

The Corporation of the Municipality of
Lambton Shores
Consolidated Financial Statements
For the year ended December 31, 2023

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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, 2023, 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, 2023, and its consolidated results of operations, its consolidated change in net financial 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Ontario
October 2, 2024

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

December 31,	2023	2022
		Restated (Note 1)
Financial assets		
Cash and cash equivalents (Note 2)	\$44,741,462	\$ 42,675,350
Portfolio investments (Note 3)	1,019,437	1,072,042
Taxes receivable	2,259,493	2,235,481
Accounts receivable	6,656,507	6,037,959
Inventories for resale	76,996	101,975
Long-term receivables	768,216	1,041,659
	<u>55,522,111</u>	<u>53,164,466</u>
Liabilities		
Accounts payable and accrued liabilities	3,181,698	4,396,471
Deposits	1,952,124	2,708,171
Deferred revenue (Note 4)	13,740,321	13,015,396
Long-term debt (Note 5)	5,106,551	5,929,104
Asset retirement obligations (Note 6)	151,434	145,729
	<u>24,132,128</u>	<u>26,194,871</u>
Net financial assets	<u>31,389,983</u>	<u>26,969,595</u>
Non-financial assets		
Tangible capital assets (Note 7)	213,383,816	207,536,880
Prepaid expenses and inventories of supplies	352,666	224,230
	<u>213,736,482</u>	<u>207,761,110</u>
Accumulated surplus (Note 8)	<u>\$ 245,126,465</u>	<u>\$ 234,730,705</u>
Contingent liabilities (Note 12)		

The Corporation of the Municipality of Lambton Shores

Consolidated Statement of Operations

For the year ended December 31,	Budget 2023 (Note 15)	2023	2022 Restated (note 1)
Revenue			
Taxation	\$14,361,155	\$14,602,714	\$ 13,858,704
Government grants - Federal	30,500	1,345,609	878,469
Government grants - Provincial	5,733,660	4,642,579	6,894,493
Municipal grants	358,713	176,867	202,278
User fees and service charges	11,387,433	12,250,781	12,377,596
Other (Note 10)	1,514,626	8,147,847	5,911,265
	<u>33,386,087</u>	<u>41,166,397</u>	<u>40,122,805</u>
Expenses (Note 11)			
General government	1,917,489	2,102,181	1,830,358
Protection services	5,724,412	5,661,489	5,328,288
Transportation services	7,590,596	8,541,200	8,369,630
Environmental services	7,915,311	7,657,104	8,139,564
Health services	130,714	99,294	51,177
Harbour	1,017,390	1,188,984	1,000,709
Recreation and cultural services	4,781,628	4,807,463	4,613,924
Planning and development	796,512	712,922	892,144
	<u>29,874,052</u>	<u>30,770,637</u>	<u>30,225,794</u>
Annual surplus	<u>3,512,035</u>	<u>10,395,760</u>	<u>9,897,011</u>
Accumulated surplus, beginning of year	234,730,705	234,730,705	224,955,008
Adjustment on adoption of the asset retirement obligation standard (Note 1)	-	-	(121,314)
Accumulated surplus, end of year	<u>\$ 238,242,740</u>	<u>\$ 245,126,465</u>	<u>\$ 234,730,705</u>

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

For the year ended December 31,	Budget 2023 (Note 15)	2023	2022 Restated (Note 1)
Annual surplus	\$ 3,512,035	\$10,395,760	\$ 9,897,011
Acquisition of tangible capital assets	(14,369,898)	(12,274,023)	(17,124,580)
Amortization of tangible capital assets	6,721,153	6,720,874	6,665,734
Gain (loss) on disposal or sale of capital assets	-	(406,713)	(59,327)
Proceeds on sale of tangible capital assets	-	697,335	179,122
Share of LAWSS adjustment (Note 9)	-	(208,648)	(44,962)
Share of LHPWSS adjustment (Note 9)	-	(375,761)	261,725
	(4,136,710)	4,548,824	(225,277)
Increase in prepaid expenses and inventory of supplies	-	(128,436)	(62,725)
Net change in net financial assets	(4,136,710)	4,420,388	(288,002)
Net financial assets, beginning of year	26,969,595	26,969,595	27,400,037
Adjustment on adoption of the asset retirement obligation standard (Note 1)	-	-	(142,440)
Net financial assets, end of year	\$ 22,832,885	\$ 31,389,983	\$ 26,969,595

The Corporation of the Municipality of Lambton Shores

Consolidated Statement of Cash Flows

For the year ended December 31,	2023	2022
		Restated (Note 1)
Operating activities		
Annual surplus	\$10,395,760	\$ 9,897,011
Items not involving cash		
Amortization	6,720,874	6,665,734
Gain (loss) on disposal of tangible capital assets	(406,713)	(59,327)
Contributed capital asset	(2,706,059)	(1,816,791)
Change in asset retirement obligation liability	5,705	3,289
Changes in non-cash operating balances		
Taxes receivable	(24,012)	(191,267)
Accounts receivable	(618,548)	(679,529)
Inventories for resale	24,979	(47,975)
Prepaid expenses and inventories of supplies	(128,436)	(62,725)
Accounts payable and accrued liabilities	(1,214,773)	2,055,501
Long-term receivables	273,443	259,124
Due from trust funds	-	(985)
Deposits	(756,047)	1,535
Deferred revenue	724,925	1,576,349
	<u>12,291,098</u>	<u>17,599,944</u>
Capital activities		
Acquisition of tangible capital assets	(9,567,964)	(15,307,789)
Share of LAWSS adjustment	(208,648)	(44,962)
Share of LHPWSS adjustment	(375,761)	261,725
Proceeds on sale of tangible capital assets	697,335	179,122
	<u>(9,455,038)</u>	<u>(14,911,904)</u>
Investing activities		
Increase in portfolio investments	<u>52,605</u>	<u>(27,486)</u>
Financing activities		
Proceeds (repayment) of long-term debt	<u>(822,553)</u>	<u>(1,027,494)</u>
Increase in cash and cash equivalents	2,066,112	1,633,060
Cash and cash equivalents, beginning of year	<u>42,675,350</u>	<u>41,042,290</u>
Cash and cash equivalents, end of year	<u>\$44,741,462</u>	<u>\$ 42,675,350</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

The Corporation of the Municipality of Lambton Shores

Summary of Significant Accounting Policies

December 31, 2023

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 2023, the Municipality's share of LAWSS was 2.19% (2022 - 1.96%) and LHPWSS was 3.25% (2022 - 2.99%). 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.

The Corporation of the Municipality of Lambton Shores

Summary of Significant Accounting Policies

December 31, 2023

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
Asset Retirement Obligation	60 to 95 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, 2023

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. At December 31, 2023, 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, 2023

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

Summary of Significant Accounting Policies

December 31, 2023

Asset Retirement Obligation

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

Financial Instruments

Cash and equity investments are quoted in an active market are measured at fair value. Accounts receivable, accounts payable and long-term debts are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2023

1. Change in Accounting Policy

Effective January 1, 2023, the Municipality adopted new Public Sector Accounting Handbook Standard, Section PS 3280, Asset Retirement Obligations. As a result of the adoption, the presentation of the financial statements changed from the prior year. The standard requires a liability to be recognized as there is a legal obligation to incur retirement costs. This change in accounting policy has been applied using the modified retrospective approach with restatement of prior periods. The impact of adoption of this standard was as follows:

Consolidated Statement of Financial Position as at December 31, 2022

	As originally reported	Change	Restated
Tangible capital assets	\$ 207,517,162	\$ 19,718	\$ 207,536,880
Asset retirement obligation	-	(145,729)	145,729
Accumulated surplus	\$ 234,856,716	\$ (126,011)	\$ 234,730,705

Consolidated Statement of operations as at December 31, 2022

	As originally reported	Change	Restated
Revenue - Other	\$ 5,911,847	\$ (582)	\$ 5,911,265
General government	1,827,041	3,317	1,830,358
Environmental services	8,139,030	534	8,139,564
Recreation and cultural services	4,613,660	264	4,613,924
Annual surplus	9,901,708	(4,697)	9,897,011
Accumulated surplus, beginning of year	224,955,008	(121,314)	224,833,694
Accumulated surplus, end of year	\$ 234,856,716	\$ (126,011)	\$ 234,730,705

Consolidated Statement of Financial Assets as at December 31, 2022

	As originally reported	Change	Restated
Annual surplus	\$ 9,901,708	\$ (4,697)	\$ 9,897,011
Amortization of tangible capital assets	6,664,908	826	6,665,734
asset retirement obligation	(44,957)	(5)	(44,962)
Share of LAWSS adjustment	261,138	587	261,725
Share of LHPWSS adjustment	27,400,037	(142,440)	27,257,597
Net financial assets, beginning of year			
Net financial assets, end of year	\$ 27,115,324	\$ (145,729)	\$ 26,969,595

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2023

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 1.55%. 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, 2023, the Municipality has not accessed the line of credit and have a balance owing of \$nil (2022 - \$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

	2023	2022
5.25% GIC, due March 4, 2024	\$ 1,000,000	\$ -
1.00% GIC, due March 7, 2023	-	553,204
0.45% to 1.10% GIC, due November 30, 2023	-	500,000
Money market fund	14,172	13,573
Sun Life Financial, 150 Common Shares	5,265	5,265
	<u>\$ 1,019,437</u>	<u>\$ 1,072,042</u>

The income from portfolio investments for the year was \$5,068 (2022 - \$10,013). The market value of the Municipality's guaranteed investment certificates (GICs) and money market fund is the same as the carrying value above.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2023

4. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Canada Community- Building Fund	\$ 334,402	\$ 351,823	\$ 20,689	\$ (459,543)	\$ 247,371
Cash in lieu of parking	99,068	87,067	5,066	-	191,201
Development charges	6,607,506	144,178	363,941	(293,779)	6,821,846
Infrastructure programs	2,507,177	12,554	-	(12,842)	2,506,889
Parkland dedication	351,903	8,000	18,145	-	378,048
Segregated vibrancy fund	1,135,450	235,305	-	-	1,370,755
Community vibrancy fund	1,787,935	235,305	146,674	(274,651)	1,895,263
Ontario Community Infrastructure Fund	191,955	1,738,266	39,157	(1,640,430)	328,948
	<u>\$ 13,015,396</u>	<u>\$ 2,812,498</u>	<u>\$ 593,672</u>	<u>\$ (2,681,245)</u>	<u>\$ 13,740,321</u>

Canada Community-Building Fund

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 Lambton Shores by-law 92 of 2022 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, 2023

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.

Community and Segregated 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. As of December 19, 2023, segregated fund was created from the Vibrancy Reserve Fund to fund the small vibrancy projects.

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, 2023

5. Long-term Debt

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

	2023	2022
Loan payable (re Parking Lot - Grand Bend), 3.04% payable \$32,311 principal and interest quarterly, due September 2026	\$ 339,731	\$ 456,420
Loan payable (re waterline), 4.75%, payable \$146,778 principal and interest semi-annually, repaid October 2023	-	283,419
Loan payable (re The Shores Recreation Centre), 5.22%, payable \$107,083 principal and interest semi-annually, due September 2033	1,652,113	1,775,198
Loan payable (re sewer forcemain) prime minus 0.15%, payable \$23,333 principal plus interest quarterly, repaid fully during the year	-	79,118
Loan payable (re Phase IV waterline), 3.17%, payable \$24,781 principal and interest semi-annually, due October 2027	184,821	227,506
Loan payable (re: Legacy Centre), 2.00%, payable \$26,696 interest and principal semi-annually, due November 2034	524,865	567,126
Loan payable (re Lake Huron Primary Water Supply System), ranging from 1.40% to 3.80%, with repayments based on system usage	64,895	92,571
Loan payable (re Legacy Centre), 3.49%, payable \$96,057, interest and principal semi-annually, due December 2039	2,340,126	2,447,746
	<u>\$ 5,106,551</u>	<u>\$ 5,929,104</u>

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

December 31, 2023

5. Long-Term Debt (continued)

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

	Principal Repayments
2024	\$ 479,041
2025	496,572
2026	451,718
2027	370,480
2028	333,882
2029 to 2030	709,980
Thereafter	<u>2,264,878</u>
	<u>\$ 5,106,551</u>

The gross interest paid relating to the Municipality's long-term debt was \$227,813 (2022 - \$257,896).

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 \$64,895 (2022 - \$92,571), which represents 3.25% (2022 - 2.99%) 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 3.25%.

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, 2023

6. Asset Retirement Obligation

The Municipality applied new Section PS 3280 on January 1, 2023 using the modified retroactive method with restatement. Asset retirement obligation were recognized related to the remediation required for asbestos present in various municipal buildings. As at year-end, an obligation of \$151,434 has been accrued on the statement of financial position. This amount includes 3.25% of Lake Huron Primary Water Supply System (LHPWSS) and 2.19% of Lambton Area Water Supply System (LAWSS) which has been reported in these financial statements using the proportionate consolidated method. The amount for the Municipality was determined based on the total undiscounted expenditure of \$374,505 present valued at discounted rate of 3% as follows:

	2023	2022
Asset retirement obligation, beginning of year	\$ 145,729	\$ 142,178
Accretion expense	3,388	3,289
Accretion expense - LHPWSS	-	1
Accretion expense - LAWSS	308	261
Adjustment change due to allocation change from prior year - LHPWSS	1,429	
Adjustment change due to allocation change from prior year - LAWSS	580	
Asset retirement obligation, end of year	<u>\$ 151,434</u>	<u>\$ 145,729</u>

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

December 31, 2023

7. Tangible Capital Assets

December 31, 2023

	Land	Buildings	Equipment	Infrastructure Transportation	Infrastructure Environmental	Land Improvements	Rolling Stock	Work in Progress	Total
Cost, beginning of year	\$ 9,131,289	\$ 28,892,775	\$ 5,485,966	\$ 76,871,932	\$ 160,041,171	\$ 15,628,189	\$ 8,776,496	\$ 11,551,229	\$ 316,379,047
Additions	-	7,796,813	485,655	4,326,992	2,220,097	638,744	1,215,601	2,801,226	19,485,128
Disposals	(60,707)	(473,101)	(189,813)	(234,871)	(41,517)	(22,938)	(545,883)	(7,211,105)	(8,779,935)
LAWSS & LHPWSS adjustment	9,491	286,692	99,534	-	507,731	1,553	-	8,506	913,507
Cost, end of year	\$ 9,080,073	\$ 36,503,179	\$ 5,881,342	\$ 80,964,053	\$ 162,727,482	\$ 16,245,548	\$ 9,446,214	\$ 7,149,856	\$ 327,997,747
Accumulated amortization, beginning of year	\$ -	\$ 13,653,824	\$ 2,571,188	\$ 30,167,302	\$ 47,836,728	\$ 10,403,895	\$ 4,209,230	\$ -	\$ 108,842,167
Amortization	-	792,738	393,756	2,066,168	2,361,962	531,593	574,657	-	6,720,874
Disposals	-	(402,304)	(175,000)	(207,752)	(23,186)	(22,234)	(447,732)	-	(1,278,208)
LAWSS & LHPWSS adjustment	-	124,097	38,275	-	165,180	1,546	-	-	329,098
Accumulated amortization, end of year	\$ -	\$ 14,168,355	\$ 2,828,219	\$ 32,025,718	\$ 50,340,684	\$ 10,914,800	\$ 4,336,155	\$ -	\$ 114,613,931
Net carrying amount, end of year	\$ 9,080,073	\$ 22,334,824	\$ 3,053,123	\$ 48,938,335	\$ 112,386,798	\$ 5,330,748	\$ 5,110,059	\$ 7,149,856	\$ 213,383,816

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 \$7,149,856 (2022 - \$11,551,229). Contributed capital assets of \$2,706,059 (2022 - \$1,816,791) 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, 2023

7. Tangible Capital Assets (continued)

December 31, 2022
(Restated - Note 1)

	Land	Buildings	Equipment	Infrastructure Transportation	Infrastructure Environmental	Land Improvements	Rolling Stock	Work in Progress	Total
Cost, beginning of year	\$ 8,099,198	\$ 28,731,954	\$ 5,477,990	\$ 71,139,866	\$ 158,340,760	\$ 15,516,168	\$ 8,337,261	\$ 5,388,622	\$ 301,031,819
Additions	1,036,000	276,560	452,633	6,379,239	1,932,573	168,461	707,107	10,124,933	21,077,506
Disposals	-	(38,175)	(378,032)	(647,173)	(57,952)	(56,779)	(267,872)	(3,952,926)	(5,398,909)
LAWSS & LHPWSS adjustment	(3,909)	(77,564)	(66,625)	-	(174,210)	339	-	(9,400)	(331,369)
Cost, end of year	\$ 9,131,289	\$ 28,892,775	\$ 5,485,966	\$ 76,871,932	\$ 160,041,171	\$ 15,628,189	\$ 8,776,496	\$ 11,551,229	\$ 316,379,047
Accumulated amortization, beginning of year	\$ -	\$ 12,895,425	\$ 2,563,375	\$ 28,961,018	\$ 45,602,040	\$ 9,693,110	\$ 3,902,841	\$ -	\$ 103,617,809
Amortization	-	819,390	420,753	1,828,217	2,321,996	747,356	528,022	-	6,665,734
Disposals	-	(33,016)	(376,525)	(621,933)	(36,174)	(36,906)	(221,633)	-	(1,326,187)
LAWSS & LHPWSS adjustment	-	(27,975)	(36,415)	-	(51,134)	335	-	-	(115,189)
Accumulated amortization, end of year	\$ -	\$ 13,653,824	\$ 2,571,188	\$ 30,167,302	\$ 47,836,728	\$ 10,403,895	\$ 4,209,230	\$ -	\$ 108,842,167
Net carrying amount, end of year	\$ 9,131,289	\$ 15,238,951	\$ 2,914,778	\$ 46,704,630	\$ 112,204,443	\$ 5,224,294	\$ 4,567,266	\$ 11,551,229	\$ 207,536,880

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 \$11,551,229 (2021 - \$5,388,622). Contributed capital assets of \$1,816,791 (2021 - \$1,892,530) 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, 2023

8. Accumulated Surplus

The Municipality segregates its accumulated surplus into the following categories:

	2023	2022
		Restated (Note 1)
Investment in tangible capital assets	\$ 213,383,816	\$ 207,536,880
Current funds	(5,067,269)	(3,825,353)
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	393,968	312,972
Lake Huron Primary Water Supply System	1,607,500	1,476,221
Grand Bend Area Joint Sewage Board	907,587	718,643
Reserve funds		
Working funds	846,251	1,104,965
Equipment	589,488	498,233
Transportation services	3,535,075	2,840,076
Infrastructure - committed funds	5,112,143	3,898,929
Rolling stock	493,237	953,528
Water	16,801,327	15,341,847
Economic Development	96,769	92,067
Wastewater	1,366,763	656,571
Arkona Cemetery	104,122	99,063
Opportunities and contingency	124,113	137,616
Parking	1,049,886	967,888
Information technology	156,768	178,884
Building department cost stabilization	1,131,023	1,226,485
Harbour maintenance	532,720	650,701
Election	32,305	15,950
GBSTP - Committed Funds	55,000	-
Short Term Rental Operations	148,582	-
Bridge & road inspection	822,116	678,748
Tax rate stabilization	1,596,332	1,177,941
Building and facilities	2,588,016	2,321,369
Land improvements	438,652	198,558
Special projects	1,335,073	1,343,669
Unfunded		
Long-term debt	(5,106,551)	(5,929,104)
Asset Retirement Obligation	(151,434)	(145,729)
	<u>\$ 245,126,465</u>	<u>\$ 234,730,705</u>

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by by-law or Council resolution for specific purposes.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2023

9. 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 2.19% (2022 - 1.96%) proportionate interest of the following:

	2023	2022
Statement of Financial Position		
Financial Assets	\$ 19,319,521	\$ 16,327,395
Liabilities		
Current Liabilities	\$ 837,685	\$ 107,005
Asset Retirement Obligation	266,500	252,439
Net Financial Assets	18,215,336	15,967,951
Non-Financial Assets		
Tangible Capital Assets	93,006,364	90,716,570
Accumulated Surplus	\$ 111,221,700	\$ 106,684,521
Statement of Operations		
Revenues	\$ 12,734,864	\$ 10,944,282
Expenses - excluding amortization	6,021,177	5,959,721
Amortization	2,176,508	1,726,903
Annual Surplus	\$ 4,537,179	\$ 3,257,658

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2023

9. 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 3.25% (2022 - 2.99%) proportionate interest of the following:

	2023	2022
Statement of Financial Position		
Financial Assets	\$ 55,659,226	\$ 50,993,804
Liabilities		
Current Liabilities	5,319,364	1,534,849
Long-Term Liabilities	1,996,774	3,096,033
Asset Retirement Obligation	901,138	931,713
Total Liabilities	8,217,276	5,562,595
Net Financial Assets	47,441,950	45,431,209
Non-Financial Assets		
Tangible Capital Assets	146,143,305	144,523,698
Prepaid Expenses	442,020	422,124
Total Non-Financial Assets	146,585,325	144,945,822
Accumulated Surplus	\$ 194,027,275	\$ 190,377,031
Statement of Operations		
Revenues	\$ 25,610,873	\$ 24,306,497
Expenses - excluding amortization	15,046,141	14,688,172
Amortization	6,914,488	7,272,166
Annual Surplus	\$ 3,650,244	\$ 2,346,159

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2023

9. 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:

	2023	2022
Statement of Financial Position		
Financial Assets	\$ 1,402,762	\$ 1,110,731
Accumulated Surplus	\$ 1,402,762	\$ 1,110,731
Statement of Operations		
Revenues	\$ 816,737	\$ 732,866
Expenses	524,706	488,040
Annual Surplus	\$ 292,031	\$ 244,826

10. Other Income

	Budget 2023 (Note 15)	2023	2022
Penalties and interest on taxation	\$ 198,500	\$ 241,466	\$ 229,596
Investment income	106,381	1,716,123	904,599
Rents, concessions and franchises	958,005	1,022,260	888,062
Donations	251,740	3,225,077	2,619,380
Other	-	951,799	1,427,064
Share of LAWSS	-	208,648	44,962
Share of LHPWSS	-	375,761	(261,725)
Gain (loss) on disposal of tangible capital assets	-	406,713	59,327
	\$ 1,514,626	\$ 8,147,847	\$ 5,911,265

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2023

11. Expenses by Object

	Budget 2023	2023	2022 Restated (Note 1)
	(Note 15)		
Salaries, wages and employee benefits	\$ 6,873,688	\$ 6,681,500	\$ 5,991,187
Amortization	6,721,153	6,720,874	6,665,734
Materials	7,645,155	9,029,137	9,649,464
Contributions to other organizations	319,645	262,394	203,495
Rents and financial expenses	101,714	112,534	102,337
Fees and contracted services	7,882,783	7,736,384	7,355,680
Interest on long-term debt	329,914	227,814	257,897
	<u>\$29,874,052</u>	<u>\$30,770,637</u>	<u>\$ 30,225,794</u>

12. Contingent Liabilities

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2023 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.

13. 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 600,000 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, 2023. The results of this valuation disclosed total actuarial liabilities of \$134,574 million (2022 - \$128,789 million) in respect of benefits accrued for service with actuarial assets at that date of \$130,372 million (2022 - \$122,111 million) indicating an actuarial deficit of \$4,202 million (2022 - \$6,678 million).

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2023

13. 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 2023 was \$400,453 (2022 - \$321,700) for current service. The OMERS Board rate was 9.0% to 15.8% depending on income level (2022 - 9.0% to 15.8% depending on income level).

14. 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
2024	\$ 1,660,887
2025	1,575,147
2026	1,615,629
2027	1,656,723
2028	1,698,528
Thereafter	1,741,411

The Municipality has been approved to enter into a new credit facility with Federation of Canadian Municipalities, that will allow them to borrow up to \$4.57 million to fund the new Administration Office and Council Chambers building.

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

December 31, 2023

15. Budget

The budget approved by Council on January 7, 2021 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 7, 2021 with adjustments as follows:

Budget Bylaw deficit for the year	\$ (4,136,710)
Add:	
Budgeted capital expenditures	14,369,898
Less:	
Amortization	<u>(6,721,153)</u>
Budget surplus per statement of operations	<u>\$ 3,512,035</u>

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2023

16. Financial Instruments - Risk Management

The Municipality is exposed to credit risk and liquidity risk. This note describes the Municipality's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Municipality is exposed to this risk relating to its cash, debt holdings in its investment portfolio and accounts receivable. The Municipality holds its cash with federally regulated chartered bank.

The Municipality's investment policy operates within the constraints of the investment provisions within the Municipal Act.

Accounts receivable are primary due from Canada Revenue Agency, federal government grants, provincial grants, other municipal governments, and residents of Lambton Shores. Credit risk is mitigated by the financial solvency of the provincial and upper tier governments and the highly diversified nature of the resident population.

The Municipality measures its exposure to credit risk based on how long the amounts have been outstanding. The amounts outstanding at year end were as follows:

As at December 31,	2023		
	Accounts receivable	Less: Impairment Allowance	Total
Current	\$ 3,446,066	\$ -	\$ 3,446,066
31 to 60 days	93,195	-	93,195
61 to 90 days	7,274	-	7,274
Over 90 days	726,439	-	726,439
Total	\$ 4,272,974	\$ -	\$ 4,272,974

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2023

16. Financial Instruments - Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Municipality will not be able to meet all cash outflow obligations as they come due. The Municipality mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting.

The following table sets out the contractual maturities as of December 31, 2023 (representing undiscounted contractual cash-flow of financial liabilities)

	2023			
	Within 6 months	6 months to 1 year	1 to 5 years	Over 5 years
Accounts payable and accrued liabilities	\$ 2,627,101	\$ 554,597	\$ -	\$ -
Long-term debt	239,521	239,520	2,362,632	2,264,878
	<u>\$ 2,866,622</u>	<u>\$ 794,117</u>	<u>\$ 2,362,632</u>	<u>\$ 2,264,878</u>

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

17. Financial Instruments - Classification

The carrying value of each class of the Municipality's financial instrument is provided in the following table.

	2023		2022	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Cash	\$ 44,741,462	\$ -	\$ 42,675,350	\$ -
Accounts receivable		6,656,507		6,037,959
Long-term receivable		768,216		768,216
Investments		1,019,437		1,072,042
Accounts payable and accrued liabilities		(3,181,698)		(4,396,471)
Long-term debt		(5,106,551)		(5,929,104)

18. 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, 2023

19. 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 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.

The Corporation of the Municipality of Lambton Shores

Notes to Consolidated Financial Statements

December 31, 2023

19. Segmented Information (continued)

Transportation Services

The Public Works 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 Public Works 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, 2023

19. 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. 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.

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 Jacobs Engineering Group 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, 2023

19. 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 Jacobs Engineering Group 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, 2023

19. Segmented Information (continued)

For the year ended December 31, 2023	General	Protection Services	Transportation Services	Environmental Services	Cemeteries	Recreation & Cultural Services	Planning & Development	Water	Wastewater	2023 Total
Revenue										
Taxation	\$ 158,779	\$ 4,824,790	\$ 6,329,662	\$ 403,856	\$ 82,334	\$ 2,600,840	\$ 202,453	\$ -	\$ -	14,602,714
User fees	4,127,102	935,894	709,015	736,178	72,733	3,713,067	408,541	7,148,736	2,547,362	20,398,628
Government grants	2,487,380	296,449	3,065,904	-	-	196,379	118,943	-	-	6,165,055
	<u>6,773,261</u>	<u>6,057,133</u>	<u>10,104,581</u>	<u>1,140,034</u>	<u>155,067</u>	<u>6,510,286</u>	<u>729,937</u>	<u>7,148,736</u>	<u>2,547,362</u>	<u>41,166,397</u>
Expenses										
Wages and benefits	1,663,274	1,373,556	1,750,808	110,695	11,485	1,545,258	169,745	51,939	4,740	6,681,500
Goods and services	1,009,809	3,919,313	4,332,986	1,006,378	87,809	3,176,768	536,383	1,514,960	1,556,042	17,140,448
Miscellaneous	(660,000)	25,000	-	-	-	199,260	6,794	468,945	187,818	227,817
Amortization	-	370,663	2,544,338	747	104	1,230,691	-	1,747,292	827,037	6,720,872
	<u>2,013,083</u>	<u>5,688,532</u>	<u>8,628,132</u>	<u>1,117,820</u>	<u>99,398</u>	<u>6,151,977</u>	<u>712,922</u>	<u>3,783,136</u>	<u>2,575,637</u>	<u>30,770,637</u>
Net surplus (deficit)	<u>\$ 4,760,178</u>	<u>\$ 368,601</u>	<u>\$ 1,476,449</u>	<u>\$ 22,214</u>	<u>\$ 55,669</u>	<u>\$ 358,309</u>	<u>\$ 17,015</u>	<u>\$ 3,365,600</u>	<u>\$ (28,275)</u>	<u>\$ 10,395,760</u>

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

December 31, 2023

19. Segmented Information (continued)

For the year ended December 31, 2022	General	Protection Services	Transportation Services	Environmental Services	Cemeteries	Recreation & Cultural Services	Planning & Development	Water	Wastewater	2022 Total
Revenue										
Taxation	\$ 2,084	\$ 4,570,699	\$ 6,136,873	\$ 372,867	\$ 20,849	\$ 2,435,430	\$ 319,902	\$ -	\$ -	\$ 13,858,704
User fees	2,590,670	1,092,153	1,340,190	719,575	65,195	3,310,430	546,982	6,045,696	2,577,970	18,288,861
Government grants	1,647,300	244,618	5,807,094	-	-	107,402	168,826	-	-	7,975,240
	<u>4,240,054</u>	<u>5,907,470</u>	<u>13,284,157</u>	<u>1,092,442</u>	<u>86,044</u>	<u>5,853,262</u>	<u>1,035,710</u>	<u>6,045,696</u>	<u>2,577,970</u>	<u>40,122,805</u>
Expenses										
Wages and benefits	1,447,688	1,175,020	1,596,755	122,433	13,639	1,398,147	186,539	45,996	4,970	5,991,187
Goods and services	904,027	3,805,712	4,425,484	930,441	37,538	2,688,829	701,814	1,561,271	2,255,845	17,310,961
Miscellaneous	(647,335)	19,350	-	-	-	213,414	3,791	477,002	191,690	257,912
Amortization	-	366,436	2,294,792	747	104	1,479,040	-	1,719,665	804,950	6,665,734
	<u>1,704,380</u>	<u>5,366,518</u>	<u>8,317,031</u>	<u>1,053,621</u>	<u>51,281</u>	<u>5,779,430</u>	<u>892,144</u>	<u>3,803,934</u>	<u>3,257,455</u>	<u>30,225,794</u>
Net surplus (deficit)	\$ 2,535,674	\$ 540,952	\$ 4,967,126	\$ 38,821	\$ 34,763	\$ 73,832	\$ 143,566	\$ 2,241,762	\$ (679,485)	\$ 9,897,011

The Corporation of the Municipality of
Lambton Shores
Forest Town Centre Business
Improvement Area
Financial Information (Unaudited)
For the year ended December 31, 2023



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Compilation Engagement Report

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

Opinion

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, 2023 and the statement of operations and accumulated surplus for the year then ended, and Note 1, which describes the basis of accounting applied in the preparation of the compiled financial information.

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, *Compilation Engagements*, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion, or provide any form of assurance on the financial information.

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Ontario
October 2, 2024

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

December 31,	2023	2022
Financial Assets		
Cash	\$ 26,634	\$ 26,747
Money market fund	14,172	13,573
Accounts receivable	3,850	1,781
	<u>44,656</u>	<u>42,101</u>
Liabilities		
Accounts payable	<u>3,265</u>	<u>3,265</u>
Net financial assets	<u>41,391</u>	<u>38,836</u>
Accumulated Surplus	<u>\$ 41,391</u>	<u>\$ 38,836</u>

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

For the year ended December 31,	Budget	2023	2022
Revenues			
Assessments on members	\$ 23,856	\$ 28,022	\$ 28,433
Other	4,984	5,851	31,805
Total revenues	28,840	33,873	60,238
Expenditures			
Administration	9,687	12,241	38,089
Advertising and promotion	19,153	13,194	13,858
Maintenance	-	5,883	-
Total expenditures	28,840	31,318	51,947
Annual surplus	-	2,555	8,291
Accumulated surplus, beginning of year	38,836	38,836	30,545
Accumulated surplus, end of year	\$ 38,836	\$ 41,391	\$ 38,836

The Corporation of the Municipality of Lambton Shores
Forest Town Centre Business Improvement Area
Note to Financial Information (Unaudited)

December 31, 2023

1. Basis of Accounting

The basis of accounting applied in the preparation of the financial information is on the historical cost basis, reflecting cash transactions with the addition of:

- accounts payable and accrued liabilities
- accounts receivable less an allowance for doubtful accounts

The Corporation of the Municipality of
Lambton Shores
Trust Funds
Financial Statements
For the year ended December 31, 2023

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, 2023, 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, 2023, 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

Windsor, Ontario
October 2, 2024

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

December 31, 2023

	Thedford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery	Total 2023	Total 2022
Assets					
Cash	\$ 11,516	\$ 208,816	\$ 123,460	\$ 343,792	\$ 154,126
Accounts receivable	70	-	-	70	70
Due from general fund	-	-	632	632	-
Investments (Note 2)	-	77,953	20,423	98,376	277,352
	<u>\$ 11,586</u>	<u>\$ 286,769</u>	<u>\$ 144,515</u>	<u>\$ 442,870</u>	<u>\$ 431,548</u>
Liabilities					
Accounts payable	-	\$ 1,560	\$ -	\$ 1,560	\$ 4,068
Fund Balance	11,586	285,209	144,515	441,310	427,480
	<u>\$ 11,586</u>	<u>\$ 286,769</u>	<u>\$ 144,515</u>	<u>\$ 442,870</u>	<u>\$ 431,548</u>

Statement of
Continuity

For the year ended December 31, 2023

	Thedford Baptist and Ward Cemeteries	Beechwood Cemetery	Arkona Cemetery	Total 2023	Total 2022
Balance, beginning of year	\$ 11,586	\$ 275,339	\$ 140,555	\$ 427,480	\$ 415,840
Receipts					
Interest	638	12,391	5,060	18,089	8,954
Perpetual care	-	9,870	3,960	13,830	11,640
	<u>638</u>	<u>22,261</u>	<u>9,020</u>	<u>31,919</u>	<u>20,594</u>
Expenditures					
Transfer to Municipality	638	12,391	5,060	18,089	8,954
Balance, end of the year	<u>\$ 11,586</u>	<u>\$ 285,209</u>	<u>\$ 144,515</u>	<u>\$ 441,310</u>	<u>\$ 427,480</u>

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

December 31, 2023

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

	2023	2022
3.50% GIC, due May 30, 2024	\$ 77,953	\$ -
3.75% GIC, due May 30, 2023	-	75,243
1.50% GIC, due April 5, 2023	-	104,964
	<u>\$ 77,953</u>	<u>\$ 180,207</u>

Arkona Cemetery

3.35% GIC, due May 25, 2023	-	50,318
2.50% to 3.80% GIC, due December 7, 2026	20,423	-
0.45% to 1.10% GIC, due December 7, 2023	-	20,281
0.45% to 1.10% GIC, due December 29, 2023	-	26,546
	<u>\$ 20,423</u>	<u>\$ 97,145</u>
	<u>\$ 98,376</u>	<u>\$ 277,352</u>

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

December 31, 2023

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.