

**The Corporation of the Municipality of  
Lambton Shores**  
Consolidated Financial Statements  
For the year ended December 31, 2016

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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, 2016, and the consolidated statement of operations, consolidated statement of change in net assets (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, 2016 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 6, 2017

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

December 31	2016	2015
<b>Financial assets</b>		
Cash and cash equivalents (Note 1)	\$ 13,221,762	\$ 8,181,142
Portfolio investments (Note 2)	813,420	513,462
Taxes receivable	2,078,234	2,069,838
Accounts receivable	6,067,879	7,015,440
Inventories for resale	71,011	49,676
Due from trust funds	3,316	3,793
Long-term receivables	212,742	248,381
	<b>22,468,364</b>	<b>18,081,732</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	2,251,263	3,104,415
Other liabilities	1,286,222	1,202,322
Deferred revenue (Note 3)	3,577,276	2,341,960
Net long-term debt (Note 4)	12,997,731	14,199,772
	<b>20,112,492</b>	<b>20,848,469</b>
<b>Net financial assets (debt)</b>	<b>2,355,872</b>	<b>(2,766,737)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 5)	196,746,427	194,382,367
Prepaid expenses and inventories of supplies	127,925	109,391
	<b>196,874,352</b>	<b>194,491,758</b>
<b>Accumulated surplus (Note 6)</b>	<b>\$ 199,230,224</b>	<b>\$ 191,725,021</b>

Contingent liabilities (Note 10)

\_\_\_\_\_ Treasurer

\_\_\_\_\_ Mayor

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

For the year ended December 31	Budget 2016	2016	2015
	(Note 14)		
<b>Revenue</b>			
Taxation	\$11,605,961	\$11,670,268	\$ 11,122,846
Government grants - Federal	89,915	987,882	2,585,670
Government grants - Provincial	3,711,484	2,871,811	4,368,691
Municipal grants	189,240	188,172	340,060
User fees and service charges	7,531,327	8,319,104	7,805,359
Other (Note 8)	3,228,931	5,609,791	5,283,305
	<u>26,356,858</u>	<u>29,647,028</u>	<u>31,505,931</u>
<b>Expenses (Note 9)</b>			
General government	1,551,893	1,388,094	1,330,291
Protection services	4,441,953	4,199,740	4,836,732
Transportation services	5,310,178	5,097,710	4,932,932
Environmental services	6,261,900	6,088,511	6,068,476
Health services	68,038	57,909	53,614
Harbour	608,914	534,563	563,314
Recreation and cultural services	4,036,468	4,150,762	3,542,969
Planning and development	689,602	624,536	504,793
	<u>22,968,946</u>	<u>22,141,825</u>	<u>21,833,121</u>
<b>Annual surplus</b>	<u>3,387,912</u>	<u>7,505,203</u>	<u>9,672,810</u>
<b>Accumulated surplus, beginning of year</b>	<u>191,725,021</u>	<u>191,725,021</u>	<u>182,052,211</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 195,112,933</u>	<u>\$ 199,230,224</u>	<u>\$ 191,725,021</u>

**The Corporation of the Municipality of Lambton Shores**  
**Consolidated Statement of Change in Net Financial Assets (Debt)**

For the year ended December 31	Budget 2016	2016	2015
	(Note 14)		
Annual surplus	\$ 3,387,912	\$ 7,505,203	\$ 9,672,810
Acquisition of tangible capital assets	(8,319,927)	(7,414,898)	(11,008,479)
Amortization of tangible capital assets	5,393,539	5,393,539	5,400,147
Loss on disposal or sale of tangible capital assets	-	48,314	113,431
Proceeds on sale of tangible capital assets	-	66,339	111,081
Share of LAWSS adjustment (Note 7)	-	(132,472)	17,829
Share of LHPWSS adjustment (Note 7)	-	(324,882)	(554,539)
	<u>461,524</u>	<u>5,141,143</u>	<u>3,752,280</u>
Usage of (addition to) prepaid expenses and inventory of supplies	-	(18,534)	(20,784)
Net change in net financial assets (debt)	461,524	5,122,609	3,731,496
Net debt, beginning of year	<u>(2,766,737)</u>	<u>(2,766,737)</u>	<u>(6,498,233)</u>
<b>Net financial assets (debt), end of year</b>	<b>\$ (2,305,213)</b>	<b>\$ 2,355,872</b>	<b>\$ (2,766,737)</b>

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

For the year ended December 31	2016	2015
<b>Operating activities</b>		
Annual surplus	\$ 7,505,203	\$ 9,672,810
Items not involving cash		
Amortization	5,393,539	5,400,147
Loss on disposal or sale of tangible capital assets	48,314	113,431
Changes in non-cash operating balances		
Taxes receivable	(8,396)	(119,269)
Accounts receivable	947,561	(3,459,327)
Inventories for resale	(21,335)	(228)
Prepaid expenses and inventories of supplies	(18,534)	(20,784)
Accounts payable and accrued liabilities	(853,152)	323,776
Long-term receivables	35,639	(86,687)
Due from trust funds	477	919
Other liabilities	83,900	(17,185)
Deferred revenue	1,235,316	(26,293)
	<u>14,348,532</u>	<u>11,781,310</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(7,414,898)	(11,008,479)
Share of LAWSS adjustment	(132,472)	17,829
Share of LHPWSS adjustment	(324,882)	(554,539)
Proceeds on sale of tangible capital assets	66,339	111,081
	<u>(7,805,913)</u>	<u>(11,434,108)</u>
<b>Investing activities</b>		
Decrease (increase) in portfolio investments	(299,958)	73
<b>Financing activities</b>		
Proceeds from issuance of long-term debt	-	248,779
Repayment of long-term debt	(1,202,041)	(1,151,961)
	<u>(1,202,041)</u>	<u>(903,182)</u>
Increase (decrease) in cash and cash equivalents	5,040,620	(555,907)
Cash and cash equivalents, beginning of year	<u>8,181,142</u>	<u>8,737,049</u>
Cash and cash equivalents, end of year	<u>\$13,221,762</u>	<u>\$ 8,181,142</u>

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# The Corporation of the Municipality of Lambton Shores

## Summary of Significant Accounting Policies

December 31, 2016

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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. 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%
Theford 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. The Grand Bend Area Joint Sewage Board (GBAJSB) has been consolidated on a proportionate basis based upon both agreed percentages and waste water flow of the municipality in proportion to the entire flows provided by the joint board 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 2016, the municipality's share of LAWSS was 2.23% (2015 - 2.08%) and LHPWSS was 3.09% (2015 - 2.89%). For GBAJSB, the municipality's share was 64.70% of administrative and governance costs for the sewage treatment plant, 50.00% of administrative and governance costs for the main pumping stations and forcemains, and an average of 54.35% for fixed maintenance and variable operating costs.

### 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, 2016

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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 financial assets (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, 2016

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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>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, 2016, 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, 2016

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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, 2016**

**1. Cash and Cash Equivalents/Bank Indebtedness**

The Municipality's bank accounts are maintained at two chartered banks and earn interest at rates from 0% to the bank's prime rate less 1.65%. 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, 2016, the Municipality has not accessed the line of credit and have a balance owing of \$nil (2015 - \$nil). All amounts are repayable immediately on demand and Lambton Shores has the option to repay any amount under this credit at any time.

**2. Portfolio Investments**

	2016	2015
1.00% to 2.55% GIC, due March 7, 2016	\$ -	\$ 250,000
2.25% GIC, due March 7, 2016	-	250,000
1.45% to 2.10% GIC, due March 7, 2019	500,000	-
1.50% GIC, due November 30, 2017	300,000	-
Money Market Fund	8,155	8,197
Sun Life Financial, 150 Common Shares	5,265	5,265
	<b>\$ 813,420</b>	<b>\$ 513,462</b>

The income from portfolio investments for the year was \$13,413 (2015 - \$9,700). 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, 2016 was \$7,733 (2015 - \$6,473).

**3. Deferred Revenue**

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 774	\$ 323,976	\$ 639	\$ (202,106)	\$ 123,283
Cash in lieu of parking	-	32,144	332	-	32,476
Development charges	1,885,510	295,316	26,025	(28,864)	2,177,987
Infrastructure programs	74,850	4,174	-	(59,250)	19,774
Parkland dedication	127,977	4,800	1,515	-	134,292
Deposits	4,299	-	-	(440)	3,859
Community vibrancy fund	49,861	941,220	3,862	-	994,943
Ministry of Health	198,689	269,261	-	(377,288)	90,662
	<b>\$ 2,341,960</b>	<b>\$ 1,870,891</b>	<b>\$ 32,373</b>	<b>\$ (667,948)</b>	<b>\$ 3,577,276</b>

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

**December 31, 2016**

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3. 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.

Cash in lieu of parking

Funds are collected as per Grand Bend by-law 3056 of 1999 and Forest by-law 16 of 2000 for cash in lieu of such parking facilities as authorized under Section 40, the Planning Act, R.S.O. 1990.

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

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, 2016**

**4. Net Long-term Debt**

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

	2016	2015
Loan payable (re Parking Lot - Grand Bend), 5.12% payable \$35,568 principal and interest quarterly, due September 2016	\$ -	\$ 1,173,560
Loan payable (re Parking Lot - Grand Bend), 3.04% payable \$32,311 principal and interest quarterly, due September 2026	1,086,985	-
Loan payable (re waterline), 4.75%, payable \$146,778 principal and interest semi-annually, due October 2023	1,730,918	1,934,957
Loan payable (re The Shores Recreation Centre), 5.22%, payable \$107,083 principal and interest semi-annually, due September 2033	2,394,227	2,480,039
Loan payable (re Lambton Area Water Supply System), 8.00%, with repayments based on system usage, as described hereinafter	72,631	130,499
Loan payable (re sewer forcemain) prime minus 0.15%, payable \$23,333 principal plus interest quarterly, due on demand	840,000	933,333
Loan payable (re Phase IV waterline), 3.17%, payable \$24,781 principal and interest semi-annually, due October 2027	457,251	491,501
Loan payable (re Beach Enhancement), 3.97%, payable \$91,602 principal and interest semi-annually, due June 2020	593,192	748,216
Loan payable (re water expansion), 2.37%, payable \$199,019 principal and interest semi-annually, due February 2021	1,689,493	2,041,224
Loan payable (re: Legacy Centre), 2.00%, payable \$26,696 interest and principal semi-annually, due November 2034	803,773	840,534
Loan payable (re Lake Huron Primary Water Supply System), ranging from 1.60% to 3.80%, with repayments based on system usage	308,451	320,628
Loan payable (re Legacy Centre), 3.49%, payable \$96,057, interest and principal semi-annually, due December 2039	3,020,810	3,105,281
	<b>\$12,997,731</b>	<b>\$ 14,199,772</b>

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

**December 31, 2016**

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4. Net Long-Term Debt (continued)

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

	<u>Principal Repayments</u>
2017	\$ 1,282,391
2018	1,250,377
2019	1,290,527
2020	1,240,609
2021	987,782
2022 to 2026	3,268,287
Thereafter	<u>3,677,758</u>
	<u>\$ 12,997,731</u>

The gross interest paid relating to the Municipality's long-term debt was \$526,807 (2015 - \$576,457).

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 \$17,048 (2015 - \$27,311). 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 \$72,631 (2015 - \$130,499), which represents 2.23% (2015 - 2.08%) 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 2.23%.

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 \$308,451 (2015 - \$320,628), which represents 3.09% (2015 - 2.89%) 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 3.09%.

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, 2016

5. Tangible Capital Assets

December 31, 2016

	Land	Buildings	Equipment	Infrastructure Transportation	Infrastructure Environmental	Land Improvements	Rolling Stock	Work in Progress	Total
Cost, beginning 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
Additions	119,000	446,057	204,918	2,601,094	14,780,256	285,843	756,248	600,245	19,793,661
Disposals		(20,512)	(228,634)	(373,642)	(156,555)	(46,427)	(496,110)	(12,378,763)	(13,700,643)
Other	5,595	161,973	83,160	-	360,398	1,013	-	4,251	616,390
Cost, end of year	\$ 7,818,925	\$ 27,681,269	\$ 3,936,714	\$ 64,072,739	\$ 151,264,860	\$ 15,020,751	\$ 7,185,995	\$ 1,147,207	\$ 278,128,460
Accumulated amortization, beginning of year	\$ -	\$ 8,135,320	\$ 1,754,307	\$ 23,463,479	\$ 33,300,432	\$ 6,945,446	\$ 3,437,701	\$ -	\$ 77,036,685
Amortization	-	780,159	299,843	1,567,012	1,813,167	529,772	403,586	-	5,393,539
Disposals	-	(20,512)	(228,634)	(294,586)	(127,852)	(39,978)	(495,665)	-	(1,207,227)
Other	-	48,717	30,297	-	79,129	893	-	-	159,036
Accumulated amortization, end of year	\$ -	\$ 8,943,684	\$ 1,855,813	\$ 24,735,905	\$ 35,064,876	\$ 7,436,133	\$ 3,345,622	\$ -	\$ 81,382,033
Net carrying amount, end of year	\$ 7,818,925	\$ 18,737,585	\$ 2,080,901	\$ 39,336,834	\$ 116,199,984	\$ 7,584,618	\$ 3,840,373	\$ 1,147,207	\$ 196,746,427

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$1,147,207 (2015 - \$12,921,474). Contributed capital assets of \$3,090,856 (2015 - \$55,000) were recognized in the financial statements during the year. The Municipality holds various works of art and historical treasures. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

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

December 31, 2016

5. Tangible Capital Assets (continued)

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, 2016**

**6. Accumulated Surplus**

The Municipality segregates its accumulated surplus into the following categories:

	<u>2016</u>	<u>2015</u>
Investment in tangible capital assets	\$ 196,746,427	\$ 194,382,367
Current Funds	(1,492,324)	(2,283,459)
Reserves		
Working Funds	138,631	138,631
Contingencies	22,312	22,312
Acquisition of capital assets - real property	39,784	39,784
Road purposes	2,885	2,885
Sewer	-	168,031
Recreation facilities	177,000	-
Forest Town Centre Business Improvement Area	2,360	2,360
Lambton Area Water Supply System	68,746	68,903
Lake Huron Primary Water Supply System	697,897	511,848
Reserve Funds		
Working funds	944,452	796,973
Equipment replacement - fire	730,017	749,693
Road purposes	1,839,292	1,089,263
Infrastructure - committed funds	725,726	450,489
Acquisition of capital assets - vehicle and equipment	585,075	572,362
Water	7,280,637	5,985,574
Acquisition of capital assets - real property	339,715	390,349
Sewer	618,474	515,247
Protection to persons	278,486	279,926
Cemetery memorial fund	55,644	58,034
Beach enhancement capital	16,425	16,236
Opportunities and contingency	101,913	100,741
Parking	205,000	28,032
Road name change	18,131	17,922
Erosion control	6,806	6,728
Accessibility	8,883	8,780
Information technology	135,649	64,819
Recreation	700,221	737,167
Protective inspection and control - vehicle and equipment	29,311	40,899
Building department	871,541	891,378
Harbour related expenses	207,839	70,519
Tax rate stabilization	125,000	-
Unfunded		
Long-term debt	<u>(12,997,731)</u>	<u>(14,199,772)</u>
	<u>\$ 199,230,224</u>	<u>\$ 191,725,021</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, 2016

7. Joint Local Board Consolidation

Lambton Area Water Supply System (LAWSS)

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

The consolidated financial statements include the municipality's 2.23% (2015 - 2.08%) proportionate interest of the following:

	2016	2015
<b>Statement of Financial Position</b>		
Financial Assets	<u>\$ 4,302,598</u>	<u>\$ 4,218,515</u>
Liabilities		
Current Liabilities	\$ 1,219,800	\$ 905,869
Long-term Liabilities	<u>3,257,000</u>	<u>6,274,000</u>
Total liabilities	<u>\$ 4,476,800</u>	<u>\$ 7,179,869</u>
Net Debt	(174,202)	(2,961,354)
Non-Financial Assets		
Tangible Capital Assets	<u>88,399,594</u>	<u>88,314,614</u>
Accumulated Surplus	<u>\$88,225,392</u>	<u>\$ 85,353,260</u>
<b>Statement of Operations</b>		
Revenues	\$10,276,298	\$ 10,369,169
Expenses - excluding amortization	5,538,552	6,601,152
Amortization	<u>1,865,614</u>	<u>1,938,370</u>
Annual surplus	<u>\$ 2,872,132</u>	<u>\$ 1,829,647</u>

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

December 31, 2016

7. 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 3.09% (2015 - 2.89%) proportionate interest of the following:

	2016	2015
<b>Statement of Financial Position</b>		
Financial Assets	<u>\$ 21,754,071</u>	<u>\$ 16,897,364</u>
Liabilities		
Current liabilities	3,641,738	3,513,641
Long-term liabilities	<u>9,982,226</u>	<u>11,094,378</u>
Total liabilities	<u>13,623,964</u>	<u>14,608,019</u>
Net Financial Debt	8,130,107	2,289,345
Non-Financial Assets		
Tangible capital assets	158,395,013	162,440,770
Prepaid expenses	<u>163,296</u>	<u>161,495</u>
Total non-financial assets	<u>158,558,309</u>	<u>162,602,265</u>
Accumulated Surplus	<u>\$ 166,688,416</u>	<u>\$ 164,891,610</u>
<b>Statement of Operations</b>		
Revenues	\$ 21,308,422	\$ 20,975,481
Expenses - excluding amortization	12,537,673	11,184,002
Amortization	<u>6,973,943</u>	<u>6,338,325</u>
Annual surplus	<u>\$ 1,796,806</u>	<u>\$ 3,453,154</u>

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

December 31, 2016

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7. Joint Local Board Consolidation (continued)

Grand Bend Area Joint Sewage Board

The following summarizes the operations of Grand Bend Area Joint Sewage Board (GBAJSB) which has been reported in these financial statements using the proportionate consolidation method.

The consolidated financial statements include the municipality's proportionate interest of the following:

	<u>2016</u>
<b>Statement of Operations</b>	
Revenues	\$ 433,668
Expenses - excluding amortization	<u>433,668</u>
Annual surplus	<u>\$ -</u>

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

**December 31, 2016**

**8. Other Income**

	Budget 2016	2016	2015
	(Note 14)		
Penalties and interest on taxation	\$ 312,880	\$ 345,067	\$ 345,142
Investment income	24,601	216,409	168,711
Rents, concessions and franchises	902,501	990,064	944,291
Donations	469,474	3,577,214	261,109
Other	1,519,475	71,997	3,140,773
Share of LAWSS	-	132,472	(17,829)
Share of LHPWSS	-	324,882	554,539
Loss on disposal of tangible capital assets	-	(48,314)	(113,431)
	<b>\$ 3,228,931</b>	<b>\$ 5,609,791</b>	<b>\$ 5,283,305</b>

**9. Expenses by Object**

	Budget 2016	2016	2015
	(Note 14)		
Salaries, wages and employee benefits	\$ 4,785,868	\$ 4,656,000	\$ 4,523,501
Amortization	5,393,539	5,393,539	5,400,147
Materials	5,883,018	5,635,300	4,904,524
Contributions to other organizations	202,677	197,750	201,712
Rents and financial expenses	74,924	73,434	204,303
Fees and contracted services	6,099,889	5,658,995	6,022,477
Interest on long-term debt	529,031	526,807	576,457
	<b>\$22,968,946</b>	<b>\$22,141,825</b>	<b>\$ 21,833,121</b>

**10. Contingent Liabilities**

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2016 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, 2016

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### 11. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS"), which is a multi-employer plan, on behalf of certain employees 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 470,000 active and retired members and 990 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, 2016. The results of this valuation disclosed total actuarial liabilities of \$86,959 million (2015 - \$81,924 million) in respect of benefits accrued for service with actuarial assets at that date of \$81,239 million (2015 - \$74,947 million) indicating an actuarial deficit of \$5,720 million (2015 - \$6,977 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 2016 was \$268,993 (2015 - \$272,608) for current service. The OMERS Board rate was 9.0% to 14.6% depending on income level (2015 - 9.0% to 14.6% depending on income level).

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### 12. Commitments

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

Year	Amount
2017	\$ 1,448,179
2018	\$ 1,487,274
2019	\$ 1,527,099

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, 2016

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### 13. Funds Held in Trust

At the year end, the Municipality held \$358,701 (2015 - \$348,987) 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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### 14. Budget

The budget approved by Council on February 2, 2016 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 anticipate 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 February 2, 2016 with adjustments as follows:

Budget Bylaw surplus for the year	\$ 461,524
Add:	
Budgeted capital expenditures	8,319,927
Less:	
Amortization	<u>(5,393,539)</u>
Budget surplus per statement of operations	<u>\$ 3,387,912</u>

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### 15. 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, 2016

16. Budget Variance

The following chart reconciles the 2016 budget with the 2016 actuals found in the consolidated statement of operations:

	2016 Budget	Lambton Area Water Supply System adjusting entries	Lake Huron Primary Water Supply System adjusting entries	2016 Revised budget	2016 Actual	Variance Favourable / (Unfavourable)
<b>REVENUE</b>						
Taxation	\$ 11,605,961	\$ -	\$ -	\$ 11,605,961	\$ 11,670,268	\$ 64,307
Government grants - Federal	89,915	-	4,994	94,909	987,882	892,973
Government grants - Provincial	3,711,484	-	2,035	3,713,519	2,871,811	(841,708)
Municipal grants	189,240	-	-	189,240	188,172	(1,068)
User fees and service charges	7,531,327	-	-	7,531,327	8,319,104	787,777
Other	3,228,931	137,475	335,836	3,702,242	5,609,791	1,907,549
Total revenue	<u>\$ 26,356,858</u>	<u>\$ 137,475</u>	<u>\$ 342,865</u>	<u>\$ 26,837,198</u>	<u>\$ 29,647,028</u>	<u>\$ 2,809,830</u>
<b>EXPENSES</b>						
General government	\$ 1,551,893	\$ -	\$ -	\$ 1,551,893	\$ 1,388,094	\$ 163,799
Protection services	4,441,953	-	-	4,441,953	4,199,740	242,213
Transportation services	5,310,178	-	-	5,310,178	5,097,710	212,468
Environmental services	6,261,900	3,266	(30,262)	6,234,904	6,088,511	146,393
Health services	68,038	-	-	68,038	57,909	10,129
Harbour	608,914	-	-	608,914	534,563	74,351
Recreation and cultural services	4,036,468	-	-	4,036,468	4,150,762	(114,294)
Planning and development	689,602	-	-	689,602	624,536	65,066
Total expenses	<u>\$ 22,968,946</u>	<u>\$ 3,266</u>	<u>\$ (30,262)</u>	<u>\$ 22,941,950</u>	<u>\$ 22,141,825</u>	<u>\$ 800,125</u>
<b>NET REVENUE</b>	<u>\$ 3,387,912</u>	<u>\$ 134,209</u>	<u>\$ 373,127</u>	<u>\$ 3,895,248</u>	<u>\$ 7,505,203</u>	<u>\$ 3,609,955</u>

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# The Corporation of the Municipality of Lambton Shores

## Notes to Consolidated Financial Statements

December 31, 2016

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### 17. 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, 2016

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### 17. 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

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 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, 2016

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### 17. 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 committee 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, including community grants to groups and organizations within the community. Program and promotional costs are included in the business unit. Lambton Shores constructed a wellness centre as part of the recreation complex in Forest. 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, 2016

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### 17. 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.

#### 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, Grand Bend and Forest and lagoon systems in Thedford and Grand Bend. The Grand Bend Sewer Treatment facility was completed and put in operation in 2016. 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, 2016

17. Segmented Information (continued)

For the year ended December 31, 2016	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	2016 Total
<b>Revenue</b>																				
Taxation	\$ (208,683)	\$ 2,577,372	\$ (42,499)	\$ -	\$ 439,288	\$ 1,056,166	\$ 4,878,891	\$ 83,608	\$ 769,882	\$ 414,762	\$ 21,438	\$ 716,672	\$ 387,508	\$ 241,959	\$ 222,312	\$ 29,846	\$ 81,746	\$ -	\$ -	\$ 11,670,268
Government grants	1,463,200	65,513	-	-	1,954	112,518	411,165	25,000	-	-	-	377,288	67,987	-	-	140,620	-	7,029	1,375,591	4,047,865
User fees	3,600,948	400	39,860	224,455	69,570	24,618	81,762	559,545	532,886	458,689	48,090	111,221	50,369	1,053,064	140,067	336,909	27,710	4,697,802	1,870,930	13,928,895
	4,855,465	2,643,285	(2,639)	224,455	510,812	1,193,302	5,371,818	668,153	1,302,768	873,451	69,528	1,205,181	505,864	1,295,023	362,379	507,375	109,456	4,704,831	3,246,521	29,647,028
<b>Expenses</b>																				
Wages and benefits	1,353,015	-	-	206,945	149,218	355,926	1,284,037	120,473	357,827	74,101	15,442	245,229	144,444	246,450	38,995	32,028	-	30,801	1,069	4,656,000
Goods and services	545,558	2,652,170	23,094	13,275	322,076	260,405	1,734,354	414,090	635,649	778,553	42,467	548,178	164,647	251,268	252,418	459,588	62,965	1,250,576	1,150,152	11,561,483
Amortization	-	-	-	7,566	17,192	216,922	1,966,915	86,247	503,756	747	104	22,912	124,012	257,268	188,448	-	-	1,665,323	336,127	5,393,539
Miscellaneous	(607,681)	-	-	18,972	-	-	-	-	201,267	-	-	10,268	-	80,892	38,526	13,832	-	536,202	238,525	530,803
	1,290,892	2,652,170	23,094	246,758	488,486	833,253	4,985,306	620,810	1,698,499	853,401	58,013	826,587	433,103	835,878	518,387	505,448	62,965	3,482,902	1,725,873	22,141,825
<b>Net surplus (deficit)</b>	<b>\$ 3,564,573</b>	<b>\$ (8,885)</b>	<b>\$ (25,733)</b>	<b>\$ (22,303)</b>	<b>\$ 22,326</b>	<b>\$ 360,049</b>	<b>\$ 386,512</b>	<b>\$ 47,343</b>	<b>\$ (395,731)</b>	<b>\$ 20,050</b>	<b>\$ 11,515</b>	<b>\$ 378,594</b>	<b>\$ 72,761</b>	<b>\$ 459,145</b>	<b>\$ (156,008)</b>	<b>\$ 1,927</b>	<b>\$ 46,491</b>	<b>\$ 1,221,929</b>	<b>\$ 1,520,648</b>	<b>\$ 7,505,203</b>

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

December 31, 2016

17. 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 (restated)	
<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
	<u>1,704,302</u>	<u>3,120,795</u>	<u>36,044</u>	<u>188,038</u>	<u>742,036</u>	<u>1,027,340</u>	<u>5,303,391</u>	<u>650,996</u>	<u>1,242,012</u>	<u>861,306</u>	<u>72,420</u>	<u>827,048</u>	<u>265,124</u>	<u>959,131</u>	<u>345,794</u>	<u>425,079</u>	<u>55,348</u>	<u>4,778,603</u>	<u>8,901,124</u>		<u>31,505,931</u>
<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
	<u>1,230,243</u>	<u>3,080,471</u>	<u>21,139</u>	<u>312,977</u>	<u>669,844</u>	<u>794,482</u>	<u>4,863,884</u>	<u>646,911</u>	<u>1,626,604</u>	<u>832,649</u>	<u>53,718</u>	<u>449,423</u>	<u>366,066</u>	<u>779,006</u>	<u>509,628</u>	<u>427,782</u>	<u>22,848</u>	<u>3,577,457</u>	<u>1,567,989</u>		<u>21,833,121</u>
<b>Net surplus (deficit)</b>	<b>\$ 474,059</b>	<b>\$ 40,324</b>	<b>\$ 14,905</b>	<b>\$ (124,939)</b>	<b>\$ 72,192</b>	<b>\$ 232,858</b>	<b>\$ 439,507</b>	<b>\$ 4,085</b>	<b>\$ (384,592)</b>	<b>\$ 28,657</b>	<b>\$ 18,702</b>	<b>\$ 377,625</b>	<b>\$ (100,942)</b>	<b>\$ 180,125</b>	<b>\$ (163,834)</b>	<b>\$ (2,703)</b>	<b>\$ 32,500</b>	<b>\$ 1,201,146</b>	<b>\$ 7,333,135</b>	<b>\$</b>	<b>\$ 9,672,810</b>

**The Corporation of the Municipality of  
Lambton Shores  
Forest Town Centre Business  
Improvement Area  
Financial Statements  
For the year ended December 31, 2016  
(Unaudited - see Notice to Reader)**

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## Notice to Reader

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On the basis of information by management, we have compiled the statement of financial position of The Corporation of the Municipality of Lambton Shores Forest Town Centre Business Improvement Area as at December 31, 2016 and the statement of operations and accumulated surplus for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario  
June 6, 2017

**The Corporation of the Municipality of Lambton Shores**  
**Forest Town Centre Business Improvement Area**  
**Statement of Financial Position**  
**(Unaudited - see Notice to Reader)**

December 31	2016	2015
<b>Financial Assets</b>		
Cash	\$ 10,717	\$ 5,489
Money market fund	8,155	8,197
Accounts receivable	4,811	5,961
	<u>23,683</u>	<u>19,647</u>
<b>Liabilities</b>		
Accounts payable	<u>2,341</u>	<u>500</u>
<b>Net financial assets</b>	<u>21,342</u>	<u>19,147</u>
<b>Accumulated Surplus</b>	<u>\$ 21,342</u>	<u>\$ 19,147</u>

**The Corporation of the Municipality of Lambton Shores  
Forest Town Centre Business Improvement Area  
Statement of Operations and Accumulated Surplus  
(Unaudited - see Notice to Reader)**

<b>For the year ended December 31</b>	<b>Budget</b>	<b>2016</b>	<b>2015</b>
<b>Revenues</b>			
Assessments on members	\$ 25,956	\$ 28,232	\$ 27,749
Other	2,884	3,070	2,925
Total revenues	<u>28,840</u>	<u>31,302</u>	<u>30,674</u>
<b>Expenditures</b>			
Administration	12,890	8,520	8,907
Advertising and promotion	15,950	20,587	19,312
Maintenance	-	-	3,549
Total expenditures	<u>28,840</u>	<u>29,107</u>	<u>31,768</u>
Annual surplus (deficit)	-	2,195	(1,094)
Accumulated surplus, beginning of year	<u>19,147</u>	<u>19,147</u>	<u>20,241</u>
Accumulated surplus, end of year	<u>\$ 19,147</u>	<u>\$ 21,342</u>	<u>\$ 19,147</u>

**The Corporation of the Municipality of  
Lambton Shores  
Trust Funds  
Financial Statements  
For the year ended December 31, 2016**

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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, 2016, 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, 2016 and the continuity of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario  
June 6, 2017

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

December 31, 2016

	Thedford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery	Total 2016	Total 2015
<b>Assets</b>					
Cash	\$ 9,494	\$ 140,698	\$ 35,877	\$ 186,069	\$ 165,627
Accounts receivable	70	-	-	70	70
Investments (Note 2)	-	92,263	83,614	175,877	187,083
	<b>\$ 9,564</b>	<b>\$ 232,961</b>	<b>\$ 119,491</b>	<b>\$ 362,016</b>	<b>\$ 352,780</b>
<b>Liabilities</b>					
Accounts payable	-	\$ 1,821	\$ 1,494	\$ 3,315	\$ 3,793
<b>Fund Balance</b>	<b>9,564</b>	<b>231,141</b>	<b>117,996</b>	<b>358,701</b>	<b>348,987</b>
	<b>\$ 9,564</b>	<b>\$ 232,962</b>	<b>\$ 119,490</b>	<b>\$ 362,016</b>	<b>\$ 352,780</b>

**Statement of  
Continuity**

For the year ended December 31, 2016

	Thedford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery	Total 2016	Total 2015
Balance, beginning of year	\$ 9,564	\$ 223,692	\$ 115,731	\$ 348,987	\$ 337,483
<b>Receipts</b>					
Interest	129	3,641	2,207	5,977	5,776
Perpetual care	-	7,449	2,265	9,714	11,504
	<b>129</b>	<b>11,090</b>	<b>4,472</b>	<b>15,691</b>	<b>17,280</b>
<b>Expenditures</b>					
Transfer to Municipality	129	3,641	2,207	5,977	5,776
<b>Balance, end of the year</b>	<b>\$ 9,564</b>	<b>\$ 231,141</b>	<b>\$ 117,996</b>	<b>\$ 358,701</b>	<b>\$ 348,987</b>

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

December 31, 2016

**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.

**2. Investments**

**Beechwood Cemetery**

	2016	2015
1.00% to 5.00% GIC, due May 29, 2017	\$ 66,232	\$ 64,830
1.00% to 2.70% GIC, due April 4, 2017	10,413	10,245
1.00% to 2.70% GIC, due April 4, 2017	15,619	15,368
	<b>\$ 92,264</b>	<b>\$ 90,443</b>

**Arkona Cemetery**

1.10% to 6.00% GIC, due August 1, 2016	\$ -	\$ 14,671
1.00% to 5.00% GIC, due May 25, 2017	44,371	43,386
1.00% to 2.50% GIC, due November 30, 2017	13,462	-
1.00% to 2.50% GIC, due December 29, 2017	25,780	25,387
2.25% GIC due May 30, 2016	-	13,196
	<b>\$ 83,613</b>	<b>\$ 96,640</b>
	<b>\$ 175,877</b>	<b>\$ 187,083</b>