

**The Corporation of the Municipality of  
Lambton Shores  
Consolidated Financial Statements  
For the year ended December 31, 2015**

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For the year ended December 31, 2015

**Contents**

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

Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations	3
Consolidated Statement of Change in Net Debt	4
Consolidated Statement of Cash Flows	5
Summary of Significant Accounting Policies	6 - 9
Notes to the Consolidated Financial Statements	10

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

30

Auditor's Comments on Supplementary Financial Information	31
Statement of Financial Position	32
Statement of Operations and Accumulated Surplus	33
Statement of Cash Flows	34
Summary of Significant Accounting Policies	35

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

36

Independent Auditor's Report	37
Balance Sheet	38
Statement of Continuity	38
Notes to Financial Statements	39



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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Corporation of the Municipality of Lambton Shores, which comprise the consolidated statement of financial position as at December 31, 2015, 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, 2015 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  
June 7, 2016

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

December 31	2015	2014
		(Restated)
<b>Financial assets</b>		
Cash and cash equivalents (Note 2)	\$ 8,181,142	\$ 8,737,049
Taxes receivable	2,069,838	1,950,569
Accounts receivable	7,015,440	3,556,113
Portfolio investments (Note 3)	513,462	513,535
Inventories for resale	49,676	49,448
Due from trust funds	3,793	4,712
Long-term receivables	248,381	161,694
	<b>18,081,732</b>	<b>14,973,120</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	3,104,415	2,780,639
Other liabilities	1,202,322	1,219,507
Deferred revenue (Note 4)	2,341,960	2,368,253
Net long-term debt (Note 5)	14,199,772	15,102,954
	<b>20,848,469</b>	<b>21,471,353</b>
<b>Net debt</b>	<b>(2,766,737)</b>	<b>(6,498,233)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 6)	194,382,367	188,461,837
Prepaid expenses and inventories of supplies	109,391	88,607
	<b>194,491,758</b>	<b>188,550,444</b>
<b>Accumulated surplus (Note 7)</b>	<b>\$ 191,725,021</b>	<b>\$ 182,052,211</b>

**Contingent liabilities (Note 11)**

\_\_\_\_\_ Treasurer

\_\_\_\_\_ Mayor

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

<b>For the year ended December 31</b>	<b>Budget 2015</b>	<b>2015</b>	<b>2014</b>
	(Note 15)		(Restated)
<b>Revenue</b>			
Taxation	\$ 11,047,733	\$ 11,122,846	\$ 10,569,675
Government grants - Federal	5,503,971	2,690,819	1,308,702
Government grants - Provincial	7,232,207	4,263,542	2,800,569
Municipal grants	221,661	340,060	179,993
User fees and service charges	7,366,807	7,804,901	8,654,450
Other (Note 9)	3,737,816	5,283,763	1,515,680
	<b>35,110,195</b>	<b>31,505,931</b>	<b>25,029,069</b>
<b>Expenses (Note 10)</b>			
General government	1,538,117	1,330,291	2,700,673
Protection services	4,690,007	4,836,732	4,402,473
Transportation services	5,246,413	4,932,932	3,838,551
Environmental services	6,135,322	6,068,476	6,048,790
Health services	67,382	53,614	88,972
Harbour	605,185	563,314	575,221
Recreation and cultural services	3,466,855	3,542,969	3,505,980
Planning and development	563,571	504,793	1,017,898
	<b>22,312,852</b>	<b>21,833,121</b>	<b>22,178,558</b>
<b>Annual surplus</b>	<b>12,797,343</b>	<b>9,672,810</b>	<b>2,850,511</b>
<b>Accumulated surplus, beginning of year</b>	<b>182,052,211</b>	<b>182,052,211</b>	<b>179,201,700</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 194,849,554</b>	<b>\$ 191,725,021</b>	<b>\$ 182,052,211</b>

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

<b>For the year ended December 31</b>	<b>Budget 2015</b>	<b>2015</b>	<b>2014</b>
	(Note 15)		(Restated)
<b>Annual surplus</b>	<b>\$ 12,797,343</b>	<b>\$ 9,672,810</b>	<b>\$ 2,850,511</b>
Acquisition of tangible capital assets	(14,952,577)	(11,008,479)	(5,210,338)
Amortization of tangible capital assets	5,400,147	5,400,147	5,275,094
Loss on disposal or sale of tangible capital assets	-	113,431	27,068
Proceeds on sale of tangible capital assets	-	111,081	63,040
Share of LAWSS adjustment (Note 8)	-	17,829	224,016
Share of LHPWSS adjustment (Note 8)	-	(554,539)	-
	<b>3,244,913</b>	<b>3,752,280</b>	<b>3,229,391</b>
Usage of prepaid expenses and inventory of supplies	-	(20,784)	(9,609)
<b>Net change in net debt</b>	<b>3,244,913</b>	<b>3,731,496</b>	<b>3,219,782</b>
<b>Net debt, beginning of year</b>	<b>(6,498,233)</b>	<b>(6,498,233)</b>	<b>(9,718,015)</b>
<b>Net debt, end of year</b>	<b>\$ (3,253,320)</b>	<b>\$ (2,766,737)</b>	<b>\$ (6,498,233)</b>

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

For the year ended December 31	2015	2014
		(Restated)
<b>Operating activities</b>		
Annual surplus	\$ 9,672,810	\$ 2,850,511
Items not involving cash		
Amortization	5,400,147	5,275,094
Loss on disposal or sale of tangible capital assets	113,431	27,068
Changes in non-cash operating balances		
Taxes receivable	(119,269)	29,259
Accounts receivable	(3,459,327)	(525,911)
Inventories for resale	(228)	170
Prepaid expenses and inventories of supplies	(20,784)	(9,609)
Accounts payable and accrued liabilities	323,776	954,385
Long-term receivables	(86,687)	3,039
Due from trust funds	919	24
Other liabilities	(17,185)	98,890
Deferred revenue	(26,293)	201,799
	<u>11,781,310</u>	<u>8,904,719</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(11,008,479)	(5,210,338)
Share of LAWSS adjustment	17,829	224,016
Share of LHPWSS adjustment	(554,539)	-
Proceeds on sale of tangible capital assets	111,081	63,040
	<u>(11,434,108)</u>	<u>(4,923,282)</u>
<b>Investing activities</b>		
Decrease in portfolio investments	73	5,000
<b>Financing activities</b>		
Proceeds from issuance of long-term debt	248,779	-
Repayment of long-term debt	(1,151,961)	(1,036,920)
	<u>(903,182)</u>	<u>(1,036,920)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(555,907)</b>	<b>2,949,517</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>8,737,049</u></b>	<b><u>5,787,532</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 8,181,142</u></b>	<b><u>\$ 8,737,049</u></b>

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# The Corporation of the Municipality of Lambton Shores

## Summary of Significant Accounting Policies

December 31, 2015

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

The consolidated financial statements of the Municipality are the responsibility of management. They have been prepared in accordance with Canadian 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%
Beechwood Cemetery	100%
Thedford Baptist and Ward Cemeteries	100%

All inter-entity transactions and balances have been eliminated.

**Joint Local Board**

The Lambton Area Water Supply System (LAWSS) and Lake Huron Primary Water Supply System (LHPWSS) have been consolidated on a proportionate basis based upon the water flow of the municipality in proportion to the entire flows provided by the joint boards for the 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 2015, the municipality's share of LAWSS was 2.08% (2014 - 2.10%) and LHPWSS was 2.89% (2014 - 2.55%). 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.



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# The Corporation of the Municipality of Lambton Shores

## Summary of Significant Accounting Policies

December 31, 2015

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**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

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# The Corporation of the Municipality of Lambton Shores

## Summary of Significant Accounting Policies

December 31, 2015

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<b>Trust Funds</b>	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.
<b>Retirement Benefits and Other Employee Benefit Plans</b>	The Municipality's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.
<b>Deferred Revenue</b>	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.
<b>Change in Accounting Policy</b>	During the current fiscal year, the Municipality has applied the new Canadian public sector accounting standard 3260 - Liability for Contaminated Sites. The Municipality has chosen to apply these changes prospectively and there is no effect in the financial statements for the current period.
<b>Liability for Contaminated Sites</b>	A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the Municipality is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries. At December 31, 2015, the Municipality has not identified any instances that meet the criteria for a liability for contaminated sites.
<b>Government Transfers</b>	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.

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# The Corporation of the Municipality of Lambton Shores

## Summary of Significant Accounting Policies

December 31, 2015

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**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, 2015**

### 1. Prior Period Adjustment

During the current year, it was determined that the municipality should be proportionately consolidating Lake Huron Area Primary Water Supply System and determined that there were unrecorded tangible capital assets with in-service dates ranging from 1979 to 2003. The result of this correction to the prior year is as follows:

#### Consolidated Statement of Financial Position as at December 31, 2014

	As Originally Reported	Change	Restated
<b>Financial assets</b>			
Accounts receivable	\$ 3,345,792	\$ 210,321	\$ 3,556,113
<b>Liabilities</b>			
Accounts payable and accrued liabilities	2,598,888	181,751	2,780,639
Net long-term debt	15,032,023	70,931	15,102,954
<b>Non-financial assets</b>			
Tangible capital assets	184,117,899	4,343,938	188,461,837
<b>Accumulated surplus</b>	\$177,750,634	\$ 4,301,577	\$182,052,211

#### Consolidated Statement of operations as at December 31, 2014

	As Originally Reported	Change	Restated
<b>Revenue</b>			
Government grants - Federal	\$ 1,089,429	\$ 219,273	\$ 1,308,702
Government grants - Provincial	2,718,150	82,419	2,800,569
Other	1,506,337	9,343	1,515,680
<b>Expenses</b>			
Environmental services	6,101,544	(52,754)	6,048,790
Recreational and cultural services	3,503,029	2,951	3,505,980
<b>Annual surplus</b>	2,489,673	360,838	2,850,511
<b>Accumulated surplus, beginning of year</b>	175,260,961	3,940,739	179,201,700
<b>Accumulated surplus, end of year</b>	\$177,750,634	\$ 4,301,577	\$182,052,211

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

**December 31, 2015**

**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 1.65%. The Municipality has established a bank operating line of credit of up to \$ 2,000,000 bearing interest at the bank's prime rate less 0.75%. At December 31, 2015, the Municipality has not accessed the line of credit and have a balance owing of \$nil (2014 - \$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**

	2015	2014
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
Money Market Fund	8,197	8,270
Sun Life Financial, 150 Common Shares	5,265	5,265
	\$ 513,462	\$ 513,535

The income from portfolio investments for the year was \$9,700 (2014 - \$9,533). 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, 2015 was \$6,473 (2014 - \$6,288).

**4. Deferred Revenue**

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 26,393	\$ 308,549	\$ 774	\$ (334,942)	\$ 774
Development charges	1,773,052	221,186	21,190	(129,918)	1,885,510
Infrastructure programs	448,413	63,442	-	(437,005)	74,850
Parkland dedication	119,854	6,953	1,170	-	127,977
Deposits	541	3,758	-	-	4,299
Community vibrancy fund	-	49,861	-	-	49,861
Ministry of Health	-	206,244	-	(7,555)	198,689
	\$ 2,368,253	\$ 859,993	\$ 23,134	\$ (909,420)	\$ 2,341,960

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# The Corporation of the Municipality of Lambton Shores

## Notes to Consolidated Financial Statements

December 31, 2015

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#### 4. Deferred Revenue (continued)

##### 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.

##### Community Vibrancy Fund

Amenity Fee is received as part of an agreement between the Municipality and Jericho Wind LP based on the number of megawatts produced by the Jericho Wind Energy Centre.

##### Ministry of Health and Long-term Care

Funding is received to provide the community-led Ontario Healthy Kids Community Challenge Program.

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

**December 31, 2015**

**5. Net Long-term Debt**

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

	<b>2015</b>	<b>2014</b>
		(Restated)
Loan payable (re Parking Lot - Grand Bend), 5.12% payable \$35,568 principal and interest quarterly, due September 2016	<b>\$ 1,173,560</b>	\$ 1,253,532
Loan payable (re waterline), 4.75%, payable \$146,778 principal and interest semi-annually, due October 2023	<b>1,934,957</b>	2,129,640
Loan payable (re The Shores Recreation Centre), 5.22%, payable \$107,083 principal and interest semi-annually, due September 2033	<b>2,480,039</b>	2,561,542
Loan payable (re Lambton Area Water Supply System), 7.9% to 8%, with repayments based on system usage, as described hereinafter	<b>130,499</b>	190,470
Loan payable (re sewer forcemain) prime minus 0.15%, payable \$23,333 principal plus interest quarterly, due on demand	<b>933,333</b>	1,026,667
Loan payable (re Phase IV waterline), 3.17%, payable \$24,781 principal and interest semi-annually, due October 2027	<b>491,501</b>	524,690
Loan payable (re Beach Enhancement), 3.97%, payable \$91,602 principal and interest semi-annually, due June 2020	<b>748,216</b>	897,264
Loan payable (re water expansion), 2.37%, payable \$199,019 principal and interest semi-annually, due February 2021	<b>2,041,224</b>	2,384,766
Loan payable (re: Legacy Centre), 2.00%, payable \$26,696 interest and principal semi-annually, due November 2034	<b>840,534</b>	876,574
Loan payable (re Lake Huron Primary Water Supply System), ranging from 1.35 to 3.80%, with repayments based on system usage	<b>320,628</b>	70,931
Loan payable (re Legacy Centre), 3.49%, payable \$96,057, interest and principal semi-annually, due December 2039	<b>3,105,281</b>	3,186,878
	<b>\$ 14,199,772</b>	\$ 15,102,954

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

**December 31, 2015**

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

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

	<u>Principal Repayments</u>
2016	\$ 2,312,064
2017	1,179,863
2018	1,147,765
2019	1,184,790
2020	1,131,652
2021 to 2025	3,211,060
Thereafter	<u>4,032,578</u>
	<u>\$ 14,199,772</u>

The gross interest paid relating to the Municipality's long-term debt was \$576,457 (2014 - \$554,543).

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 \$27,311 (2014 - \$38,351). The amount is not recorded in the "Consolidated Statement of Financial Position".

Annual principal and interest payments for the Municipality's portion of municipal debt relating to the Lambton Area Water Supply System issued by the Corporation of the County of Lambton on behalf of the Municipality are determined by the Municipality's percentage of the total water flow in the system during the year. The Municipality's share of the municipal debt issued by the Corporation of the County of Lambton was \$130,499 (2014 - \$190,470), which represents 2.08% (2014 - 2.10%) 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 2.08%.

Annual principal and interest payments for the Municipality's portion of municipal debt relating to the Lake Huron Primary Water Supply System issued by the Corporation of the City of London on behalf of the Municipality are determined by the Municipality's percentage of the total water flow in the system during the year. The Municipality's share of the municipal debt issued by the City of London was \$320,628 (2014 - \$70,931), which represents 2.89% (2014 - 2.55%) of the municipal debt issued by the City of London for the Lake Huron Primary 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 2.89%.

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, 2015**

**6. Tangible Capital Assets**

**December 31, 2015**

	Land	Buildings	Equipment	Infrastructure Transportation	Infrastructure Environmental	Land Improvements	Rolling Stock	Work in Progress	Total
Cost, beginning of year	\$ 7,637,884	\$ 26,724,783	\$ 3,605,128	\$ 61,360,988	\$ 135,500,350	\$ 14,764,528	\$ 6,582,605	\$ 4,526,864	\$ 260,703,130
Additions	55,000	237,928	355,529	702,300	467,163	56,293	776,133	8,655,637	11,305,983
Disposals	(4,568)	(1,407)	(200,001)	(218,003)	(68,232)	(40,362)	(432,881)	(297,504)	(1,262,958)
Other	6,014	132,447	116,614	2	381,480	(137)	-	36,477	672,897
Cost, end of year	\$ 7,694,330	\$ 27,093,751	\$ 3,877,270	\$ 61,845,287	\$ 136,280,761	\$ 14,780,322	\$ 6,925,857	\$ 12,921,474	\$ 271,419,052
Accumulated amortization, beginning of year	\$ -	\$ 7,340,938	\$ 1,611,121	\$ 22,008,242	\$ 31,405,855	\$ 6,442,900	\$ 3,432,237	\$ -	\$ 72,241,293
Amortization	-	768,742	290,832	1,591,104	1,855,921	529,934	363,614	-	5,400,147
Disposals	-	(1,407)	(191,793)	(135,867)	(26,447)	(27,278)	(358,150)	-	(740,942)
Other	-	27,047	44,147	-	65,103	(110)	-	-	136,187
Accumulated amortization, end of year	\$ -	\$ 8,135,320	\$ 1,754,307	\$ 23,463,479	\$ 33,300,432	\$ 6,945,446	\$ 3,437,701	\$ -	\$ 77,036,685
Net carrying amount, end of year	\$ 7,694,330	\$ 18,958,431	\$ 2,122,963	\$ 38,381,808	\$ 102,980,329	\$ 7,834,876	\$ 3,488,156	\$ 12,921,474	\$ 194,382,367

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 \$12,921,474 (2014 - \$4,526,864). Contributed capital assets of \$55,000 (2014 - \$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, 2015**

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

	December 31, 2014 (Restated)								
	Land	Buildings	Equipment	Infrastructure Transportation	Infrastructure Environmental	Land Improvements	Rolling Stock	Work in Progress	Total
Cost, beginning of year	\$7,641,231	\$ 26,410,593	\$ 3,406,607	\$ 60,072,865	\$ 134,569,903	\$ 14,446,315	\$ 6,258,626	\$ 3,607,535	\$ 256,413,675
Additions	-	448,915	260,164	1,489,989	1,152,856	381,782	555,735	1,814,737	6,104,178
Disposals	(166)	(30,856)	(61,550)	(201,866)	(13,595)	(61,881)	(231,756)	(893,840)	(1,495,510)
Other	(3,181)	(103,869)	(93)	-	(208,814)	(1,688)	-	(1,568)	(319,213)
Cost, end of year	<u>\$ 7,637,884</u>	<u>\$ 26,724,783</u>	<u>\$ 3,605,128</u>	<u>\$ 61,360,988</u>	<u>\$ 135,500,350</u>	<u>\$ 14,764,528</u>	<u>\$ 6,582,605</u>	<u>\$ 4,526,864</u>	<u>\$ 260,703,130</u>
Accumulated amortization, beginning of year	\$ -	\$ 6,663,856	\$ 1,397,787	\$ 20,628,240	\$ 29,636,148	\$ 5,952,572	\$ 3,294,355	\$ -	\$ 67,572,958
Amortization	-	745,216	265,650	1,538,871	1,833,837	535,068	356,452	-	5,275,094
Disposals	-	(26,695)	(52,247)	(158,869)	(11,859)	(43,322)	(218,570)	-	(511,562)
Other	-	(41,439)	(69)	-	(52,271)	(1,418)	-	-	(95,197)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 7,340,938</u>	<u>\$ 1,611,121</u>	<u>\$ 22,008,242</u>	<u>\$ 31,405,855</u>	<u>\$ 6,442,900</u>	<u>\$ 3,432,237</u>	<u>\$ -</u>	<u>\$ 72,241,293</u>
Net carrying amount, end of year	<u>\$ 7,637,884</u>	<u>\$ 19,383,845</u>	<u>\$ 1,994,007</u>	<u>\$ 39,352,746</u>	<u>\$ 104,094,495</u>	<u>\$ 8,321,628</u>	<u>\$ 3,150,368</u>	<u>\$ 4,526,864</u>	<u>\$ 188,461,837</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 \$4,526,864 (2013 - \$3,607,535). 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, 2015**

**7. Accumulated Surplus**

The Municipality segregates its accumulated surplus into the following categories:

	<u>2015</u>	<u>2014</u>
		(Restated)
Investment in tangible capital assets	\$ 194,382,367	\$ 188,461,837
Current Funds	(2,283,459)	(2,256,079)
Reserves		
Working Funds	138,631	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
Sewer	168,031	263,365
Acquisition of capital assets - vehicle and equipment	-	18,526
Forest Town Centre Business Improvement Area	2,360	2,360
Lambton Area Water Supply System	68,903	72,248
Lake Huron Primary Water Supply System	511,848	371,540
Reserve Funds		
Working funds	796,973	506,175
Equipment replacement - fire	749,693	128,623
Road purposes	1,089,263	828,768
Road purposes - committed funds	450,489	173,348
Acquisition of capital assets - vehicle and equipment	572,362	602,533
Water	5,985,574	4,970,631
Acquisition of capital assets - real property	390,349	192,514
Sewer	515,247	393,669
Protection to persons	279,926	304,362
Cemetery memorial fund	58,034	57,483
Beach enhancement capital	16,236	16,082
Opportunities and contingency	100,741	100,000
Parking	28,032	24,464
Road name change	17,922	17,752
Erosion control	6,728	6,664
Accessibility	8,780	8,697
Information technology	64,819	41,939
Recreation	737,167	485,741
Building department - vehicle and equipment	40,899	35,645
Building department	891,378	1,045,086
Harbour related expenses	70,519	70,000
Unfunded		
Long-term debt	<u>(14,199,772)</u>	<u>(15,102,954)</u>
	<u>\$ 191,725,021</u>	<u>\$ 182,052,211</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, 2015**

**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 2.08% (2014 - 2.10%) proportionate interest of the following:

	2015	2014
<b>Statement of Financial Position</b>		
Financial Assets	<u>\$ 4,218,515</u>	<u>\$ 3,549,197</u>
Liabilities		
Current Liabilities	\$ 905,869	\$ 108,802
Long-term Liabilities	<u>6,274,000</u>	<u>9,070,000</u>
Total liabilities	<u>\$ 7,179,869</u>	<u>\$ 9,178,802</u>
Net Debt	(2,961,354)	(5,629,605)
Non-Financial Assets		
Tangible Capital Assets	<u>88,314,614</u>	<u>89,153,218</u>
Accumulated Surplus	<u>\$85,353,260</u>	<u>\$ 83,523,613</u>
<b>Statement of Operations</b>		
Revenues	\$ 10,369,169	\$ 9,924,818
Expenses - excluding amortization	6,601,152	6,070,648
Amortization	<u>1,938,370</u>	<u>1,862,545</u>
Annual surplus	<u>\$ 1,829,647</u>	<u>\$ 1,991,625</u>

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

**December 31, 2015**

**8. Joint Local Board Consolidation (continued)**

**Lake Huron Area Primary Water Supply System**

The following summarizes the financial position and operations of Lake Huron Primary Water Supply System (LHPWSS) which has been reported in these financial statements using the proportionate consolidation method.

The consolidated financial statements include the municipality's 2.89% (2014 - 2.55%) proportionate interest of the following:

	2015	2014
<b>Statement of Financial Position</b>		
Financial Assets	<b>\$ 16,897,364</b>	<b>\$ 8,083,833</b>
Liabilities		
Current liabilities	3,513,641	7,127,508
Long-term liabilities	<b>11,094,378</b>	<b>2,781,622</b>
Total liabilities	<b>14,608,019</b>	<b>9,909,130</b>
Net Financial Debt	<b>2,289,345</b>	<b>(1,825,297)</b>
Non-Financial Assets		
Tangible capital assets	162,440,770	163,099,648
Prepaid expenses	<b>161,495</b>	<b>164,105</b>
Total non-financial assets	<b>162,602,265</b>	<b>163,263,753</b>
Accumulated Surplus	<b>\$ 164,891,610</b>	<b>\$ 161,438,456</b>
<b>Statement of Operations</b>		
Revenues	<b>\$ 20,975,481</b>	<b>\$ 30,289,897</b>
Expenses - excluding amortization	<b>11,184,002</b>	<b>10,835,881</b>
Amortization	<b>6,338,325</b>	<b>\$ 5,106,195</b>
Annual surplus	<b>\$ 3,453,154</b>	<b>\$ 14,347,821</b>

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

**December 31, 2015**

**9. Other Income**

	Budget 2015	2015	2014
	(Note 15)		(Restated)
Penalties and interest on taxation	\$ 306,745	\$ 345,142	\$ 342,043
Investment income	29,704	168,711	153,035
Rents, concessions and franchises	854,091	944,749	876,311
Donations	197,715	261,109	47,719
Other	2,349,561	3,140,773	347,656
Share of LAWSS	-	(17,829)	(224,016)
Share of LHPWSS	-	554,539	-
Loss on disposal of tangible capital assets	-	(113,431)	(27,068)
	<b>\$ 3,737,816</b>	<b>\$ 5,283,763</b>	<b>\$ 1,515,680</b>

**10. Expenses by Object**

	Budget 2015	2015	2014
	(Note 15)		(Restated)
Salaries, wages and employee benefits	\$ 4,616,772	\$ 4,523,501	\$ 4,243,338
Amortization	5,400,147	5,400,147	5,275,094
Materials	4,980,132	4,904,524	5,145,435
Contributions to other organizations	195,887	201,712	62,353
Rents and financial expenses	74,974	204,303	105,727
Fees and contracted services	6,472,502	6,022,477	6,792,068
Interest on long-term debt	572,438	576,457	554,543
	<b>\$ 22,312,852</b>	<b>\$ 21,833,121</b>	<b>\$ 22,178,558</b>

**11. Contingent Liabilities**

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2015 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.

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# The Corporation of the Municipality of Lambton Shores

## Notes to Consolidated Financial Statements

December 31, 2015

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### 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 461,000 active and retired members and 978 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, 2015. The results of this valuation disclosed total actuarial liabilities of \$81,924 million (2014 - \$76,924 million) in respect of benefits accrued for service with actuarial assets at that date of \$74,947 million (2014 - \$69,846 million) indicating an actuarial deficit of \$6,977 million (2014 - \$7,078 million).

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 2015 was \$272,608 (2014 - \$267,275) for current service. The OMERS Board rate was 9.0% to 14.6% depending on income level (2014 - 9.0% to 14.6% depending on income level).

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### 13. Commitments

The Corporation of the Municipality of Lambton Shores has entered into various agreements to provide operations and maintenance services. The annual costs (excluding HST) to the municipality are as follows:

Year	Amount
2016	1,409,333
2017	1,448,179
2018	1,487,274
2019	1,527,099

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 \$17,971,127 (including contingency and HST) and \$15,400,935 (including HST) has been spent to December 31, 2015.

The Municipality has committed to a policing contract with the Minister of Community Safety and Correctional Services that expires December 31, 2019.

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# The Corporation of the Municipality of Lambton Shores

## Notes to Consolidated Financial Statements

**December 31, 2015**

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### 14. Funds Held in Trust

At the year end, the Municipality held \$348,987 (2014 - \$337,483) in trust for cemetery care and maintenance. The funds are not included in these consolidated financial statements. Certain assets have been conveyed or assigned to the Municipality to be administered as directed by agreement or statute. The Municipality holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries.

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### 15. Budget

The budget approved by Council on March 24, 2015 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 24, 2015 with adjustments as follows:

Budget Bylaw surplus for the year	\$ 3,244,913
Add:	
Budgeted capital expenditures	14,952,577
Less:	
Amortization	<u>(5,400,147)</u>
Budget surplus per statement of operations	<u>\$ 12,797,343</u>

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### 16. Comparative Amounts

The comparative amounts presented in the consolidated financial statements have been restated to conform with the current year's presentation.



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

**December 31, 2015**

**17. Budget Variance**

The following chart reconciles the 2015 budget with the 2015 actuals found in the consolidated statement of operations:

	2015 Budget	Lambton Area Water Supply System adjusting entries	Lake Huron Primary Water Supply System adjusting entries	2015 Revised budget	2015 Actual	Variance Favourable / (Unfavourable)
<b>REVENUE</b>						
Taxation	\$ 11,047,733	\$ -	\$ -	\$ 11,047,733	\$ 11,122,846	\$ 75,113
Government grants - Federal	5,503,971	-	19,777	5,714,218	2,690,819	(3,023,399)
Government grants - Provincial	7,232,207	-	19,325	7,251,532	4,263,542	(2,987,990)
Municipal grants	221,661	-	-	221,661	340,060	118,399
User fees and service charges	7,366,807	-	-	7,366,807	7,804,901	438,094
Other	<u>3,737,816</u>	<u>(7,631)</u>	<u>576,289</u>	<u>4,306,474</u>	<u>5,283,763</u>	<u>977,289</u>
Total revenue	<u>\$ 35,110,195</u>	<u>\$ 182,839</u>	<u>\$ 615,391</u>	<u>\$ 35,908,425</u>	<u>\$ 31,505,931</u>	<u>\$ (4,402,494)</u>
<b>EXPENSES</b>						
General government	\$ 1,538,117	\$ -	\$ -	\$ 1,538,117	\$ 1,330,291	\$ 207,826
Protection services	4,690,007	-	-	4,690,007	4,836,732	(146,725)
Transportation services	5,246,413	-	-	5,246,413	4,932,932	313,481
Environmental services	6,135,322	(9,330)	(232,043)	5,893,949	6,068,476	(174,527)
Health services	67,382	-	-	67,382	53,614	13,768
Harbour	605,185	-	-	605,185	563,314	41,871
Recreation and cultural services	3,466,855	-	-	3,466,855	3,542,969	(76,114)
Planning and development	<u>563,571</u>	<u>-</u>	<u>-</u>	<u>563,571</u>	<u>504,793</u>	<u>58,778</u>
Total expenses	<u>\$ 22,312,852</u>	<u>\$ (9,330)</u>	<u>\$ (232,043)</u>	<u>\$ 22,071,479</u>	<u>\$ 21,833,121</u>	<u>\$ 238,358</u>
<b>NET REVENUE</b>	<u>\$ 12,797,343</u>	<u>\$ 192,169</u>	<u>\$ 847,434</u>	<u>\$ 13,836,946</u>	<u>\$ 9,672,810</u>	<u>\$ (4,164,136)</u>

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# The Corporation of the Municipality of Lambton Shores

## Notes to Consolidated Financial Statements

December 31, 2015

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### 18. 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:

#### **General Government**

General government is comprised of various departments including the Clerk's, Finance and Taxation, Legal, Human Resources, Information Technology and Economic Development departments. These departments support and provide a variety of services to other departments within the municipality and the public.

#### **Policing**

Police protection is provided by the Ontario Provincial Police (OPP). The contract is administered by the Lambton Group Police Services Board of which Lambton Shores is a member.

#### **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.

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# The Corporation of the Municipality of Lambton Shores

## Notes to Consolidated Financial Statements

December 31, 2015

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### 18. Segmented Information (continued)

#### **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 performed by one full time staff member and several seasonal staff, with the administration being provided by Lambton Shores. 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 Warwick and 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.

#### **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. An automated collection service is funded through an annual fee. The Community Services staff provides leaf collection and yard waste options as well as maintaining a compost facility in Forest.

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# The Corporation of the Municipality of Lambton Shores

## Notes to Consolidated Financial Statements

December 31, 2015

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### 18. Segmented Information (continued)

#### **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.

#### **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.

#### **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.

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# The Corporation of the Municipality of Lambton Shores

## Notes to Consolidated Financial Statements

December 31, 2015

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### 18. Segmented Information (continued)

#### **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.

#### **Economic Development**

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.

#### **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, 2015

18. Segmented Information (continued)

For the year ended December 31, 2015	General Government	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	Economic Development	Water	Waste Water	2015 Total
<b>Revenue</b>																				
Taxation	\$ (269,720)	\$ 3,044,967	\$ (51,388)	\$ -	\$ 378,650	\$ 731,294	\$ 4,697,746	\$ 106,378	\$ 707,794	\$ 402,071	\$ 18,992	\$ 684,405	\$ 202,163	\$ 231,947	\$ 206,040	\$ 24,207	\$ 7,300	\$ -	\$ -	\$ 11,122,846
Government grants	1,511,800	72,428	-	-	290,114	265,507	627,348	25,837	-	-	-	7,555	-	1,903	-	38,426	-	-	4,453,503	7,294,421
User fees	462,222	3,400	87,432	188,038	73,272	30,539	(21,703)	518,781	534,218	459,235	53,428	135,088	62,961	725,281	139,754	362,446	48,048	4,778,603	4,447,621	13,088,664
	1,704,302	3,120,795	36,044	188,038	742,036	1,027,340	5,303,391	650,996	1,242,012	861,306	72,420	827,048	265,124	959,131	345,794	425,079	55,348	4,778,603	8,901,124	31,505,931
<b>Expenses</b>																				
Wages and benefits	1,278,491	-	6,431	265,670	125,435	351,125	1,305,773	120,701	342,219	83,253	21,164	173,265	109,615	234,618	41,521	31,348	-	29,624	3,248	4,523,501
Goods and services	547,382	3,080,471	14,708	21,120	529,080	220,743	1,542,448	442,613	572,985	748,649	32,450	246,483	128,772	187,065	239,999	381,162	22,848	1,591,859	999,925	11,550,762
Amortization	-	-	-	7,587	15,329	222,614	2,015,663	83,597	503,776	747	104	19,062	127,679	260,505	188,469	-	-	1,588,001	367,014	5,400,147
Miscellaneous	(595,630)	-	-	18,600	-	-	-	-	207,624	-	-	10,613	-	96,818	39,639	15,272	-	367,973	197,802	358,711
	1,230,243	3,080,471	21,139	312,977	669,844	794,482	4,863,884	646,911	1,626,604	832,649	53,718	449,423	366,066	779,006	509,628	427,782	22,848	3,577,457	1,567,989	21,833,121
<b>Net surplus (deficit)</b>	\$ 474,059	\$ 40,324	\$ 14,905	\$ (124,939)	\$ 72,192	\$ 232,858	\$ 439,507	\$ 4,085	\$ (384,592)	\$ 28,657	\$ 18,702	\$ 377,625	\$ (100,942)	\$ 180,125	\$ (163,834)	\$ (2,703)	\$ 32,500	\$ 1,201,146	\$ 7,333,135	\$ 9,672,810

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

December 31, 2015

18. Segmented Information (continued)

For the year ended December 31, 2014	Genera Government	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	Economic Development	Water	Waste Water	2014 Total (restated)	
<b>Revenue</b>																					
Taxation	\$ (818,482)	\$ 3,285,972	\$ (40,821)	\$ -	\$ 353,789	\$ 717,803	\$ 4,441,756	\$ 92,536	\$ 674,453	\$ 524,794	\$ 31,167	\$ 667,540	\$ 166,852	\$ 194,791	\$ 240,673	\$ 23,732	\$ 13,120	\$ -	\$ -	\$ -	\$ 10,569,675
Government grants	1,799,698	13,200	-	-	138,671	144,777	382,897	34,079	87,657	-	-	-	20,000	2,831	-	166,046	-	301,692	1,197,716	-	4,289,264
User fees	389,255	195,812	74,556	1,281,761	73,581	24,943	5,696	449,698	515,291	300,355	52,070	230,412	19,185	552,770	70,968	600,971	32,643	3,930,478	1,369,685	-	10,170,130
	<u>1,370,471</u>	<u>3,494,984</u>	<u>33,735</u>	<u>1,281,761</u>	<u>566,041</u>	<u>887,523</u>	<u>4,830,349</u>	<u>576,313</u>	<u>1,277,401</u>	<u>825,149</u>	<u>83,237</u>	<u>897,952</u>	<u>206,037</u>	<u>750,392</u>	<u>311,641</u>	<u>790,749</u>	<u>45,763</u>	<u>4,232,170</u>	<u>2,567,401</u>	<u>-</u>	<u>25,029,069</u>
<b>Expenses</b>																					
Wages and benefits	1,357,667	-	376	118,640	98,438	325,552	1,490,728	110,939	300,797	78,370	16,193	3,745	64,932	212,482	20,807	19,875	-	23,557	240	-	4,243,338
Goods and services	634,211	3,379,848	8,147	60,596	553,964	259,032	1,700,809	421,980	533,530	758,153	35,844	363,750	137,635	191,289	142,528	730,102	18,997	1,405,358	1,006,289	-	12,342,062
Amortization	-	-	-	7,737	15,479	215,510	1,909,765	79,072	497,518	747	104	22,013	122,701	259,528	189,618	-	-	1,572,976	382,326	-	5,275,094
Miscellaneous	(509,311)	-	-	(67,470)	-	(37,260)	(132,622)	(4,298)	169,156	-	-	10,940	-	106,531	1,838	30,118	-	531,192	219,250	-	318,064
	<u>1,482,567</u>	<u>3,379,848</u>	<u>8,523</u>	<u>119,503</u>	<u>667,881</u>	<u>762,834</u>	<u>4,968,680</u>	<u>607,693</u>	<u>1,501,001</u>	<u>837,270</u>	<u>52,141</u>	<u>400,448</u>	<u>325,268</u>	<u>769,830</u>	<u>354,791</u>	<u>780,095</u>	<u>18,997</u>	<u>3,533,083</u>	<u>1,608,105</u>	<u>-</u>	<u>22,178,558</u>
<b>Net surplus (deficit)</b>	<u>\$ (112,096)</u>	<u>\$ 115,136</u>	<u>\$ 25,212</u>	<u>\$ 1,162,258</u>	<u>\$ (101,840)</u>	<u>\$ 124,689</u>	<u>\$ (138,331)</u>	<u>\$ (31,380)</u>	<u>\$ (223,600)</u>	<u>\$ (12,121)</u>	<u>\$ 31,096</u>	<u>\$ 497,504</u>	<u>\$ (119,231)</u>	<u>\$ (19,438)</u>	<u>\$ (43,150)</u>	<u>\$ 10,654</u>	<u>\$ 26,766</u>	<u>\$ 699,087</u>	<u>\$ 959,296</u>	<u>\$ -</u>	<u>\$ 2,850,511</u>

**The Corporation of the Municipality of  
Lambton Shores  
Forest Town Centre Business  
Improvement Area  
Financial Statements  
For the year ended December 31, 2015**





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## Auditor's Comments on Supplementary Financial Information

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

We have audited the consolidated financial statements of The Corporation of the Municipality of Lambton Shores which comprise the statement of consolidated financial position as at December 31, 2015, 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 7, 2016 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  
June 7, 2016

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

<b>December 31</b>	<b>2015</b>	<b>2014</b>
<b>Financial Assets</b>		
Cash	\$ 5,489	\$ 7,171
Money market fund	8,197	8,270
Accounts receivable	5,961	5,300
	<u>19,647</u>	<u>20,741</u>
<b>Liabilities</b>		
Accounts payable	500	500
	<u>500</u>	<u>500</u>
<b>Net financial assets</b>	<u>19,147</u>	<u>20,241</u>
<b>Accumulated Surplus</b>	<u>\$ 19,147</u>	<u>\$ 20,241</u>

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

<b>For the year ended December 31</b>	<b>Budget</b>	<b>2015</b>	<b>2014</b>
<b>Revenues</b>			
Assessments on members	\$ 26,244	\$ 27,749	\$ 27,577
Other	2,596	2,925	7,000
<b>Total revenues</b>	<b>28,840</b>	<b>30,674</b>	<b>34,577</b>
<b>Expenditures</b>			
Administration	12,290	8,907	8,983
Advertising and promotion	16,550	19,312	24,065
Maintenance	-	3,549	3,324
<b>Total expenditures</b>	<b>28,840</b>	<b>31,768</b>	<b>36,372</b>
<b>Annual deficit</b>	-	<b>(1,094)</b>	<b>(1,795)</b>
<b>Accumulated surplus, beginning of year</b>	<b>20,241</b>	<b>20,241</b>	<b>22,036</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 20,241</b>	<b>\$ 19,147</b>	<b>\$ 20,241</b>

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

<b>For the year ended December 31</b>	<b>2015</b>	<b>2014</b>
<b>Cash provided by (used in)</b>		
<b>Operating Activities</b>		
Annual deficit	\$ (1,094)	\$ (1,795)
Increase in accounts receivable	(661)	(576)
Decrease in accounts payable	-	(1,949)
	<hr/>	<hr/>
<b>Net change in cash and cash equivalents</b>	<b>(1,755)</b>	<b>(4,320)</b>
Cash and cash equivalents, beginning of year	<hr/> 15,441	<hr/> 19,761
<b>Cash and cash equivalents, end of year</b>	<b>\$ 13,686</b>	<b>\$ 15,441</b>
<hr/>		
<b>Represented by:</b>		
Cash	\$ 5,489	\$ 7,171
Money market fund	8,197	8,270
	<hr/>	<hr/>
	<b>\$ 13,686</b>	<b>\$ 15,441</b>

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

**December 31, 2015**

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**Management Responsibility**

The financial statements of the Forest Town Centre Business Improvement Area of The Corporation of the Municipality of Lambton Shores are the representation of management prepared in accordance with accounting policies established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. 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, 2015**

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## Independent Auditor's Report

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

We have audited the accompanying trust fund financial statements of The Corporation of the Municipality of Lambton Shores, which comprise the balance sheet as at December 31, 2015, 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, 2015 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  
June 7, 2016

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

**December 31, 2015**

	Theford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery	Total 2015	Total 2014
<b>Assets</b>					
Cash	\$ 9,494	\$ 135,033	\$ 21,100	\$ 165,627	\$ 64,489
Accounts receivable	70	-	-	70	70
Investments (Note 2)	-	90,443	96,640	187,083	277,636
	<b>\$ 9,564</b>	<b>\$ 225,476</b>	<b>\$ 117,740</b>	<b>\$ 352,780</b>	<b>\$ 342,195</b>
<b>Liabilities</b>					
Accounts payable	-	\$ 1,784	\$ 2,009	\$ 3,793	\$ 4,712
<b>Fund Balance</b>	<b>9,564</b>	<b>223,692</b>	<b>115,731</b>	<b>348,987</b>	<b>337,483</b>
	<b>\$ 9,564</b>	<b>\$ 225,476</b>	<b>\$ 117,740</b>	<b>\$ 352,780</b>	<b>\$ 342,195</b>

**Statement of  
Continuity**

**For the year ended December 31, 2015**

	Theford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery	Total 2015	Total 2014
Balance, beginning of year	\$ 9,564	\$ 220,290	\$ 107,629	\$ 337,483	\$ 327,116
<b>Receipts</b>					
Interest	111	3,471	2,194	5,776	6,062
Perpetual care	-	3,402	8,102	11,504	10,368
	<b>111</b>	<b>6,873</b>	<b>10,296</b>	<b>17,280</b>	<b>16,430</b>
<b>Expenditures</b>					
Transfer to Municipality	111	3,471	2,194	5,776	6,063
<b>Balance, end of the year</b>	<b>\$ 9,564</b>	<b>\$ 223,692</b>	<b>\$ 115,731</b>	<b>\$ 348,987</b>	<b>\$ 337,483</b>



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

December 31, 2015

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## 1. Summary of Significant Accounting Policies

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

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## 2. Investments

### Beechwood Cemetery

	2015	2014
1.65% GIC, due May 21, 2015	\$ -	\$ 94,346
1.00% to 5.00% GIC, due May 29, 2017	64,830	63,457
1.00% to 2.70% GIC, due April 4, 2017	10,245	10,081
1.00% to 2.70% GIC, due April 4, 2017	15,368	15,121
	<b>\$ 90,443</b>	<b>\$ 183,005</b>

### Arkona Cemetery

1.10% to 6.00% GIC, due August 1, 2016	\$ 14,671	\$ 14,302
1.00% to 5.00% GIC, due May 25, 2017	43,386	42,423
1.00% to 2.50% GIC, due December 29, 2017	25,387	25,000
2.25% GIC due May 30, 2016	13,196	12,906
	<b>\$ 96,640</b>	<b>\$ 94,631</b>
	<b>\$ 187,083</b>	<b>\$ 277,636</b>