

**The Corporation of the Municipality of
Lambton Shores**
Consolidated Financial Statements
For the year ended December 31, 2018

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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**

Opinion

We have audited the consolidated financial statements of The Corporation of the Municipality of Lambton Shores (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of operations, the consolidated statement of change in net financial assets and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018, and its results of operations, its change in net asset, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
June 18, 2019

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

December 31	2018	2017
		(restated - Note 1)
Financial assets		
Cash and cash equivalents (Note 2)	\$ 20,203,601	\$ 19,112,122
Portfolio investments (Note 3)	1,018,362	1,018,126
Taxes receivable	1,508,027	1,616,751
Accounts receivable	4,387,137	4,073,883
Inventories for resale	64,350	63,437
Due from trust funds	4,164	4,547
Long-term receivables	<u>2,066,871</u>	<u>2,373,260</u>
	<u>29,252,512</u>	<u>28,262,126</u>
Liabilities		
Accounts payable and accrued liabilities	2,803,817	3,371,955
Deposits	1,546,185	1,805,201
Deferred revenue (Note 4)	5,227,388	4,144,074
Long-term debt (Note 5)	<u>10,469,200</u>	<u>11,703,923</u>
	<u>20,046,590</u>	<u>21,025,153</u>
Net financial assets	<u>9,205,922</u>	<u>7,236,973</u>
Non-financial assets		
Tangible capital assets (Note 6)	197,284,035	194,923,498
Prepaid expenses and inventories of supplies	<u>142,200</u>	<u>152,243</u>
	<u>197,426,235</u>	<u>195,075,741</u>
Accumulated surplus (Note 7)	<u>\$ 206,632,157</u>	<u>\$ 202,312,714</u>

Contingent liabilities (Note 11)

_____ Treasurer _____ Mayor

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

For the year ended December 31	Budget 2018	2018	2017
	(Note 15)		(restated - Note 1)
Revenue			
Taxation	\$ 12,031,664	\$ 12,082,380	\$ 11,767,888
Government grants - Federal	365,986	707,864	475,880
Government grants - Provincial	2,908,221	3,209,973	3,089,613
Municipal grants	185,863	186,972	197,479
User fees and service charges	8,910,212	8,665,201	8,081,433
Other (Note 9)	1,569,446	3,244,458	2,459,475
	25,971,392	28,096,848	26,071,768
Expenses (Note 10)			
General government	1,682,533	1,516,531	1,448,989
Protection services	4,472,001	4,471,290	4,165,824
Transportation services	5,611,196	5,460,524	5,254,144
Environmental services	7,202,039	6,952,230	7,030,693
Health services	71,185	50,382	52,740
Harbour	699,582	773,623	689,717
Recreation and cultural services	4,208,772	4,204,662	4,605,301
Planning and development	1,010,086	348,163	334,781
	24,957,394	23,777,405	23,582,189
Annual surplus	1,013,998	4,319,443	2,489,579
Accumulated surplus, beginning of year	202,312,714	202,312,714	199,823,135
Accumulated surplus, end of year	\$ 203,326,712	\$ 206,632,157	\$ 202,312,714

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

For the year ended December 31	Budget 2018	2018	2017
	(Note 15)		(restated - Note 1)
Annual surplus	\$ 1,013,998	\$ 4,319,443	\$ 2,489,579
Acquisition of tangible capital assets	(7,012,757)	(8,792,076)	(3,982,894)
Amortization of tangible capital assets	5,872,725	5,872,725	5,902,468
Loss on disposal or sale of tangible capital assets	-	599,596	80,207
Proceeds on sale of tangible capital assets	-	77,369	44,753
Share of LAWSS adjustment (Note 8)	-	149,911	(8,841)
Share of LHPWSS adjustment (Note 8)	-	(268,062)	380,147
	(126,034)	1,958,906	4,905,419
Usage of (addition to) prepaid expenses and inventory of supplies	-	10,043	(24,318)
Net change in net financial assets	(126,034)	1,968,949	4,881,101
Net financial assets, beginning of year	7,236,973	7,236,973	2,355,872
Net financial assets, end of year	\$ 7,110,939	\$ 9,205,922	\$ 7,236,973

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

For the year ended December 31	2018	2017
		(restated - Note 1)
Operating activities		
Annual surplus	\$ 4,319,443	\$ 2,489,579
Items not involving cash		
Amortization	5,872,725	5,902,468
Loss on disposal of tangible capital assets	599,596	80,207
Changes in non-cash operating balances		
Taxes receivable	108,724	461,483
Accounts receivable	(313,254)	(718,394)
Inventories for resale	(913)	7,574
Prepaid expenses and inventories of supplies	10,043	(24,318)
Accounts payable and accrued liabilities	(568,138)	1,120,692
Long-term receivables	306,389	551,872
Due from trust funds	383	(1,231)
Deposits	(259,016)	518,979
Deferred revenue	1,083,314	566,798
	<u>11,159,296</u>	<u>10,955,709</u>
Capital activities		
Acquisition of tangible capital assets	(8,792,076)	(3,982,894)
Share of LAWSS adjustment	149,911	(8,841)
Share of LHPWSS adjustment	(268,062)	380,147
Proceeds on sale of tangible capital assets	77,369	44,753
	<u>(8,832,858)</u>	<u>(3,566,835)</u>
Investing activities		
Increase in portfolio investments	<u>(236)</u>	<u>(204,706)</u>
Financing activities		
Repayment of long-term debt	<u>(1,234,723)</u>	<u>(1,293,808)</u>
Increase in cash and cash equivalents	1,091,479	5,890,360
Cash and cash equivalents, beginning of year	<u>19,112,122</u>	<u>13,221,762</u>
Cash and cash equivalents, end of year	<u>\$20,203,601</u>	<u>\$ 19,112,122</u>

The Corporation of the Municipality of Lambton Shores

Summary of Significant Accounting Policies

December 31, 2018

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 2018, the municipality's share of LAWSS was 2.07% (2017 - 2.24%) and LHPWSS was 3.02% (2017 - 2.85%). 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, 2018

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, 2018

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, 2018, 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, 2018

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, 2018

1. Prior Period Adjustment

During the current year, the municipality determined that there were unrecorded tangible capital assets with in-service dates ranging from 1998 to 2004. As a result, tangible capital assets were understated in prior years. The result of this correction to the prior year is as follows:

Consolidated Statement of Financial Position as at December 31, 2017

	As originally reported	Change	Restated
Tangible capital assets	\$ 194,363,868	\$ 559,630	\$ 194,923,498

Consolidated Statement of operations as at December 31, 2017

	As originally reported	Change	Restated
Transportation services	\$ 5,220,863	\$ 33,281	\$ 5,254,144
Annual surplus	2,522,860	(33,281)	2,489,579
Accumulated surplus, beginning of year	199,230,224	592,911	199,823,135
Accumulated surplus, end of year	\$ 201,753,084	\$ 559,630	\$ 202,312,714

Consolidated Detailed Statement of Net Debt as at December 31, 2017

	As originally reported	Change	Restated
Amortization of tangible capital assets	\$ 5,869,187	\$ 33,281	\$ 5,902,468

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

December 31, 2018

2. Cash and Cash Equivalents/Bank Indebtedness

The Municipality's bank accounts are maintained at two chartered banks and earn interest at rates from 0% to the bank's prime rate less 1.65%. The Municipality has established a bank operating line of credit of up to \$2,000,000 bearing interest at the bank's prime rate less 0.75%. At December 31, 2018, the Municipality has not accessed the line of credit and have a balance owing of \$nil (2017 - \$nil). All amounts are repayable immediately on demand and Lambton Shores has the option to repay any amount under this credit at any time.

3. Portfolio Investments

	<u>2018</u>	<u>2017</u>
1.45% to 2.10% GIC, due March 7, 2019	\$ 500,000	\$ 500,000
1.45% to 2.10% GIC, due November 30, 2020	500,000	500,000
Money Market Fund	13,097	12,861
Sun Life Financial, 150 Common Shares	5,265	5,265
	<u>\$ 1,018,362</u>	<u>\$ 1,018,126</u>

The income from portfolio investments for the year was \$17,279 (2017 - \$21,672). 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, 2018 was \$6,794 (2017 - \$7,782).

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

December 31, 2018

4. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 187,555	\$ 339,404	\$ 5,634	\$ (297,957)	\$ 234,636
Cash in lieu of parking	60,105	1,000	1,307	-	62,412
Development charges	2,089,052	525,537	53,524	(66,453)	2,601,660
Infrastructure programs	35,090	110,556	-	(17,966)	127,680
Parkland dedication	159,148	23,189	3,508	-	185,845
Deposits	3,768	-	-	(90)	3,678
Community vibrancy fund	1,307,799	475,023	24,398	(93,771)	1,713,449
Ontario Community Infrastructure Fund	295,774	602,732	10,467	(610,945)	298,028
Ministry of Health	5,783	206,256	-	(212,039)	-
	\$ 4,144,074	\$ 2,283,697	\$ 98,838	\$ (1,299,221)	\$ 5,227,388

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, 2018

4. 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 GP, ULC based on the number of megawatts produced by the Jericho Wind Energy Centre, as provided by Cordelio Power Inc.

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, 2018

5. Long-term Debt

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

	<u>2018</u>	<u>2017</u>
Loan payable (re Parking Lot - Grand Bend), 3.04% payable \$32,311 principal and interest quarterly, due September 2026	\$ 889,392	\$ 989,685
Loan payable (re waterline), 4.75%, payable \$146,778 principal and interest semi-annually, due October 2023	1,292,946	1,517,071
Loan payable (re The Shores Recreation Centre), 5.22%, payable \$107,083 principal and interest semi-annually, due September 2033	2,208,748	2,303,876
Loan payable (re sewer forcemain) prime minus 0.15%, payable \$23,333 principal plus interest quarterly, due on demand	653,333	746,667
Loan payable (re Phase IV waterline), 3.17%, payable \$24,781 principal and interest semi-annually, due October 2027	385,433	421,906
Loan payable (re Beach Enhancement), 3.97%, payable \$91,602 principal and interest semi-annually, due June 2020	264,248	431,952
Loan payable (re water expansion), 2.37%, payable \$199,019 principal and interest semi-annually, due February 2021	960,673	1,329,375
Loan payable (re: Legacy Centre), 2.00%, payable \$26,696 interest and principal semi-annually, due November 2034	728,006	766,264
Loan payable (re Lake Huron Primary Water Supply System), ranging from 1.60% to 3.80%, with repayments based on system usage	243,578	263,761
Loan payable (re Legacy Centre), 3.49%, payable \$96,057, interest and principal semi-annually, due December 2039	2,842,843	2,933,366
	<u>\$ 10,469,200</u>	<u>\$ 11,703,923</u>

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

December 31, 2018

4. Long-Term Debt (continued)

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

	<u>Principal Repayments</u>
2019	\$ 1,289,329
2020	1,240,938
2021	988,115
2022	819,376
2023	842,503
2024 to 2028	2,314,078
Thereafter	<u>2,974,861</u>
	<u>\$ 10,469,200</u>

The gross interest paid relating to the Municipality's long-term debt was \$423,364 (2017 - \$462,757).

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 \$243,578 (2017 - \$263,761), which represents 3.02% (2017 - 2.85%) 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 3.02%.

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, 2018

6. Tangible Capital Assets

December 31, 2018

	Land	Buildings	Equipment	Infrastructure Transportation	Infrastructure Environmental	Land Improvements	Rolling Stock	Work in Progress	Total
Cost, beginning of year	\$ 7,814,628	\$ 27,770,143	\$ 4,368,236	\$ 65,646,491	\$ 151,189,722	\$ 15,088,120	\$ 7,001,646	\$ 2,773,359	\$ 281,652,345
Additions	100,000	477,796	714,703	3,424,836	4,072,084	404,762	1,122,148	605,925	10,922,254
Disposals	(1,947)	(5,486)	(239,504)	(2,291,630)	(501,988)	(143,613)	(333,076)	(2,130,178)	(5,647,422)
LAWSS & LHPWSS Adjustment	972	17,507	70,744	-	56,451	(1,148)	-	(3,726)	140,800
Cost, end of year	\$ 7,913,653	\$ 28,259,960	\$ 4,914,179	\$ 66,779,697	\$ 154,816,269	\$ 15,348,121	\$ 7,790,718	\$ 1,245,380	\$ 287,067,977
Accumulated amortization, beginning of year	\$ -	\$ 9,704,401	\$ 1,957,979	\$ 26,629,003	\$ 37,201,276	\$ 7,914,446	\$ 3,321,742	\$ -	\$ 86,728,847
Amortization	-	800,084	304,438	1,567,652	2,201,131	541,841	457,579	-	5,872,725
Disposals	-	(5,486)	(233,783)	(1,779,870)	(401,974)	(86,090)	(333,076)	-	(2,840,279)
LAWSS & LHPWSS Adjustment	-	(11,713)	30,588	-	4,834	(1,060)	-	-	22,649
Accumulated amortization, end of year	\$ -	\$ 10,487,286	\$ 2,059,222	\$ 26,416,785	\$ 39,005,267	\$ 8,369,137	\$ 3,446,245	\$ -	\$ 89,783,942
Net carrying amount, end of year	\$ 7,913,653	\$ 17,772,674	\$ 2,854,957	\$ 40,362,912	\$ 115,811,002	\$ 6,978,984	\$ 4,344,473	\$ 1,245,380	\$ 197,284,035

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 \$1,245,380 (2017 - \$2,773,359). Contributed capital assets of \$1,405,155 (2017 - \$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, 2018

6. Tangible Capital Assets (continued)

	December 31, 2017 (Restated - Note 1)								
	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	\$ 65,178,916	\$ 151,264,860	\$ 15,020,751	\$ 7,185,995	\$ 1,147,207	\$ 279,234,637
Additions	-	205,421	674,636	770,937	203,050	207,913	287,211	2,487,070	4,836,238
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	<u>\$ 7,814,628</u>	<u>\$ 27,770,143</u>	<u>\$ 4,368,236</u>	<u>\$ 65,646,491</u>	<u>\$ 151,189,722</u>	<u>\$ 15,088,120</u>	<u>\$ 7,001,646</u>	<u>\$ 2,773,359</u>	<u>\$ 281,652,345</u>
Accumulated amortization, beginning of year	\$ -	\$ 8,943,684	\$ 1,855,813	\$ 25,249,172	\$ 35,064,876	\$ 7,436,133	\$ 3,345,622	\$ -	\$ 81,895,300
Amortization	-	791,085	287,218	1,649,820	2,197,419	538,551	438,375	-	5,902,468
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	<u>\$ -</u>	<u>\$ 9,704,401</u>	<u>\$ 1,957,979</u>	<u>\$ 26,629,003</u>	<u>\$ 37,201,276</u>	<u>\$ 7,914,446</u>	<u>\$ 3,321,742</u>	<u>\$ -</u>	<u>\$ 86,728,847</u>
Net carrying amount, end of year	<u>\$ 7,814,628</u>	<u>\$ 18,065,742</u>	<u>\$ 2,410,257</u>	<u>\$ 39,017,488</u>	<u>\$ 113,988,446</u>	<u>\$ 7,173,674</u>	<u>\$ 3,679,904</u>	<u>\$ 2,773,359</u>	<u>\$ 194,923,498</u>

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$2,773,359 (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, 2018

7. Accumulated Surplus

The Municipality segregates its accumulated surplus into the following categories:

	2018	2017
		(restated - Note 1)
Investment in tangible capital assets	\$ 197,284,035	\$ 194,923,498
Current Funds	(569,810)	(919,122)
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	16,290
Forest Town Centre Business Improvement Area	2,360	2,360
Lambton Area Water Supply System	159,058	70,790
Lake Huron Primary Water Supply System	983,718	742,881
Grand Bend Joint Area Sewage Board	132,846	-
Reserve Funds		
Working funds	594,450	724,064
Equipment replacement - fire	(72,469)	139,925
Road purposes	2,496,053	1,562,609
Infrastructure - committed funds	1,105,801	2,681,475
Acquisition of capital assets - vehicle and equipment	812,346	680,908
Water	9,327,456	8,181,407
Acquisition of capital assets - real property	620,043	1,061,073
Sewer	17,241	491,831
Protection to persons	367,984	302,176
Cemetery memorial fund	57,588	56,375
Beach enhancement capital	16,999	16,641
Opportunities and contingency	169,814	203,254
Parking	249,229	207,311
Road name change	18,764	18,369
Erosion control	7,044	6,896
Accessibility	9,193	8,999
Information technology	129,303	147,656
Recreation	999,789	816,259
Protective inspection and control - vehicle and equipment	50,642	39,635
Building department	1,015,669	954,038
Harbour related expenses	274,857	210,332
Election	8,556	33,394
Ontario municipal partnership fund	268,952	263,288
Urban forest	2,838	2,778
Bridge & road inspection	265,680	165,218
Tax rate stabilization	75,426	417
Unfunded		
Long-term debt	(10,469,200)	(11,703,923)
	\$ 206,632,157	\$ 202,312,714

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, 2018

8. Joint Local Board Consolidation

Lambton Area Water Supply System (LAWSS)

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

The consolidated financial statements include the municipality's 2.07% (2017 - 2.24%) proportionate interest of the following:

	2018	2017
Statement of Financial Position		
Financial Assets	\$ 7,742,198	\$ 4,448,028
Liabilities		
Current Liabilities	\$ 58,214	\$ 1,287,755
Net Assets	7,683,984	3,160,273
Non-Financial Assets		
Tangible Capital Assets	86,596,640	88,183,862
Accumulated Surplus	\$94,280,624	\$ 91,344,135
Statement of Operations		
Revenues	\$ 9,939,525	\$ 10,636,699
Expenses - excluding amortization	5,050,938	5,601,757
Amortization	1,952,098	1,916,199
Annual surplus	\$ 2,936,489	\$ 3,118,743

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

December 31, 2018

8. Joint Local Board Consolidation (continued)

Lake Huron Area Primary Water Supply System

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

The consolidated financial statements include the municipality's 3.02% (2017 - 2.85%) proportionate interest of the following:

	2018	2017
Statement of Financial Position		
Financial Assets	\$ 31,742,010	\$ 24,132,978
Liabilities		
Current liabilities	1,961,997	2,989,784
Long-term liabilities	8,065,505	9,254,783
Total liabilities	10,027,502	12,244,567
Net Financial Debt	21,714,508	11,888,411
Non-Financial Assets		
Tangible capital assets	153,032,700	157,682,748
Prepaid expenses	202,510	206,664
Total non-financial assets	153,235,210	157,889,412
Accumulated Surplus	\$ 174,949,718	\$ 169,777,823
Statement of Operations		
Revenues	\$ 24,835,434	\$ 21,958,483
Expenses - excluding amortization	12,238,498	11,804,341
Amortization	7,425,041	7,064,735
Annual surplus	\$ 5,171,895	\$ 3,089,407

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

December 31, 2018

8. 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>2018</u>	<u>2017</u>
Statement of Financial Position		
Financial Assets	\$ 205,326	\$ -
Accumulated Surplus	\$ 205,326	\$ -
Statement of Operations		
Revenues	\$ 659,667	\$ 546,991
Expenses	454,341	546,991
Annual surplus	\$ 205,326	\$ -

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

December 31, 2018

9. Other Income

	Budget 2018	2018	2017
	(Note 15)		
Penalties and interest on taxation	\$ 308,634	\$ 277,687	\$ 307,148
Investment income	35,816	418,876	259,924
Rents, concessions and franchises	1,026,186	1,149,859	1,057,375
Donations	198,810	1,767,486	316,007
Other	-	111,998	970,534
Share of LAWSS	-	(149,913)	8,841
Share of LHPWSS	-	268,061	(380,147)
Loss on disposal of tangible capital assets	-	(599,596)	(80,207)
	\$ 1,569,446	\$ 3,244,458	\$ 2,459,475

10. Expenses by Object

	Budget 2018	2018	2017
	(Note 15)		(restated - Note 1)
Salaries, wages and employee benefits	\$ 5,297,275	\$ 5,345,329	\$ 4,877,274
Amortization	5,872,725	5,872,725	5,902,468
Materials	6,465,016	5,897,888	6,200,352
Contributions to other organizations	284,385	298,532	257,270
Rents and financial expenses	61,201	73,455	88,049
Fees and contracted services	6,562,145	5,866,112	5,794,019
Interest on long-term debt	414,647	423,364	462,757
	\$24,957,394	\$23,777,405	\$ 23,582,189

11. Contingent Liabilities

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2018 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, 2018

12. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS"), which is a multi-employer plan, on behalf of certain employees of the Municipality. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on their length of service and rates of pay. The OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 500,000 active and retired members and 1,000 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, 2018. The results of this valuation disclosed total actuarial liabilities of \$99,058 million (2017 - \$93,614 million) in respect of benefits accrued for service with actuarial assets at that date of \$94,867 million (2017 - \$88,211 million) indicating an actuarial deficit of \$4,191 million (2017 - \$5,403 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 2018 was \$294,763 (2017 - \$282,126) for current service. The OMERS Board rate was 9.0% to 15.8% depending on income level (2017 - 9.0% to 14.6% depending on income level).

13. 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
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, 2018

14. Funds Held in Trust

At the year end, the Municipality held \$379,313 (2017 - \$374,823) 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.

15. Budget

The budget approved by Council on January 23, 2018 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 represent the budget adopted by Council on January 23, 2018 with adjustments as follows:

Budget Bylaw surplus for the year	\$ (126,034)
Add:	
Budgeted capital expenditures	7,012,757
Less:	
Amortization	<u>(5,872,725)</u>
Budget surplus per statement of operations	<u>\$ 1,013,998</u>

16. Comparative Amounts

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

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2018

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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2018

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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2018

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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2018

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, 2018

17. Segmented Information (continued)

For the year ended December 31, 2018	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	2018 Total
Revenue																				
Taxation	\$ (375,574)	\$ 2,502,952	\$ (42,499)	\$ -	\$ 475,153	\$ 1,134,514	\$ 5,392,038	\$ 103,830	\$ 928,829	\$ 397,852	\$ 23,370	\$ 737,675	\$ 319,596	\$ 196,094	\$ 154,296	\$ 30,204	\$ 104,050	\$ -	\$ -	\$ 12,082,380
Government grants	1,689,400	78,795	-	-	-	106,811	1,299,653	27,500	-	-	-	212,039	-	-	-	8,267	104,625	94,249	483,470	4,104,809
User fees	1,750,478	60,248	77,546	315,676	104,924	21,263	(385,334)	747,464	546,041	483,608	42,507	281,756	121,315	777,212	137,803	86,971	35,515	4,971,383	1,733,283	11,909,659
	<u>3,064,304</u>	<u>2,641,995</u>	<u>35,047</u>	<u>315,676</u>	<u>580,077</u>	<u>1,262,588</u>	<u>6,306,357</u>	<u>878,794</u>	<u>1,474,870</u>	<u>881,460</u>	<u>65,877</u>	<u>1,231,470</u>	<u>440,911</u>	<u>973,306</u>	<u>292,099</u>	<u>125,442</u>	<u>244,190</u>	<u>5,065,632</u>	<u>2,216,753</u>	<u>28,096,848</u>
Expenses																				
Wages and benefits	1,387,854	-	-	210,260	203,330	534,023	1,527,783	173,473	363,375	99,125	14,423	219,021	185,506	299,552	23,249	32,121	29,822	39,778	2,634	5,345,329
Goods and services	666,738	2,582,665	18,871	19,959	336,242	315,299	1,843,992	600,150	632,174	790,333	35,958	533,877	207,986	267,048	233,485	79,797	119,816	1,578,722	1,261,344	12,124,456
Amortization	-	-	-	6,913	17,042	243,164	2,025,687	87,567	503,585	747	104	9,758	126,853	265,571	191,784	-	-	1,677,139	716,811	5,872,725
Miscellaneous	(634,517)	-	-	19,350	-	-	-	-	235,761	-	-	-	-	-	44,451	13,831	-	508,238	247,781	434,895
	<u>1,420,075</u>	<u>2,582,665</u>	<u>18,871</u>	<u>256,482</u>	<u>556,614</u>	<u>1,092,486</u>	<u>5,397,462</u>	<u>861,190</u>	<u>1,734,895</u>	<u>890,205</u>	<u>50,485</u>	<u>762,656</u>	<u>520,345</u>	<u>832,171</u>	<u>492,969</u>	<u>125,749</u>	<u>149,638</u>	<u>3,803,877</u>	<u>2,228,570</u>	<u>23,777,405</u>
Net surplus (deficit)	\$ 1,644,229	\$ 59,330	\$ 16,176	\$ 59,194	\$ 23,463	\$ 170,102	\$ 908,895	\$ 17,604	\$ (260,025)	\$ (8,745)	\$ 15,392	\$ 468,814	\$ (79,434)	\$ 141,135	\$ (200,870)	\$ (307)	\$ 94,552	\$ 1,261,755	\$ (11,817)	\$ 4,319,443

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

December 31, 2018

17. 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
																				(restated - Note 1)
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	2,081,048	93,197	504,547	747	104	22,912	127,815	262,969	191,092	-	-	1,662,720	714,789	5,902,468
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	5,177,958	785,624	1,771,060	864,367	52,844	1,012,011	647,976	820,988	489,228	216,390	67,838	3,567,954	2,562,793	23,582,189
Net surplus (deficit)	\$ 245,180	\$ (1,233)	\$ 6,417	\$ 80,327	\$ 21,334	\$ 294,832	\$ 1,545,440	\$ (60,959)	\$ (333,788)	\$ 22,623	\$ 26,062	\$ 373,444	\$ (291,572)	\$ 29,223	\$ (188,333)	\$ 2,112	\$ 131,877	\$ 590,333	\$ (3,740)	\$ 2,489,579

**The Corporation of the Municipality of
Lambton Shores
Forest Town Centre Business
Improvement Area
Financial Statements
For the year ended December 31, 2018
(Unaudited - see Notice to Reader)**



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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, 2018 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 18, 2019

**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	2018	2017
Financial Assets		
Cash	\$ 5,097	\$ 9,623
Money market fund	13,097	12,861
Accounts receivable	1,146	5,794
	<u>19,340</u>	<u>28,278</u>
Liabilities		
Accounts payable	<u>625</u>	<u>3,176</u>
Net financial assets	<u>18,715</u>	<u>25,102</u>
Accumulated Surplus	<u>\$ 18,715</u>	<u>\$ 25,102</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	2018	2017
Revenues			
Assessments on members	\$ 28,552	\$ 27,644	\$ 28,523
Other	288	208	7,343
Total revenues	<u>28,840</u>	<u>27,852</u>	<u>35,866</u>
Expenditures			
Administration	13,580	7,699	7,784
Advertising and promotion	15,260	20,510	19,822
Maintenance	-	6,030	4,500
Total expenditures	<u>28,840</u>	<u>34,239</u>	<u>32,106</u>
Annual surplus (deficit)	-	(6,387)	3,760
Accumulated surplus, beginning of year	<u>25,102</u>	<u>25,102</u>	<u>21,342</u>
Accumulated surplus, end of year	<u>\$ 25,102</u>	<u>\$ 18,715</u>	<u>\$ 25,102</u>

**The Corporation of the Municipality of
Lambton Shores
Trust Funds
Financial Statements
For the year ended December 31, 2018**



Independent Auditor's Report

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

Opinion

We have audited the accompanying trust financial statements of The Corporation of the Municipality of Lambton Shores (the Municipality), which comprise the balance sheet as at December 31, 2018, and the statement of continuity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018, and its continuity of the trust funds for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements are prepared to assist the Municipality to comply with the reporting requirements of the Bereavement Authority of Ontario. As a result, the financial statements may not be suitable for another purpose.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting as described in Note 1, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
June 18, 2019

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

December 31, 2018

	Theford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery	Total 2018	Total 2017
Assets					
Cash	\$ 11,515	\$ 83,031	\$ 34,566	\$ 129,112	\$ 153,582
Accounts receivable	70	-	-	70	70
Investments (Note 2)	-	161,210	93,085	254,295	225,619
	\$ 11,585	\$ 244,241	\$ 127,651	\$ 383,477	\$ 379,271
Liabilities					
Accounts payable	-	\$ 2,624	\$ 1,540	\$ 4,164	\$ 4,448
Fund Balance	11,586	241,615	126,112	379,313	374,823
	\$ 11,586	\$ 244,239	\$ 127,652	\$ 383,477	\$ 379,271

**Statement of
Continuity**

For the year ended December 31, 2018

	Theford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery	Total 2018	Total 2017
Balance, beginning of year	\$ 11,585	\$ 238,817	\$ 124,421	\$ 374,823	\$ 358,701
Receipts					
Interest	244	4,688	2,263	7,195	6,190
Perpetual care	-	2,798	1,691	4,489	15,967
	244	7,486	3,954	11,684	22,157
Expenditures					
Transfer to Municipality	243	4,688	2,263	7,194	6,035
Balance, end of the year	\$ 11,586	\$ 241,615	\$ 126,112	\$ 379,313	\$ 374,823

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

December 31, 2018

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>2018</u>	<u>2017</u>
1.45% to 3.45% GIC, due May 29, 2022	\$ 68,986	\$ 67,684
1.30% GIC, due April 5, 2018	-	50,488
2.00% GIC, due April 5, 2019	76,125	-
1.00% to 1.65% GIC, due April 6, 2020	16,099	15,901
	<u>\$ 161,210</u>	<u>\$ 134,073</u>

Arkona Cemetery

1.45% to 3.45% GIC due May 25, 2022	\$ 46,239	\$ 45,367
1.45% to 2.10% GIC due December 7, 2020	20,340	20,000
1.00% to 1.65% GIC due December 29, 2020	26,506	26,179
	<u>\$ 93,085</u>	<u>\$ 91,546</u>
	<u>\$ 254,295</u>	<u>\$ 225,619</u>

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

December 31, 2018

3. Nature of Trust Fund

The Cemetary Perpetual Care Trust Fund was established in accordance with the Cemeteries Act for the care and maintenance of certain cemetary grounds.

4. Statement of Changes in Cash Flows

A statement of changes in cash flows has not been provided since the sources and uses of cash are readily apparent from the information included in the financial statements.