

**The Corporation of the Municipality of
Lambton Shores**
Consolidated Financial Statements
For the year ended December 31, 2017

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The Corporation of the Municipality of Lambton Shores

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Corporation of the Municipality of Lambton Shores, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of operations, consolidated statement of change in net financial assets 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
June 26, 2018

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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

December 31	2017	2016
Financial assets		
Cash and cash equivalents (Note 1)	\$ 19,112,122	\$ 13,221,762
Portfolio investments (Note 2)	1,018,126	813,420
Taxes receivable	1,616,751	2,078,234
Accounts receivable	4,073,883	3,355,489
Inventories for resale	63,437	71,011
Due from trust funds	4,547	3,316
Long-term receivables	<u>2,373,260</u>	<u>2,925,132</u>
	<u>28,262,126</u>	<u>22,468,364</u>
Liabilities		
Accounts payable and accrued liabilities	3,371,955	2,251,263
Deposits	1,805,201	1,286,222
Deferred revenue (Note 3)	4,144,074	3,577,276
Long-term debt (Note 4)	<u>11,703,923</u>	<u>12,997,731</u>
	<u>21,025,153</u>	<u>20,112,492</u>
Net financial assets	<u>7,236,973</u>	<u>2,355,872</u>
Non-financial assets		
Tangible capital assets (Note 5)	194,363,868	196,746,427
Prepaid expenses and inventories of supplies	<u>152,243</u>	<u>127,925</u>
	<u>194,516,111</u>	<u>196,874,352</u>
Accumulated surplus (Note 6)	<u>\$ 201,753,084</u>	<u>\$ 199,230,224</u>

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 2017	2017	2016
	(Note 14)		
Revenue			
Taxation	\$11,723,669	\$11,767,888	\$ 11,670,268
Government grants - Federal	1,044,347	475,880	987,882
Government grants - Provincial	4,979,840	3,089,613	2,871,811
Municipal grants	183,450	197,479	188,172
User fees and service charges	7,902,661	8,094,014	8,319,104
Other (Note 8)	1,497,289	2,446,894	5,609,791
	27,331,256	26,071,768	29,647,028
Expenses (Note 9)			
General government	1,709,539	1,448,989	1,388,094
Protection services	4,284,678	4,165,824	4,199,740
Transportation services	5,572,207	5,220,863	5,097,710
Environmental services	6,915,545	7,030,693	6,088,511
Health services	66,950	52,740	57,909
Harbour	637,030	689,717	534,563
Recreation and cultural services	4,347,524	4,605,301	4,150,762
Planning and development	731,191	334,781	624,536
	24,264,664	23,548,908	22,141,825
Annual surplus	3,066,592	2,522,860	7,505,203
Accumulated surplus, beginning of year	199,230,224	199,230,224	191,725,021
Accumulated surplus, end of year	\$ 202,296,816	\$ 201,753,084	\$ 199,230,224

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

For the year ended December 31	Budget 2017	2017	2016
	(Note 14)		
Annual surplus	\$ 3,066,592	\$ 2,522,860	\$ 7,505,203
Acquisition of tangible capital assets	(8,531,061)	(3,982,894)	(7,414,898)
Amortization of tangible capital assets	5,869,187	5,869,187	5,393,539
Loss on disposal or sale of tangible capital assets	-	80,207	48,314
Proceeds on sale of tangible capital assets	-	44,753	66,339
Share of LAWSS adjustment (Note 7)	-	(8,841)	(132,472)
Share of LHPWSS adjustment (Note 7)	-	380,147	(324,882)
	404,718	4,905,419	5,141,143
Usage of (addition to) prepaid expenses and inventory of supplies	-	(24,318)	(18,534)
Net change in net financial assets	404,718	4,881,101	5,122,609
Net financial assets (debt), beginning of year	2,355,872	2,355,872	(2,766,737)
Net financial assets, end of year	\$ 2,760,590	\$ 7,236,973	\$ 2,355,872

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

For the year ended December 31	2017	2016
Operating activities		
Annual surplus	\$ 2,522,860	\$ 7,505,203
Items not involving cash		
Amortization	5,869,187	5,393,539
Loss on disposal of tangible capital assets	80,207	48,314
Changes in non-cash operating balances		
Taxes receivable	461,483	(8,396)
Accounts receivable	(718,394)	1,235,680
Inventories for resale	7,574	(21,335)
Prepaid expenses and inventories of supplies	(24,318)	(18,534)
Accounts payable and accrued liabilities	1,120,692	(853,152)
Long-term receivables	551,872	(252,480)
Due from trust funds	(1,231)	477
Other liabilities	518,979	83,900
Deferred revenue	566,798	1,235,316
	<u>10,955,709</u>	<u>14,348,532</u>
Capital activities		
Acquisition of tangible capital assets	(3,982,894)	(7,414,898)
Share of LAWSS adjustment	(8,841)	(132,472)
Share of LHPWSS adjustment	380,147	(324,882)
Proceeds on sale of tangible capital assets	44,753	66,339
	<u>(3,566,835)</u>	<u>(7,805,913)</u>
Investing activities		
Increase in portfolio investments	(204,706)	(299,958)
Financing activities		
Repayment of long-term debt	(1,293,808)	(1,202,041)
Increase in cash and cash equivalents	5,890,360	5,040,620
Cash and cash equivalents, beginning of year	13,221,762	8,181,142
Cash and cash equivalents, end of year	\$19,112,122	\$ 13,221,762

The Corporation of the Municipality of Lambton Shores

Summary of Significant Accounting Policies

December 31, 2017

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 2017, the municipality's share of LAWSS was 2.24% (2016 - 2.23%) and LHPWSS was 2.85% (2016 - 3.09%). 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.

The Corporation of the Municipality of Lambton Shores

Summary of Significant Accounting Policies

December 31, 2017

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 for the year.

Tangible Capital Assets

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

Buildings	15 to 95 years
Equipment	5 to 35 years
Infrastructure transportation	5 to 60 years
Infrastructure environmental	20 to 100 years
Land improvements	10 to 50 years
Rolling stock	10 to 25 years

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

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

Collection of Taxes on Behalf of Other Taxation Authorities

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

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

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

The Corporation of the Municipality of Lambton Shores

Summary of Significant Accounting Policies

December 31, 2017

Trust Funds	Trust funds held in trust by the Municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately.
Retirement Benefits and Other Employee Benefit Plans	The Municipality's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.
Deferred Revenue	Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.
Liability for Contaminated Sites	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, 2017, the Municipality has not identified any instances that meet the criteria for a liability for contaminated sites.
Government Transfers	Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

The Corporation of the Municipality of Lambton Shores

Summary of Significant Accounting Policies

December 31, 2017

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, 2017

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, 2017, the Municipality has not accessed the line of credit and have a balance owing of \$nil (2016 - \$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

	2017	2016
1.45% to 2.10% GIC, due March 7, 2019	\$ 500,000	\$ 500,000
1.50% GIC, due November 30, 2017	-	300,000
1.45% to 2.10% GIC, due November 30, 2020	500,000	-
Money Market Fund	12,861	8,155
Sun Life Financial, 150 Common Shares	5,265	5,265
	\$ 1,018,126	\$ 813,420

The income from portfolio investments for the year was \$21,672 (2016 - \$13,413). 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, 2017 was \$7,782 (2016 - \$7,733).

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

December 31, 2017

3. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 123,283	\$ 329,712	\$ 1,848	\$ (267,288)	\$ 187,555
Cash in lieu of parking	32,476	27,000	629	-	60,105
Development charges	2,177,987	707,756	34,557	(831,248)	2,089,052
Infrastructure programs	19,774	28,878	-	(13,562)	35,090
Parkland dedication	134,292	22,888	1,968	-	159,148
Deposits	3,859	-	-	(91)	3,768
Community vibrancy fund	994,943	470,610	9,783	(167,537)	1,307,799
Ontario Community Infrastructure Fund	-	426,019	2,338	(132,583)	295,774
Ministry of Health	90,662	275,000	-	(359,879)	5,783
	\$ 3,577,276	\$ 2,287,863	\$ 51,123	\$ (1,772,188)	\$ 4,144,074

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.

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

December 31, 2017

3. Deferred Revenue (continued)

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.

Ontario Community Infrastructure Fund (OCIF)

OCIF revenue is provided by the Province of Ontario. The use of the funding is established by a funding agreement between the Municipality of Lambton Shores and the Minister of Agriculture, Food and Rural Affairs. OCIF may be used towards designated projects that include: water, wastewater, roads, and bridge and culverts. The funding may also be used for the Municipality's asset management plan.

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, 2017

4. Long-term Debt

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

	<u>2017</u>	<u>2016</u>
Loan payable (re Parking Lot - Grand Bend), 3.04% payable \$32,311 principal and interest quarterly, due September 2026	989,685	1,086,985
Loan payable (re waterline), 4.75%, payable \$146,778 principal and interest semi-annually, due October 2023	1,517,071	1,730,918
Loan payable (re The Shores Recreation Centre), 5.22%, payable \$107,083 principal and interest semi-annually, due September 2033	2,303,876	2,394,227
Loan payable (re Lambton Area Water Supply System), 8.00%, with repayments based on system usage, as described hereinafter	-	72,631
Loan payable (re sewer forcemain) prime minus 0.15%, payable \$23,333 principal plus interest quarterly, due on demand	746,667	840,000
Loan payable (re Phase IV waterline), 3.17%, payable \$24,781 principal and interest semi-annually, due October 2027	421,906	457,251
Loan payable (re Beach Enhancement), 3.97%, payable \$91,602 principal and interest semi-annually, due June 2020	431,952	593,192
Loan payable (re water expansion), 2.37%, payable \$199,019 principal and interest semi-annually, due February 2021	1,329,375	1,689,493
Loan payable (re: Legacy Centre), 2.00%, payable \$26,696 interest and principal semi-annually, due November 2034	766,264	803,773
Loan payable (re Lake Huron Primary Water Supply System), ranging from 1.60% to 3.80%, with repayments based on system usage	263,761	308,451
Loan payable (re Legacy Centre), 3.49%, payable \$96,057, interest and principal semi-annually, due December 2039	2,933,366	3,020,810
	<u>\$11,703,923</u>	<u>\$ 12,997,731</u>

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

December 31, 2017

4. Long-Term Debt (continued)

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

	<u>Principal Repayments</u>
2018	\$ 1,247,024
2019	1,288,780
2020	1,238,826
2021	985,966
2022	817,190
2023 to 2027	2,817,399
Thereafter	<u>3,308,738</u>
	<u>\$ 11,703,923</u>

The gross interest paid relating to the Municipality's long-term debt was \$462,757 (2016 - \$526,807).

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 \$6,170 (2016 - \$17,048). 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. During the year, the municipal debt relating to the Lambton Area Water Supply System issued by the Corporation of the County of Lambton had been paid. The Municipalities share of the municipal debt issued by the Corporation of the County of Lambton at December 31, 2016 was \$72,631, which represented 2.3% of the municipal debt issued by the Corporation of the County of Lambton for the Lambton Area Water Supply System.

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 \$263,761 (2016 - \$308,451), which represents 2.85% (2016 - 3.09%) 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 2.85%.

The annual principal and interest payments required to service the 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, 2017

5. Tangible Capital Assets

December 31, 2017

	Land	Buildings	Equipment	Infrastructure Transportation	Infrastructure Environmental	Land Improvements	Rolling Stock	Work in Progress	Total
Cost, beginning 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
Additions	-	205,421	674,636	770,936	203,050	207,913	287,211	2,487,070	4,836,237
Disposals	-	(3,743)	(147,560)	(303,362)	(4,996)	(140,613)	(471,560)	(853,343)	(1,925,177)
LAWSS & LHPWSS Adjustment	(4,297)	(112,804)	(95,554)	-	(273,192)	69	-	(7,575)	(493,353)
Cost, end of year	\$ 7,814,628	\$ 27,770,143	\$ 4,368,236	\$ 64,540,313	\$ 151,189,722	\$ 15,088,120	\$ 7,001,646	\$ 2,773,359	\$ 280,546,167
Accumulated amortization, beginning of year	\$ -	\$ 8,943,684	\$ 1,855,813	\$ 24,735,905	\$ 35,064,876	\$ 7,436,133	\$ 3,345,622	\$ -	\$ 81,382,033
Amortization	-	791,085	287,218	1,616,539	2,197,419	538,551	438,375	-	5,869,187
Disposals	-	(3,743)	(146,842)	(269,989)	(3,749)	(60,299)	(462,255)	-	(946,877)
LAWSS & LHPWSS Adjustment	-	(26,625)	(38,210)	-	(57,270)	61	-	-	(122,044)
Accumulated amortization, end of year	\$ -	\$ 9,704,401	\$ 1,957,979	\$ 26,082,455	\$ 37,201,276	\$ 7,914,446	\$ 3,321,742	\$ -	\$ 86,182,299
Net carrying amount, end of year	\$ 7,814,628	\$ 18,065,742	\$ 2,410,257	\$ 38,457,858	\$ 113,988,446	\$ 7,173,674	\$ 3,679,904	\$ 2,773,359	\$ 194,363,868

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$2,773,359 (2016 - \$1,147,207). Contributed capital assets of \$nil (2016 - \$3,090,856) 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, 2017

5. Tangible Capital Assets (continued)

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)
LAWSS & LHPWSS Adjustment	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)
LAWSS & LHPWSS Adjustment	-	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, 2017

6. Accumulated Surplus

The Municipality segregates its accumulated surplus into the following categories:

	<u>2017</u>	<u>2016</u>
Investment in tangible capital assets	\$ 194,363,868	\$196,746,427
Current Funds	(919,122)	(1,492,324)
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
Recreation facilities	16,290	177,000
Forest Town Centre Business Improvement Area	2,360	2,360
Lambton Area Water Supply System	70,790	68,746
Lake Huron Primary Water Supply System	742,881	697,897
Reserve Funds		
Working funds	724,064	944,452
Equipment replacement - fire	139,925	730,017
Road purposes	1,562,609	1,839,292
Infrastructure - committed funds	2,681,475	725,726
Acquisition of capital assets - vehicle and equipment	680,908	585,075
Water	8,181,407	7,280,637
Acquisition of capital assets - real property	1,061,073	339,715
Sewer	491,831	618,474
Protection to persons	302,176	278,486
Cemetery memorial fund	56,375	55,644
Beach enhancement capital	16,641	16,425
Opportunities and contingency	203,254	101,913
Parking	207,311	205,000
Road name change	18,369	18,131
Erosion control	6,896	6,806
Accessibility	8,999	8,883
Information technology	147,656	135,649
Recreation	816,259	700,221
Protective inspection and control - vehicle and equipment	39,635	29,311
Building department	954,038	871,541
Harbour related expenses	210,332	207,839
Election	33,394	-
Ontario municipal partnership fund	263,288	-
Urban forest	2,778	-
Bridge & road inspection	165,218	-
Tax rate stabilization	417	125,000
Unfunded		
Long-term debt	(11,703,923)	(12,997,731)
	\$ 201,753,084	\$199,230,224

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, 2017

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 2.24% (2016 - 2.23%) proportionate interest of the following:

	2017	2016
Statement of Financial Position		
Financial Assets	\$ 4,448,028	\$ 4,302,598
Liabilities		
Current Liabilities	\$ 1,287,755	\$ 1,219,800
Long-term Liabilities	-	3,257,000
Total liabilities	\$ 1,287,755	\$ 4,476,800
Net Debt	3,160,273	(174,202)
Non-Financial Assets		
Tangible Capital Assets	88,183,862	88,399,594
Accumulated Surplus	\$91,344,135	\$ 88,225,392
Statement of Operations		
Revenues	\$10,636,699	\$ 10,276,298
Expenses - excluding amortization	5,601,757	5,538,552
Amortization	1,916,199	1,865,614
Annual surplus	\$ 3,118,743	\$ 2,872,132

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

December 31, 2017

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 2.85% (2016 - 3.09%) proportionate interest of the following:

	2017	2016
Statement of Financial Position		
Financial Assets	\$ 24,132,978	\$ 21,754,071
Liabilities		
Current liabilities	2,989,784	3,641,738
Long-term liabilities	9,254,783	9,982,226
Total liabilities	12,244,567	13,623,964
Net Financial Debt	11,888,411	8,130,107
Non-Financial Assets		
Tangible capital assets	157,682,748	158,395,013
Prepaid expenses	206,664	163,296
Total non-financial assets	157,889,412	158,558,309
Accumulated Surplus	\$ 169,777,823	\$ 166,688,416
Statement of Operations		
Revenues	\$ 21,958,483	\$ 21,308,422
Expenses - excluding amortization	11,804,341	12,537,673
Amortization	7,064,735	6,973,943
Annual surplus	\$ 3,089,407	\$ 1,796,806

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

December 31, 2017

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>2017</u>	<u>2016</u>
Statement of Operations		
Revenues	\$ 546,991	\$ 433,668
Expenses - excluding amortization	<u>546,991</u>	<u>433,668</u>
Annual surplus	<u>\$ -</u>	<u>\$ -</u>

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

December 31, 2017

8. Other Income

	Budget 2017	2017	2016
	(Note 14)		
Penalties and interest on taxation	\$ 327,680	\$ 307,148	\$ 345,067
Investment income	33,200	259,924	216,409
Rents, concessions and franchises	979,099	1,044,794	990,064
Donations	157,310	316,007	3,577,214
Other	-	970,534	71,997
Share of LAWSS	-	8,841	132,472
Share of LHPWSS	-	(380,147)	324,882
Loss on disposal of tangible capital assets	-	(80,207)	(48,314)
	\$ 1,497,289	\$ 2,446,894	\$ 5,609,791

9. Expenses by Object

	Budget 2017	2017	2016
	(Note 14)		
Salaries, wages and employee benefits	\$ 5,107,646	\$ 4,877,274	\$ 4,656,000
Amortization	5,869,187	5,869,187	5,393,539
Materials	6,136,391	6,200,352	5,635,300
Contributions to other organizations	231,885	257,270	197,750
Rents and financial expenses	72,479	88,049	73,434
Fees and contracted services	6,387,679	5,794,019	5,658,995
Interest on long-term debt	459,397	462,757	526,807
	\$24,264,664	\$23,548,908	\$ 22,141,825

10. Contingent Liabilities

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2017 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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2017

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 482,000 active and retired members and 984 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, 2017. The results of this valuation disclosed total actuarial liabilities of \$93,614 million (2016 - \$86,959 million) in respect of benefits accrued for service with actuarial assets at that date of \$88,211 million (2016 -\$81,239 million) indicating an actuarial deficit of \$5,403 million (2016 - \$5,720 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 2017 was \$282,126 (2016 - \$268,993) for current service. The OMERS Board rate was 9.0% to 14.6% depending on income level (2016 - 9.0% to 14.6% depending on income level).

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
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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2017

13. Funds Held in Trust

At the year end, the Municipality held \$374,823 (2016 - \$358,701) 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.

14. Budget

The budget approved by Council on January 17, 2017 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 assets (debt) represent the budget adopted by Council on January 17, 2017 with adjustments as follows:

Budget Bylaw surplus for the year	\$ 404,718
Add:	
Budgeted capital expenditures	8,531,061
Less:	
Amortization	<u>(5,869,187)</u>
Budget surplus per statement of operations	<u>\$ 3,066,592</u>

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, 2017

16. Segmented Information

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

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

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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2017

16. 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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2017

16. 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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2017

16. 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, 2017

16. Segmented Information (continued)

For the year ended December 31, 2017	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	2017 Total
Revenue																				
Taxation	\$ (270,037)	\$ 2,506,768	\$ (42,499)	\$ -	\$ 475,826	\$ 975,887	\$ 5,170,284	\$ 79,592	\$ 894,536	\$ 415,712	\$ 21,751	\$ 732,183	\$ 309,748	\$ 166,716	\$ 152,722	\$ 29,987	\$ 148,712	\$ -	\$ -	\$ 11,767,888
Government grants	1,477,000	78,171	-	-	-	104,953	1,406,130	26,250	-	-	-	359,879	-	47,688	-	43,492	20,998	156,325	42,086	3,762,972
User fees	388,747	-	59,835	331,054	78,111	28,199	146,984	618,823	542,736	471,278	57,155	293,393	46,656	635,807	148,173	145,023	30,005	4,001,962	2,516,967	10,540,908
	1,595,710	2,584,939	17,336	331,054	553,937	1,109,039	6,723,398	724,665	1,437,272	886,990	78,906	1,385,455	356,404	850,211	300,895	218,502	199,715	4,158,287	2,559,053	26,071,768
Expenses																				
Wages and benefits	1,357,406	-	-	206,838	182,904	342,080	1,322,262	169,377	386,300	81,417	14,807	245,969	181,296	244,110	33,034	37,247	37,555	27,993	6,679	4,877,274
Goods and services	615,579	2,586,172	10,919	17,166	331,916	256,755	1,774,648	523,050	635,847	782,203	37,933	743,130	338,865	260,002	265,102	165,311	30,283	1,353,790	1,600,141	12,328,812
Amortization	-	-	-	7,373	17,783	215,372	2,047,766	93,197	504,547	748	104	22,912	127,815	262,969	191,092	-	-	1,662,720	714,789	5,869,187
Miscellaneous	(622,455)	-	-	19,350	-	-	-	-	244,366	-	-	-	-	53,907	-	13,832	-	523,451	241,184	473,635
	1,350,530	2,586,172	10,919	250,727	532,603	814,207	5,144,676	785,624	1,771,060	864,368	52,844	1,012,011	647,976	820,988	489,228	216,390	67,838	3,567,954	2,562,793	23,548,908
Net surplus (deficit)	\$ 245,180	\$ (1,233)	\$ 6,417	\$ 80,327	\$ 21,334	\$ 294,832	\$ 1,578,722	\$ (60,959)	\$ (333,788)	\$ 22,622	\$ 26,062	\$ 373,444	\$ (291,572)	\$ 29,223	\$ (188,333)	\$ 2,112	\$ 131,877	\$ 590,333	\$ (3,740)	\$ 2,522,860

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

December 31, 2017

16. 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
Revenue																				
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
Expenses																				
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
Net surplus (deficit)	\$ 3,564,573	\$ (8,885)	\$ (25,733)	\$ (22,303)	\$ 22,326	\$ 360,049	\$ 386,512	\$ 47,343	\$ (395,731)	\$ 20,050	\$ 11,515	\$ 378,594	\$ 72,761	\$ 459,145	\$ (156,008)	\$ 1,927	\$ 46,491	\$ 1,221,929	\$ 1,520,648	\$ 7,505,203

**The Corporation of the Municipality of
Lambton Shores
Forest Town Centre Business
Improvement Area
Financial Statements
For the year ended December 31, 2017
(Unaudited - see Notice to Reader)**



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Sarnia, Ontario N7T 7J7

Notice to Reader

On the basis of information provided 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, 2017 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 26, 2018

**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	2017	2016
Financial Assets		
Cash	\$ 9,623	\$ 10,717
Money market fund	12,861	8,155
Accounts receivable	5,794	4,811
	<u>28,278</u>	<u>23,683</u>
Liabilities		
Accounts payable	<u>3,176</u>	<u>2,341</u>
Net financial assets	<u>25,102</u>	<u>21,342</u>
Accumulated Surplus	<u>\$ 25,102</u>	<u>\$ 21,342</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)**

For the year ended December 31	Budget	2017	2016
Revenues			
Assessments on members	\$ 23,072	\$ 28,523	\$ 28,232
Other	5,768	7,343	3,070
Total revenues	28,840	35,866	31,302
Expenditures			
Administration	13,580	7,784	8,520
Advertising and promotion	15,260	19,822	20,587
Maintenance	-	4,500	-
Total expenditures	28,840	32,106	29,107
Annual surplus	-	3,760	2,195
Accumulated surplus, beginning of year	21,342	21,342	19,147
Accumulated surplus, end of year	\$ 21,342	\$ 25,102	\$ 21,342

**The Corporation of the Municipality of
Lambton Shores
Trust Funds
Financial Statements
For the year ended December 31, 2017**



Independent Auditor's Report

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

We have audited the accompanying trust fund financial statements of The Corporation of the Municipality of Lambton Shores, which comprise the balance sheet as at December 31, 2017, 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, 2017 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 26, 2018

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

December 31, 2017

	Theford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery	Total 2017	Total 2016
Assets					
Cash	\$ 11,515	\$ 107,812	\$ 34,255	\$ 153,582	\$ 186,069
Accounts receivable	70	-	-	70	70
Investments (Note 2)	-	134,073	91,546	225,619	175,877
	\$ 11,585	\$ 241,885	\$ 125,801	\$ 379,271	\$ 362,016
Liabilities					
Accounts payable	-	\$ 3,068	\$ 1,380	\$ 4,448	\$ 3,315
Fund Balance	11,585	238,817	124,421	374,823	358,701
	\$ 11,585	\$ 241,885	\$ 125,801	\$ 379,271	\$ 362,016

**Statement of
Continuity**

For the year ended December 31, 2017

	Theford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery	Total 2017	Total 2016
Balance, beginning of year	\$ 9,564	\$ 231,141	\$ 117,996	\$ 358,701	\$ 348,987
Receipts					
Interest	155	3,924	2,111	6,190	5,977
Perpetual care	1,866	7,676	6,425	15,967	9,714
	2,021	11,600	8,536	22,157	15,691
Expenditures					
Transfer to Municipality	-	3,924	2,111	6,035	5,977
Balance, end of the year	\$ 11,585	\$ 238,817	\$ 124,421	\$ 374,823	\$ 358,701

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

December 31, 2017

1. Summary of Significant Accounting Policies

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

2. Investments

Beechwood Cemetery

	<u>2017</u>	<u>2016</u>
1.00% to 5.00% GIC, due May 29, 2017	\$ -	\$ 66,232
1.45% to 3.45% GIC, due May 29, 2022	67,684	-
1.00% to 2.70% GIC, due April 4, 2017	-	10,413
1.30% GIC, due April 5, 2018	50,488	-
1.00% to 2.70% GIC, due April 4, 2017	-	15,619
1.00% to 1.65% GIC, due April 6, 2020	15,901	-
	\$ 134,073	\$ 92,264

Arkona Cemetery

1.00% to 5.00% GIC, due May 25, 2017	\$ -	\$ 44,371
1.45% to 3.45% GIC due May 25, 2022	45,367	-
1.00% to 2.50% GIC, due November 30, 2017	-	13,462
1.45% to 2.10% GIC due December 7, 2020	20,000	-
1.00% to 2.50% GIC, due December 29, 2017	-	25,780
1.00% to 1.65% GIC due December 29, 2020	26,179	-
	\$ 91,546	\$ 83,613
	\$ 225,619	\$ 175,877