

**The Corporation of the Municipality of
Lambton Shores
Consolidated Financial Statements
For the year ended December 31, 2020**

The Corporation of the Municipality of Lambton Shores

**Consolidated Financial Statements
For the year ended December 31, 2020**

Contents

The Corporation of the Municipality of Lambton Shores

Independent Auditor's Report	1 - 2
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Summary of Significant Accounting Policies	7 - 10
Notes to the Consolidated Financial Statements	11 - 30

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

31

Notice to Reader	32
Statement of Financial Position (Unaudited - See Notice to Reader)	33
Statement of Operations and Accumulated Surplus (Unaudited - See Notice to Reader)	34

The Corporation of the Municipality of Lambton Shores Trust Funds

35

Independent Auditor's Report	36 - 37
Balance Sheet	38
Statement of Continuity	38
Notes to Financial Statements	39 - 40

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, 2020, 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 consolidated financial position of the Municipality as at December 31, 2020, and its consolidated results of operations, its consolidated change in net assets, and its consolidated 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
TBD

The Corporation of the Municipality of Lambton Shores

Consolidated Statement of Financial Position

December 31	2020	2019
Financial assets		
Cash and cash equivalents (Note 1)	\$ 33,091,239	\$ 27,583,519
Portfolio investments (Note 2)	1,044,542	1,044,472
Taxes receivable	1,836,535	1,578,041
Accounts receivable	6,187,894	4,343,212
Inventories for resale	46,003	41,401
Due from trust funds	7,879	4,034
Long-term receivables	1,500,560	1,770,837
	<u>43,714,652</u>	<u>36,365,516</u>
Liabilities		
Accounts payable and accrued liabilities	2,732,090	2,606,857
Deposits	1,640,968	1,625,171
Deferred revenue (Note 3)	10,191,962	7,209,086
Long-term debt (Note 4)	7,933,411	9,186,821
	<u>22,498,431</u>	<u>20,627,935</u>
Net financial assets	<u>21,216,221</u>	<u>15,737,581</u>
Non-financial assets		
Tangible capital assets (Note 5)	195,722,448	196,357,164
Prepaid expenses and inventories of supplies	100,600	133,061
	<u>195,823,048</u>	<u>196,490,225</u>
Accumulated surplus (Note 6)	<u>\$ 217,039,269</u>	<u>\$ 212,227,806</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 2020	2020	2019
	(Note 14)		
Revenue			
Taxation	\$ 13,283,507	\$ 13,330,201	\$ 12,673,941
Government grants - Federal	366,491	354,152	427,665
Government grants - Provincial	4,100,006	3,394,463	3,871,504
Municipal grants	479,462	196,054	197,607
User fees and service charges	9,679,128	9,523,127	9,432,450
Other (Note 8)	2,816,601	2,216,732	2,631,254
	<u>30,725,195</u>	<u>29,014,729</u>	<u>29,234,421</u>
Expenses (Note 9)			
General government	1,693,554	1,496,566	1,618,559
Protection services	4,739,848	4,795,780	4,640,110
Transportation services	5,955,346	5,867,680	5,714,414
Environmental services	7,482,589	6,989,415	6,779,090
Health services	68,937	88,930	55,501
Harbour	804,566	694,884	713,737
Recreation and cultural services	4,300,654	3,772,320	4,225,114
Planning and development	1,737,199	497,691	663,643
	<u>26,782,693</u>	<u>24,203,266</u>	<u>24,410,168</u>
Annual surplus	<u>3,942,502</u>	<u>4,811,463</u>	<u>4,824,253</u>
Accumulated surplus, beginning of year	<u>212,227,806</u>	<u>212,227,806</u>	<u>207,403,553</u>
Accumulated surplus, end of year	<u>\$ 216,170,308</u>	<u>\$ 217,039,269</u>	<u>\$ 212,227,806</u>

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

For the year ended December 31	Budget 2020	2020	2019
	(Note 14)		
Annual surplus	\$ 3,942,502	\$ 4,811,463	\$ 4,824,253
Acquisition of tangible capital assets	(9,698,153)	(6,198,584)	(4,743,313)
Amortization of tangible capital assets	6,115,585	6,115,585	6,058,533
Loss on disposal or sale of tangible capital assets	-	296,271	137,097
Proceeds on sale of tangible capital assets	-	107,013	325,674
Share of LAWSS adjustment (Note 7)	-	17,349	103,916
Share of LHPWSS adjustment (Note 7)	-	297,082	(183,640)
	<u>359,934</u>	<u>5,446,179</u>	<u>6,522,520</u>
Usage of prepaid expenses and inventory of supplies	-	32,461	9,139
Net change in net financial assets	359,934	5,478,640	6,531,659
Net financial assets, beginning of year	15,737,581	15,737,581	9,205,922
Net financial assets, end of year	\$ 16,097,515	\$ 21,216,221	\$ 15,737,581

The Corporation of the Municipality of Lambton Shores

Consolidated Statement of Cash Flows

For the year ended December 31

2020

2019

Operating activities

Annual surplus	\$ 4,811,463	\$ 4,824,253
Items not involving cash		
Amortization	6,115,585	6,058,533
Loss on disposal of tangible capital assets	296,271	137,097
Changes in non-cash operating balances		
Taxes receivable	(258,494)	(70,014)
Accounts receivable	(1,844,682)	43,925
Inventories for resale	(4,602)	22,949
Prepaid expenses and inventories of supplies	32,461	9,139
Accounts payable and accrued liabilities	125,233	(196,960)
Long-term receivables	270,277	296,034
Due from trust funds	(3,845)	130
Deposits	15,797	78,986
Deferred revenue	2,982,876	1,981,698
	<u>12,538,340</u>	<u>13,185,770</u>

Capital activities

Acquisition of tangible capital assets	(6,198,584)	(4,743,313)
Share of LAWSS adjustment	17,349	103,916
Share of LHPWSS adjustment	297,082	(183,640)
Proceeds on sale of tangible capital assets	107,013	325,674
	<u>(5,777,140)</u>	<u>(4,497,363)</u>

Investing activities

Increase in portfolio investments	<u>(70)</u>	<u>(26,110)</u>
-----------------------------------	-------------	-----------------

Financing activities

Repayment of long-term debt	<u>(1,253,410)</u>	<u>(1,282,379)</u>
-----------------------------	--------------------	--------------------

Increase in cash and cash equivalents

5,507,720 7,379,918

Cash and cash equivalents, beginning of year

27,583,519 20,203,601

Cash and cash equivalents, end of year

\$ 33,091,239 \$ 27,583,519

The Corporation of the Municipality of Lambton Shores

Summary of Significant Accounting Policies

December 31, 2020

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%
Thedford Baptist and Ward Cemeteries	100%

All inter-entity transactions and balances have been eliminated.

Joint Local Board

The Lambton Area Water Supply System (LAWSS) and Lake Huron Primary Water Supply System (LHPWSS) have been consolidated on a proportionate basis based upon the water flow of the municipality in proportion to the entire flows provided by the joint boards for the year. The Grand Bend Area Joint Sewage Board (GBAJSB) has been consolidated on a proportionate basis based upon both agreed percentages and wastewater 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 2020, the municipality's share of LAWSS was 1.93% (2019 - 1.95%) and LHPWSS was 2.94% (2019 - 3.14%). 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.

The Corporation of the Municipality of Lambton Shores

Summary of Significant Accounting Policies

December 31, 2020

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.

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, 2020

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, 2020, 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, 2020

Revenue Recognition	<p>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. Taxation revenue is recognized in the year that the taxes are levied. 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 effect on tax revenue.</p> <p>Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established. Other user fees are recorded when the amount is determinable, collectability is assured and the services provided.</p> <p>Sales of service and other revenue is recognized when the amount is determinable, collectability is assured and the services provided.</p>
Use of Estimates	<p>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.</p>
Contributed Capital Assets	<p>Contributed tangible capital assets are recorded at their fair value on the date of contribution, except in unusual circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.</p>

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2020

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, 2020, the Municipality has not accessed the line of credit and have a balance owing of \$nil (2019 - \$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

	2020	2019
1.45% to 2.10% GIC, due March 7, 2022	\$ 525,930	\$ 525,930
0.45% to 1.10% GIC, due November 30, 2023	500,000	500,000
Money market fund	13,347	13,277
Sun Life Financial, 150 Common Shares	5,265	5,265
	<u>\$ 1,044,542</u>	<u>\$ 1,044,472</u>

The income from portfolio investments for the year was \$17,372 (2019 - \$17,985). The market value of the Municipality's guaranteed investment certificates (GICs) 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, 2020 was \$8,417 (2019 - \$8,804).

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2020

3. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 575,665	\$ 322,505	\$ 10,094	\$ (318,323)	\$ 589,941
Cash in lieu of parking	63,913	18,000	968	-	82,881
Development charges	3,393,679	1,089,780	53,774	(68,000)	4,469,233
Infrastructure programs	151,320	489,349	-	(65,023)	575,646
Parkland dedication	204,912	14,100	3,104	-	222,116
Deposits	90	-	-	(90)	-
Community vibrancy fund	2,128,284	470,610	28,403	(84,061)	2,543,236
Ontario Community Infrastructure Fund	691,223	1,003,492	14,194	-	1,708,909
	<u>\$ 7,209,086</u>	<u>\$ 3,407,836</u>	<u>\$ 110,537</u>	<u>\$ (535,497)</u>	<u>\$ 10,191,962</u>

Federal gas tax

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Municipality and the Association of Municipalities of Ontario. Gas tax funding may be used towards designated community energy systems, public transit, water, wastewater, solid waste, capacity building projects and local roads and bridges as specified in the funding agreements.

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, 2020

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

The Municipality receives Amenity Fees 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. The funding includes external restrictions that it be used for expenditures relating to energy sustainability, land stewardship initiatives, development and construction of recreational facilities, improvement of community and protective services, roads and urban infrastructure, education and job training, and other community-related activities sanctioned by the Municipality. Jericho Wind GP, ULC has the right to reject any such proposed expenditures or application of funds. Funds are allocated to expense or capital as approved by Jericho.

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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2020

4. Long-term Debt

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

	2020	2019
Loan payable (re Parking Lot - Grand Bend), 3.04% payable \$32,311 principal and interest quarterly, due September 2026	\$ 679,460	\$ 786,016
Loan payable (re waterline), 4.75%, payable \$146,778 principal and interest semi-annually, due October 2023	811,861	1,058,049
Loan payable (re The Shores Recreation Centre), 5.22%, payable \$107,083 principal and interest semi-annually, due September 2033	2,003,134	2,108,589
Loan payable (re sewer forcemain) prime minus 0.15%, payable \$23,333 principal plus interest quarterly, due on demand	466,667	560,000
Loan payable (re Phase IV waterline), 3.17%, payable \$24,781 principal and interest semi-annually, due October 2027	308,952	347,794
Loan payable (re Beach Enhancement), 3.97%, payable \$91,602 principal and interest semi-annually, due June 2020	-	89,820
Loan payable (re water expansion), 2.37%, payable \$199,019 principal and interest semi-annually, due February 2021	196,688	583,180
Loan payable (re: Legacy Centre), 2.00%, payable \$26,696 interest and principal semi-annually, due November 2034	649,171	688,977
Loan payable (re Lake Huron Primary Water Supply System), ranging from 1.40% to 3.80%, with repayments based on system usage	165,352	215,262
Loan payable (re Legacy Centre), 3.49%, payable \$96,057, interest and principal semi-annually, due December 2039	2,652,126	2,749,134
	\$ 7,933,411	\$ 9,186,821

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

December 31, 2020

4. Long-Term Debt (continued)

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

	<u>Principal Repayments</u>
2021	\$ 986,102
2022	818,350
2023	841,618
2024	569,756
2025	586,917
2026 to 2030	1,503,557
Thereafter	<u>2,627,111</u>
	<u>\$ 7,933,411</u>

The gross interest paid relating to the Municipality's long-term debt was \$339,437 (2019 - \$393,096).

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 \$165,352 (2019 - \$215,262), which represents 2.94% (2019 - 3.14%) 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 2.94%.

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, 2020

5. Tangible Capital Assets

December 31, 2020

	Land	Buildings	Equipment	Infrastructure Transportation	Infrastructure Environmental	Land Improvements	Rolling Stock	Work in Progress	Total
Cost, beginning of year	\$ 7,944,068	\$ 28,617,021	\$ 5,074,867	\$ 68,412,376	\$ 155,448,881	\$ 15,079,032	\$ 8,419,152	\$ 2,641,474	\$ 291,636,871
Additions	146,786	158,327	576,146	3,803,416	1,856,741	47,237	295,531	1,402,225	8,286,409
Disposals	(1,181)	(2,010)	(349,094)	(2,290,706)	(167,940)	(44,862)	(654,076)	(2,087,825)	(5,597,694)
LAWSS & LHPWSS adjustment	(5,033)	(120,969)	(88,263)	-	(254,213)	(134)	-	(2,017)	(470,629)
Cost, end of year	\$ 8,084,640	\$ 28,652,369	\$ 5,213,656	\$ 69,925,086	\$ 156,883,469	\$ 15,081,273	\$ 8,060,607	\$ 1,953,857	\$ 293,854,957
Accumulated amortization, beginning of year	\$ -	\$ 11,331,045	\$ 2,281,295	\$ 27,904,172	\$ 41,156,699	\$ 8,757,818	\$ 3,848,678	\$ -	\$ 95,279,707
Amortization	-	796,325	351,923	1,675,410	2,277,158	516,514	498,255	-	6,115,585
Disposals	-	(2,010)	(327,022)	(1,939,744)	(138,871)	(44,862)	(654,076)	-	(3,106,585)
LAWSS & LHPWSS adjustment	-	(40,682)	(47,166)	-	(68,220)	(130)	-	-	(156,198)
Accumulated amortization, end of year	\$ -	\$ 12,084,678	\$ 2,259,030	\$ 27,639,838	\$ 43,226,766	\$ 9,229,340	\$ 3,692,857	\$ -	\$ 98,132,509
Net carrying amount, end of year	\$ 8,084,640	\$ 16,567,691	\$ 2,954,626	\$ 42,285,248	\$ 113,656,703	\$ 5,851,933	\$ 4,367,750	\$ 1,953,857	\$ 195,722,448

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 \$1,953,857 (2019 - \$2,641,474). Contributed capital assets of \$381,462 (2019 - \$234,956) 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, 2020

5. Tangible Capital Assets (continued)

	December 31, 2019								
	Land	Buildings	Equipment	Infrastructure Transportation	Infrastructure Environmental	Land Improvements	Rolling Stock	Work in Progress	Total
Cost, beginning of year	\$ 7,913,653	\$ 28,259,960	\$ 4,914,179	\$ 67,884,948	\$ 154,816,269	\$ 15,348,121	\$ 7,790,718	\$ 1,245,380	\$ 288,173,228
Additions	29,730	380,547	271,170	1,018,157	828,231	108,394	710,158	2,132,903	5,479,290
Disposals	-	(34,380)	(150,455)	(490,729)	(247,905)	(376,673)	(81,724)	(735,977)	(2,117,843)
LAWSS & LHPWSS adjustment	685	10,894	39,973	-	52,286	(810)	-	(832)	102,196
Cost, end of year	<u>\$ 7,944,068</u>	<u>\$ 28,617,021</u>	<u>\$ 5,074,867</u>	<u>\$ 68,412,376</u>	<u>\$ 155,448,881</u>	<u>\$ 15,079,032</u>	<u>\$ 8,419,152</u>	<u>\$ 2,641,474</u>	<u>\$ 291,636,871</u>
Accumulated amortization, beginning of year	\$ -	\$ 10,487,286	\$ 2,059,222	\$ 26,750,640	\$ 39,005,267	\$ 8,369,137	\$ 3,446,245	\$ -	\$ 90,117,797
Amortization	-	869,871	344,994	1,617,985	2,274,977	467,975	482,731	-	6,058,533
Disposals	-	(19,151)	(146,983)	(464,453)	(129,681)	(78,529)	(80,298)	-	(919,095)
LAWSS & LHPWSS adjustment	-	(6,961)	24,062	-	6,136	(765)	-	-	22,472
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 11,331,045</u>	<u>\$ 2,281,295</u>	<u>\$ 27,904,172</u>	<u>\$ 41,156,699</u>	<u>\$ 8,757,818</u>	<u>\$ 3,848,678</u>	<u>\$ -</u>	<u>\$ 95,279,707</u>
Net carrying amount, end of year	<u>\$ 7,944,068</u>	<u>\$ 17,285,976</u>	<u>\$ 2,793,572</u>	<u>\$ 40,508,204</u>	<u>\$ 114,292,182</u>	<u>\$ 6,321,214</u>	<u>\$ 4,570,474</u>	<u>\$ 2,641,474</u>	<u>\$ 196,357,164</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 \$2,641,474 (2018 - \$1,245,380). Contributed capital assets of \$234,956 (2018 - \$1,405,155) 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, 2020

6. Accumulated Surplus

The Municipality segregates its accumulated surplus into the following categories:

	2020	2019
Investment in tangible capital assets	\$ 195,722,448	\$ 196,357,164
Current funds	(739,325)	(534,387)
Reserves		
Working funds	138,631	138,631
Contingencies	62,096	62,096
Forest Town Centre Business Improvement Area	2,360	2,360
Lambton Area Water Supply System	250,314	206,544
Lake Huron Primary Water Supply System	1,384,732	1,243,727
Grand Bend Area Joint Sewage Board	414,881	272,439
Reserve funds		
Working funds	1,388,462	1,051,867
Equipment	182,325	130,835
Transportation services	3,686,066	2,520,385
Infrastructure - committed funds	1,687,511	2,946,872
Rolling stock	1,383,550	1,212,941
Water	12,127,312	10,034,857
Wastewater	331,834	139,853
Arkona Cemetery	95,846	59,981
Opportunities and contingency	133,150	47,205
Parking	374,200	369,134
Information technology	136,140	123,901
Building department cost stabilization	1,195,204	1,096,692
Harbour maintenance	419,987	414,324
Election	31,993	20,142
Bridge & road inspection	477,330	371,198
Tax rate stabilization	719,190	482,480
Building and facilities	1,705,059	1,235,570
Land improvements	371,507	322,358
Special projects	1,289,877	1,085,458
Unfunded		
Long-term debt	(7,933,411)	(9,186,821)
	\$ 217,039,269	\$ 212,227,806

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, 2020

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 1.93% (2019 - 1.95%) proportionate interest of the following:

	<u>2020</u>	<u>2019</u>
Statement of Financial Position		
Financial Assets	\$ 13,249,052	\$ 10,844,853
Liabilities		
Current Liabilities	\$ 279,416	\$ 252,841
Net Assets	12,969,636	10,592,012
Non-Financial Assets		
Tangible Capital Assets	87,389,393	86,748,811
Accumulated Surplus	<u>\$ 100,359,029</u>	<u>\$ 97,340,823</u>
Statement of Operations		
Revenues	\$ 10,004,837	\$ 10,005,603
Expenses - excluding amortization	5,151,963	4,969,369
Amortization	<u>1,834,668</u>	<u>1,976,035</u>
Annual Surplus	<u>\$ 3,018,206</u>	<u>\$ 3,060,199</u>

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2020

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 2.94% (2019 - 3.14%) proportionate interest of the following:

	2020	2019
Statement of Financial Position		
Financial Assets	<u>\$ 45,334,172</u>	<u>\$ 38,305,097</u>
Liabilities		
Current Liabilities	1,014,039	1,554,294
Long-Term Liabilities	<u>5,624,219</u>	<u>6,855,465</u>
Total Liabilities	<u>6,638,258</u>	<u>8,409,759</u>
Net Financial Debt	38,695,914	29,895,338
Non-Financial Assets		
Tangible Capital Assets	144,293,049	148,540,345
Prepaid Expenses	<u>283,448</u>	<u>243,388</u>
Total Non-Financial Assets	<u>144,576,497</u>	<u>148,783,733</u>
Accumulated Surplus	<u>\$ 183,272,411</u>	<u>\$ 178,679,071</u>
Statement of Operations		
Revenues	\$ 24,633,949	\$ 23,672,787
Expenses - excluding amortization	12,544,205	12,399,994
Amortization	<u>7,496,404</u>	<u>7,543,440</u>
Annual Surplus	<u>\$ 4,593,340</u>	<u>\$ 3,729,353</u>

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2020

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:

	2020	2019
Statement of Financial Position		
Financial Assets	\$ 641,238	\$ 421,080
Accumulated Surplus	\$ 641,238	\$ 421,080
Statement of Operations		
Revenues	\$ 678,682	\$ 686,437
Expenses	458,524	470,683
Annual Surplus	\$ 220,158	\$ 215,754

8. Other Income

	Budget 2020	2020	2019
	(Note 14)		
Penalties and interest on taxation	\$ 308,500	\$ 278,138	\$ 278,078
Investment income	47,232	400,368	565,219
Rents, concessions and franchises	1,050,539	671,751	1,110,087
Donations	197,330	628,225	629,580
Other	1,205,000	848,952	105,663
Share of LAWSS	-	(17,349)	(103,916)
Share of LHPWSS	-	(297,082)	183,640
Gain (loss) on disposal of tangible capital assets	8,000	(296,271)	(137,097)
	\$ 2,816,601	\$ 2,216,732	\$ 2,631,254

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2020

9. Expenses by Object

	Budget 2020	2020	2019
	(Note 14)		
Salaries, wages and employee benefits	\$ 5,581,226	\$ 5,330,770	\$ 5,355,654
Amortization	6,115,585	6,115,585	6,058,533
Materials	6,973,650	6,044,486	6,160,798
Contributions to other organizations	292,915	143,106	276,387
Rents and financial expenses	62,566	64,862	75,731
Fees and contracted services	7,421,888	6,165,020	6,089,969
Interest on long-term debt	334,863	339,437	393,096
	\$ 26,782,693	\$ 24,203,266	\$ 24,410,168

10. Contingent Liabilities

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2020 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.

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 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, 2020. The results of this valuation disclosed total actuarial liabilities of \$111,820 million (2019 - \$106,443 million) in respect of benefits accrued for service with actuarial assets at that date of \$108,609 million (2019 - \$103,046 million) indicating an actuarial deficit of \$3,211 million (2019 - \$3,397 million).

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2020

11. Pension Agreements (continued)

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed for 2020 was \$297,483 (2019 - \$291,010) for current service. The OMERS Board rate was 9.0% to 15.8% depending on income level (2019 - 9.0% to 15.8% 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
2021	\$ 1,542,471
2022	1,582,392
2023	1,618,027
2024	1,660,887
2025	1,575,147
Thereafter	6,712,291

The Municipality has committed to a policing contract with the Minister of Community Safety and Correctional Services that expires December 31, 2023.

13. Funds Held in Trust

At the year end, the Municipality held \$406,540 (2019 - \$389,727) in trust for cemetery care and maintenance. The funds are not included in these consolidated financial statements. Certain assets have been conveyed or assigned to the Municipality to be administered as directed by agreement or statute. The Municipality holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2020

14. Budget

The budget approved by Council on January 9, 2020 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 9, 2020 with adjustments as follows:

Budget Bylaw surplus for the year	\$ 359,934
Add:	
Budgeted capital expenditures	9,698,153
Less:	
Amortization	<u>(6,115,585)</u>
Budget surplus per statement of operations	<u>\$ 3,942,502</u>

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2020

15. 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, it provides essential services and infrastructure to the residents as efficiently and effectively as possible. Lambton Shores also operates seasonal businesses that feed the tourism industry which make the 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

General 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.

Protection Services

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.

Lambton Shores employs a Chief Building Official (CBO) to provide building permit and inspection services as required by the Ontario Building Code. The County of Lambton is contracted to provide assistance during peak times and for staff holiday coverage. 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.

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.

Lambton Shores has one Fire Department managed by a full time Chief with five Fire Halls manned by volunteer station chiefs and fire fighters 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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2020

15. Segmented Information (continued)

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.

Environmental Services

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.

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 and Cultural Services

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.

Lambton Shores operates two arena facilities; one in Forest known as "The Shores" and one in Thedford known as "The Legacy Centre".

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.

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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2020

15. Segmented Information (continued)

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.

Lambton Shores owns four 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.

Planning and Development

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 Community Services 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.

Lambton Shores has 191 drains under its control and management. The drains are created and maintained pursuant to the Municipal Drainage Act and require an extensive amount of administration and supervision. Lambton Shores also administers the Provincial Tile Loan program for residents. The net costs in the business unit are the general costs that cannot be collected from property owners.

The 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, Lambton Shores also has a backup supply to Thedford via the Municipality of North Middlesex. 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.

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

December 31, 2020

15. Segmented Information (continued)

Wastewater

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, 2020

15. Segmented Information (continued)

For the year ended December 31, 2020	General	Protection Services	Transportation Services	Environmental Services	Cemeteries	Recreation & Cultural Services	Planning & Development	Water	Wastewater	2020 Total
Revenue										
Taxation	\$ (63,559)	\$ 4,307,302	\$ 5,758,432	\$ 504,070	\$ 19,706	\$ 2,536,422	\$ 267,828	\$ -	\$ -	13,330,201
User fees	910,860	556,614	(257,892)	518,895	111,568	1,874,004	376,359	4,848,686	2,800,765	11,739,859
Government grants	1,696,300	706,493	1,429,220	-	-	28,750	73,287	10,619	-	3,944,669
	2,543,601	5,570,409	6,929,760	1,022,965	131,274	4,439,176	717,474	4,859,305	2,800,765	29,014,729
Expenses										
Wages and benefits	1,382,872	1,024,924	1,566,202	116,298	20,976	1,102,328	66,764	42,397	8,009	5,330,770
Goods and services	692,276	3,441,521	2,137,120	883,633	67,954	2,048,839	422,572	1,273,507	1,450,052	12,417,474
Miscellaneous	(647,350)	19,350	-	-	-	241,870	8,355	516,795	200,417	339,437
Amortization	-	330,252	2,127,349	747	104	1,193,825	-	1,684,987	778,321	6,115,585
	1,427,798	4,816,047	5,830,671	1,000,678	89,034	4,586,862	497,691	3,517,686	2,436,799	24,203,266
Net surplus (deficit)	\$ 1,115,803	\$ 754,362	\$ 1,099,089	\$ 22,287	\$ 42,240	\$ (147,686)	\$ 219,783	\$ 1,341,619	\$ 363,966	\$ 4,811,463

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

December 31, 2020

15. Segmented Information (continued)

For the year ended December 31, 2019	General	Protection Services	Transportation Services	Environmental Services	Cemeteries	Recreation & Cultural Services	Planning & Development	Water	Wastewater	2019 Total
Revenue										
Taxation	\$ (194,122)	\$ 4,162,632	\$ 5,504,501	\$ 413,505	\$ 21,922	\$ 2,538,484	\$ 227,019	\$ -	\$ -	\$ 12,673,941
User fees	725,375	623,301	77,816	498,510	54,702	2,536,256	533,992	5,107,531	1,906,221	12,063,704
Government grants	2,279,957	214,425	1,827,510	-	-	31,694	56,740	86,450	-	4,496,776
	2,811,210	5,000,358	7,409,827	912,015	76,624	5,106,434	817,751	5,193,981	1,906,221	29,234,421
Expenses										
Wages and benefits	1,436,440	962,587	1,398,849	118,414	18,952	1,318,484	64,202	32,569	5,157	5,355,654
Goods and services	766,120	3,344,271	2,177,139	830,419	36,548	2,318,167	587,485	1,351,938	1,195,913	12,608,000
Miscellaneous	(647,350)	19,350	-	-	-	261,418	11,956	534,125	208,482	387,981
Amortization	-	332,362	2,077,543	747	103	1,171,573	-	1,702,685	773,520	6,058,533
	1,555,210	4,658,570	5,653,531	949,580	55,603	5,069,642	663,643	3,621,317	2,183,072	24,410,168
Net surplus (deficit)	\$ 1,256,000	\$ 341,788	\$ 1,756,296	\$ (37,565)	\$ 21,021	\$ 36,792	\$ 154,108	\$ 1,572,664	\$ (276,851)	\$ 4,824,253

**The Corporation of the Municipality of
Lambton Shores
Forest Town Centre Business
Improvement Area
Financial Statements
For the year ended December 31, 2020
(Unaudited - see Notice to Reader)**

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, 2020 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
TBD

**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	2020	2019
Financial Assets		
Cash	\$ 10,761	\$ 5,778
Money market fund	13,347	13,277
Accounts receivable	778	728
	24,886	19,783
Liabilities		
Accounts payable	1,448	625
Net financial assets	23,438	19,158
Accumulated Surplus	\$ 23,438	\$ 19,158

**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	2020	2019
Revenues			
Assessments on members	\$ 27,975	\$ 28,426	\$ 28,526
Other	865	845	865
Total revenues	28,840	29,271	29,391
Expenditures			
Administration	13,376	8,021	7,877
Advertising and promotion	15,464	11,970	15,829
Maintenance	-	5,000	5,242
Total expenditures	28,840	24,991	28,948
Annual surplus	-	4,280	443
Accumulated surplus, beginning of year	19,158	19,158	18,715
Accumulated surplus, end of year	\$ 19,158	\$ 23,438	\$ 19,158

**The Corporation of the Municipality of
Lambton Shores
Trust Funds
Financial Statements
For the year ended December 31, 2020**

Draft for Approval

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 funds financial statements of The Corporation of the Municipality of Lambton Shores (the Municipality), which comprise the balance sheet as at December 31, 2020, 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, 2020, 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
TBD

The Corporation of the Municipality of Lambton Shores

Trust Funds

Balance Sheet

December 31, 2020

	Thedford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery	Total 2020	Total 2019
Assets					
Cash	\$ 11,516	\$ 93,852	\$ 40,909	\$ 146,277	\$ 111,487
Accounts receivable	70	-	-	70	70
Investments (Note 2)	-	173,857	94,215	268,072	282,204
	<u>\$ 11,586</u>	<u>\$ 267,709</u>	<u>\$ 135,124</u>	<u>\$ 414,419</u>	<u>\$ 393,761</u>
Liabilities					
Accounts payable	-	\$ 5,070	\$ 2,809	\$ 7,879	\$ 4,034
Fund Balance	<u>11,586</u>	<u>262,639</u>	<u>132,315</u>	<u>406,540</u>	<u>389,727</u>
	<u>\$ 11,586</u>	<u>\$ 267,709</u>	<u>\$ 135,124</u>	<u>\$ 414,419</u>	<u>\$ 393,761</u>

Statement of Continuity

For the year ended December 31, 2020

	Thedford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery	Total 2020	Total 2019
Balance, beginning of year	\$ 11,586	\$ 249,107	\$ 129,034	\$ 389,727	\$ 379,313
Receipts					
Interest	172	3,752	1,800	5,724	7,339
Perpetual care	-	13,532	3,281	16,813	10,414
	<u>172</u>	<u>17,284</u>	<u>5,081</u>	<u>22,537</u>	<u>17,753</u>
Expenditures					
Transfer to Municipality	172	3,752	1,800	5,724	7,339
Balance, end of the year	<u>\$ 11,586</u>	<u>\$ 262,639</u>	<u>\$ 132,315</u>	<u>\$ 406,540</u>	<u>\$ 389,727</u>

The Corporation of the Municipality of Lambton Shores

Trust Funds

Notes to the Financial Statements

December 31, 2020

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

	2020	2019
1.45% to 3.45% GIC, due May 29, 2022	\$ 71,667	\$ 70,314
1.00% to 1.65% GIC, due April 5, 2022	102,190	100,750
1.00% to 1.65% GIC, due April 6, 2020	-	16,488
	\$ 173,857	\$ 187,552

Arkona Cemetery

1.45% to 3.45% GIC, due May 25, 2022	\$ 48,036	\$ 47,129
0.45% to 1.10% GIC, due December 7, 2023	20,000	20,686
0.45% to 1.10% GIC, due December 29, 2023	26,179	26,837
	\$ 94,215	\$ 94,652
	\$ 268,072	\$ 282,204

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

December 31, 2020

3. Nature of Trust Fund

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