>	<u>1,063,077</u>	<u>4,791,155</u>	<u>658,302</u>	<u>1,387,713</u>	<u>870,760</u>	<u>154,790</u>	<u>1,091,573</u>	<u>282,065</u>	<u>851,225</u>	<u>421,953</u>	<u>910,006</u>	<u>3,897,490</u>	<u>2,547,989</u>	<u>24,718,034</u>
Expenses																		
Wages and benefits	7,903	115,563	205,179	191,299	417,425	1,394,819	165,273	373,901	108,599	63,612	227,007	115,314	279,263	93,911	98,906	208,508	163,242	4,229,724
Goods and services	3,382,920	53,404	94,240	590,066	294,750	1,769,905	443,103	561,951	769,906	54,280	469,071	157,222	217,252	170,949	760,827	1,681,212	1,069,660	12,540,718
Amortization	-	-	7,737	15,479	215,510	1,909,765	79,072	497,518	747	104	19,062	122,701	259,528	189,618	-	1,440,688	382,326	5,139,855
Miscellaneous	(823,071)	77,853	58,493	62,603	61,957	(721,548)	36,657	218,463	20,544	32,010	161,571	33,948	151,728	70,591	83,426	560,845	231,994	318,064
	<u>2,567,752</u>	<u>246,820</u>	<u>365,649</u>	<u>859,447</u>	<u>989,642</u>	<u>4,352,941</u>	<u>724,105</u>	<u>1,651,833</u>	<u>899,796</u>	<u>150,006</u>	<u>876,711</u>	<u>429,185</u>	<u>907,771</u>	<u>525,069</u>	<u>943,159</u>	<u>3,891,253</u>	<u>1,847,222</u>	<u>22,228,361</u>
Net surplus (deficit)	\$ 939,157	\$ (942)	\$ 965,331	\$ (153,278)	\$ 73,435	\$ 438,214	\$ (65,803)	\$ (264,120)	\$ (29,036)	\$ 4,784	\$ 214,862	\$ (147,120)	\$ (56,546)	\$ (103,116)	\$ (33,153)	\$ 6,237	\$ 700,767	\$ 2,489,673

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

December 31, 2014

16. Segmented Information (continued)

For the year ended December 31, 2013	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	2013 Total (restated)	
Revenue																			
Taxation	\$ 2,223,518	\$ 108,401	\$ 75,642	\$ 450,889	\$ 822,756	\$ 3,105,991	\$ 282,785	\$ 836,007	\$ 553,597	\$ 60,040	\$ 732,591	\$ 224,331	\$ 210,643	\$ 366,114	\$ 103,112	\$ (13,535)	\$ (9,690)	\$ 10,133,192	
Government grants	913,354	1,399	1,024	1,980	191,938	1,475,272	20,546	1,007	381	467	2,130	11,344	2,044	36,949	206,306	-	55,509	2,921,650	
User fees	84,565	134,660	169,087	99,961	71,711	149,105	449,283	500,743	346,476	61,748	283,845	107,412	590,598	67,189	249,180	3,833,401	1,280,600	8,479,564	
	<u>3,221,437</u>	<u>244,460</u>	<u>245,753</u>	<u>552,830</u>	<u>1,086,405</u>	<u>4,730,368</u>	<u>752,614</u>	<u>1,337,757</u>	<u>900,454</u>	<u>122,255</u>	<u>1,018,566</u>	<u>343,087</u>	<u>803,285</u>	<u>470,252</u>	<u>558,598</u>	<u>3,819,866</u>	<u>1,326,419</u>	<u>21,534,406</u>	
Expenses																			
Wages and benefits	7,183	107,559	195,456	101,194	424,259	1,363,218	150,413	399,020	95,935	52,971	169,054	119,582	301,891	106,791	83,959	239,054	162,313	4,079,852	
Goods and services	3,063,177	63,625	51,043	465,388	265,965	1,477,584	528,646	544,037	793,719	47,759	438,218	145,792	211,490	158,950	433,578	1,593,267	1,055,172	11,337,410	
Amortization	-	-	8,569	7,034	200,136	1,880,470	78,646	496,666	747	104	19,062	115,067	265,669	192,210	-	1,438,921	383,686	5,086,987	
Miscellaneous	(912,927)	89,421	65,626	60,858	65,832	(734,887)	34,379	213,845	24,395	29,841	147,648	33,573	168,651	112,941	89,222	628,764	237,451	354,633	
	<u>2,157,433</u>	<u>260,605</u>	<u>320,694</u>	<u>634,474</u>	<u>956,192</u>	<u>3,986,385</u>	<u>792,084</u>	<u>1,653,568</u>	<u>914,796</u>	<u>130,675</u>	<u>773,982</u>	<u>414,014</u>	<u>947,701</u>	<u>570,892</u>	<u>606,759</u>	<u>3,900,006</u>	<u>1,838,622</u>	<u>20,858,882</u>	
Net surplus (deficit)	<u>\$ 1,064,004</u>	<u>\$ (16,145)</u>	<u>\$ (74,941)</u>	<u>\$ (81,644)</u>	<u>\$ 130,213</u>	<u>\$ 743,983</u>	<u>\$ (39,470)</u>	<u>\$ (315,811)</u>	<u>\$ (14,342)</u>	<u>\$ (8,420)</u>	<u>\$ 244,584</u>	<u>\$ (70,927)</u>	<u>\$ (144,416)</u>	<u>\$ (100,640)</u>	<u>\$ (48,161)</u>	<u>\$ (80,140)</u>	<u>\$ (512,203)</u>	<u>\$ 675,524</u>	

**The Corporation of the Municipality of
Lambton Shores
Forest Town Centre Business
Improvement Area
Financial Statements
For the year ended December 31, 2014**



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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, 2014, 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 May 26, 2015 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 Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
May 26, 2015

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

December 31	2014	2013
Financial Assets		
Cash	\$ 7,171	\$ 6,491
Term deposit	8,270	13,270
Accounts receivable	<u>5,300</u>	<u>4,724</u>
	20,741	24,485
Liabilities		
Accounts payable	<u>500</u>	<u>2,449</u>
Net financial assets	<u>20,241</u>	<u>22,036</u>
Accumulated Surplus	<u>\$ 20,241</u>	<u>\$ 22,036</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		2014		2013	
Revenues						
Assessments on members	\$	29,541	\$	27,577	\$	28,231
Other		7,499		7,000		8,913
Total revenues		37,040		34,577		37,144
Expenditures						
Administration		15,300		8,983		9,663
Advertising and promotion		5,540		24,065		24,043
Maintenance		8,200		3,324		-
Retail		8,000		-		-
Total expenditures		37,040		36,372		33,706
Annual surplus (deficit)		-		(1,795)		3,438
Accumulated surplus, beginning of year		22,036		22,036		18,598
Accumulated surplus, end of year	\$	22,036	\$	20,241	\$	22,036

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

For the year ended December 31	2014	2013
Cash provided by (used in)		
Operating Activities		
Annual surplus (deficit)	\$ (1,795)	\$ 3,438
Decrease (increase) in accounts receivable	(576)	148
Increase (decrease) in accounts payable	(1,949)	1,949
Net change in cash and cash equivalents	(4,320)	5,535
Cash and cash equivalents, beginning of year	19,761	14,226
Cash and cash equivalents, end of year	\$ 15,441	\$ 19,761
Represented by:		
Cash	\$ 7,171	\$ 6,491
Term deposit	8,270	13,270
	\$ 15,441	\$ 19,761

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

December 31, 2014

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 Chartered Professional Accountants of Canada, 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, 2014**

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, 2014, 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 public sector accounting standards, 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, 2014 and the continuity of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
May 26, 2015

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

December 31, 2014

Assets	Total	Theford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery
Cash	\$ 64,489	\$ 9,494	\$ 39,728	\$ 15,267
Accounts receivable	70	70	-	-
Investments (Note 2)	<u>277,636</u>	-	183,005	94,631
	<u>\$ 342,195</u>	<u>\$ 9,564</u>	<u>\$ 222,733</u>	<u>\$ 109,898</u>
Liabilities				
Accounts payable	\$ 4,712	-	\$ 2,443	\$ 2,269
Fund Balance	<u>337,483</u>	<u>9,564</u>	<u>220,290</u>	<u>107,629</u>
	<u>\$ 342,195</u>	<u>\$ 9,564</u>	<u>\$ 222,733</u>	<u>\$ 109,898</u>

**Statement of
Continuity**

For the year ended December 31, 2014

	Total	Theford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery
Balance, beginning of year	<u>\$ 327,116</u>	<u>\$ 7,342</u>	<u>\$ 213,578</u>	<u>\$ 106,196</u>
Receipts				
Interest	6,062	103	3,536	2,423
Perpetual care	10,367	2,222	6,712	1,433
	<u>16,429</u>	<u>2,325</u>	<u>10,248</u>	<u>3,856</u>
Expenditures				
Transfer to Municipality	6,062	103	3,536	2,423
Balance, end of the year	<u>\$ 337,483</u>	<u>\$ 9,564</u>	<u>\$ 220,290</u>	<u>\$ 107,629</u>

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

December 31, 2014

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

1.65% GIC, due May 21, 2015	\$ 94,346
1.00% to 5.00% GIC, due May 29, 2017	63,457
1.00% to 2.70% GIC, due April 4, 2017	10,081
1.00% to 2.70% GIC, due April 4, 2017	15,121
	<u>183,005</u>

Arkona Cemetery

1.10% to 6.00% GIC, due August 1, 2016	\$ 14,302
1.00% to 5.00% GIC, due May 25, 2017	42,423
1.00% to 2.50% GIC, due December 29, 2017	25,000
2.25% GIC due May 30, 2016	12,906
	<u>94,631</u>
	<u>\$ 277,636</u>