

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF BROOKE-
ALVINSTON**

Year ended December 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Municipality of Brooke-Alvinston

We have audited the accompanying consolidated financial statements of The Corporation of the Municipality of Brooke-Alvinston, which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Municipality of Brooke-Alvinston as at December 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for the public sector.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 12, 2013

London, Canada

**THE CORPORATION OF THE MUNICIPALITY OF BROOKE-
ALVINSTON**

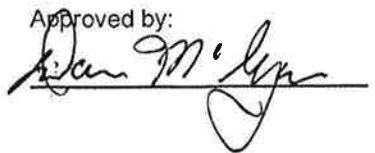
Consolidated Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
Financial Assets		
Cash and cash equivalents	\$ 726,103	\$ 1,298,613
Accounts receivable	1,508,687	1,433,898
Taxes receivable	477,861	417,106
Investments	78,878	289,862
Investment in Bluewater Power Distribution Corporation (note 2)	378,143	364,013
	<u>3,169,672</u>	<u>3,803,492</u>
Financial Liabilities		
Accounts payable and accrued liabilities	352,390	475,383
Deferred revenue (note 3)	202,698	2,100
Long-term debt (note 4)	1,960,090	2,032,167
	<u>2,515,178</u>	<u>2,509,650</u>
Net financial assets	654,494	1,293,842
Non-Financial Assets		
Tangible capital assets (note 5)	19,291,771	18,766,528
Inventories held for consumption	32,311	45,357
Prepaid expenses and deposits	30,978	30,403
Contingencies (note 11)		
Subsequent events (note 12)		
Accumulated surplus (note 6)	<u>\$ 20,009,554</u>	<u>\$ 20,136,130</u>

See accompanying notes to consolidated financial statements.

Approved by:



Mayor



Treasurer Administrator

THE CORPORATION OF THE MUNICIPALITY OF BROOKE- ALVINSTON

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2011, with comparative figures for 2010

	2011 Budget (unaudited)	2011 Actual	2010 Actual
Revenues:			
Property taxation	\$ 1,976,726	\$ 1,981,342	\$ 1,835,054
User charges	715,867	673,353	617,088
Government of Canada	100,791	71,921	47,963
Province of Ontario	1,494,979	1,697,850	1,789,748
Revenue from other municipalities	155,459	95,067	140,529
Penalties and interest on taxes	70,000	81,661	76,875
Investment income	5,000	50,902	53,513
Donations	1,750	19,879	37,155
Gain (loss) on sale of tangible capital assets	-	(9,220)	8,125
Share of income (net loss) of Bluewater Power Corp	-	21,844	18,151
Prepaid special charges	-	75,345	168,628
Other	-	3,505	-
	4,520,572	4,763,449	4,792,829
Expenditures:			
General government	929,813	783,210	501,357
Protection services	1,140,072	918,427	876,942
Transportation services	1,721,926	1,628,922	1,371,820
Water and sewer	440,969	700,898	677,876
Other environmental services	139,337	135,547	130,524
Health services	400	57,343	49,282
Recreation and cultural services	628,513	455,069	471,585
Planning and development	70,025	210,609	313,487
	5,071,055	4,890,025	4,392,873
Annual surplus	(550,483)	(126,576)	399,956
Accumulated surplus, beginning of year	20,136,130	20,136,130	19,736,174
Accumulated surplus, end of year	\$ 19,585,647	\$ 20,009,554	\$ 20,136,130

See accompanying notes to consolidated financial statements.

**THE CORPORATION OF THE MUNICIPALITY OF BROOKE-
ALVINSTON**

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Annual surplus	\$ (126,576)	\$ 399,956
Acquisition of tangible capital assets	(1,503,571)	(1,069,016)
Amortization of tangible capital assets	903,108	864,765
Loss on disposal of tangible capital assets	9,220	196,257
Proceeds on sale of tangible capital assets	66,000	84,404
	(651,819)	476,366
Change in inventories held for consumption	13,046	4,932
Change in prepaid expenses and deposits	(575)	1,140
	12,471	6,072
Change in net financial assets	(639,348)	482,438
Net financial assets, beginning of year	1,293,842	811,404
Net financial assets, end of year	\$ 654,494	\$ 1,293,842

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Consolidated Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ (126,576)	\$ 399,956
Adjustment for:		
Amortization of capital assets	903,108	864,765
Loss on disposal of capital assets	9,220	196,257
Changes in non-cash operating working capital:		
Accounts receivable	(74,789)	711,345
Taxes receivable	(60,755)	13,568
Accounts payable and accrued liabilities	(122,993)	35,197
Deferred revenue	200,598	(72,673)
Inventories held for consumption	13,046	4,932
Prepaid expenses and deposits	(575)	1,140
Short-term debt	-	(550,000)
	<u>740,284</u>	<u>1,604,487</u>
Financing activities:		
Repayment of long-term debt	(140,277)	(135,546)
Proceeds from long-term debt (note 4)	68,200	1,023,692
	<u>(72,077)</u>	<u>888,146</u>
Investing activities:		
Investment in Bluewater Power Distribution Corporation	(14,130)	(18,151)
Additions to capital assets	(1,503,571)	(1,069,016)
Proceeds on disposal of capital assets	66,000	84,404
Investments	210,984	(45,430)
	<u>(1,240,717)</u>	<u>(1,048,193)</u>
Increase (decrease) in cash	(572,510)	1,444,440
Cash (bank indebtedness), beginning of year	1,298,613	(145,827)
Cash, end of year	<u>\$ 726,103</u>	<u>\$ 1,298,613</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements

Year ended December 31, 2011

The Municipality of Brooke-Alvinston ("Municipality") is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant accounting policies:

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Municipality are as follows:

(a) Basis of consolidation:

The consolidated financial statements reflect the assets, liabilities, revenue, expenditures and fund balances of the current, capital and reserve funds of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality. Inter-departmental and inter-organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include Alvinston Cemetery Board, Inwood Community Centre Board and Alvinston Electricity Holdings Inc.

(b) Basis of presentation:

Revenues and expenditures are recorded on the accrual basis of accounting. Revenues are recognized as they are earned 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.

(c) Trust funds:

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately.

(d) Reserves and reserve funds:

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserved and reserve funds are an adjustment to the respective funds when approved.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

1. Significant accounting policies (continued):

(e) Investment in Bluewater Power Corporation:

The investment in Bluewater Power Corporation is accounted for by the modified equity method. Under the modified equity method, the accounting principles of government business enterprises are not adjusted to conform to the Municipality's accounting principles and inter-organizational transactions and balances are not eliminated. However, inter-organizational gains and losses are eliminated on assets remaining with the government reporting entities at the reporting date. The Municipality recognizes its equity interest of the government business enterprises' income or loss in its Consolidated Statement of Operations and Accumulated Surplus with a corresponding increase or decrease in its investment account. All dividends received will be reflected as reductions in the investment account.

(f) Investments:

Investments are recorded at cost plus accrued interest and amortization of purchase premiums and discounts. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

Investments consist of authorized investments pursuant to provisions of the Municipal Act and comprise government and corporate bonds, debentures and short-term instruments of various financial institutions.

Investment income is recognized as revenue in the period earned.

(g) Government transfers:

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

1. Significant accounting policies (continued):

(h) 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 excess of revenues over expenses, provides the consolidated change in net financial assets for the year.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life, years
Land improvements	10
Buildings	50
Roadways	7-50
Water and sewer	50-75
Vehicles	5-15
Furniture and fixtures	5

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(iii) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(iv) Interest capitalization:

The Municipality does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(v) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the financial statements.

(vi) Inventories of supplies:

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(i) Deferred revenue:

The Municipality receives certain amounts, from the federal and provincial governments, of which the proceeds may only be used in the conduct of certain programs or completion of specific work. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(j) Budget figures:

Budget figures have been provided for comparison purposes. Given differences between the funding model and generally accepted accounting principles for local governments established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB. The budget figures are unaudited.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

1. Significant accounting policies (continued):

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits.

In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

2. Investment in Bluewater Power Corporation:

On October 31, 2000 the assets of the Alvinston Hydro Electric Commission were transferred to Bluewater Power Corporation. The Municipality was the sole shareholder of Alvinston Electricity Holdings Inc, which received a 0.72% interest in Bluewater Power Corporation in consideration for the transfer of the Commission's assets. The investment is reported using the modified equity method of accounting.

The summary financial information for Bluewater Power Corporation is as follows:

	2011	2010
Current assets	\$ 28,287,879	\$ 32,323,774
Tangible capital assets	48,212,831	48,173,407
Other assets	15,724,078	14,602,664
Total assets	\$ 92,224,788	\$ 95,099,845
Current liabilities	\$ 18,512,120	\$ 26,036,464
Non-current liabilities	40,570,348	37,883,581
Shareholders' equity	33,142,320	31,179,800
Total liabilities and shareholders' equity	\$ 92,224,788	\$ 95,099,845
Revenues	\$ 87,639,940	\$ 90,731,554
Expenditures	84,606,030	86,770,352
Net earnings	\$ 3,033,910	\$ 3,961,202
Cash provided by (used in):		
Operating activities	\$ 4,016,785	\$ 11,790,266
Financing activities	605,389	(1,982,468)
Investing activities	(5,482,927)	(12,834,620)
	2011	2010
Investment in Bluewater Power Corporation, beginning of year	\$ 364,013	\$ 345,862
Share of net earnings	21,844	28,521
Dividends received or receivable	(7,714)	(10,370)
Investment in Bluewater Power Corporation, end of year	\$ 378,143	\$ 364,013

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

3. Deferred revenue:

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Municipality are summarized as follows:

	2011	2010
Federal gas tax	\$ 163,252	\$ -
Other deferred revenues	39,446	2,100
	\$ 202,698	\$ 2,100

4. Long-term debt:

	2011	2010
Waterline debentures, repayable in blended monthly instalments of \$1,222 including interest at fixed rates from 7.00% to 8.25% per annum, maturing 2012 to 2017	\$ 18,588	\$ 31,104
OSIFA waterline debenture, repayable in blended monthly instalments of \$3,277 including interest at a fixed rate of 2.54% per annum, maturing 2035	703,300	724,352
OSIFA waterline debenture, repayable in blended monthly instalments of \$989 including interest at a fixed rate of 2.28% per annum, maturing 2020	96,038	105,549
BMO debenture, repayable in blended monthly instalments of \$798 including interest at a fixed rate of 4.00% per annum, maturing 2015	34,560	-
Tile drainage loans, repayable in various blended monthly payments including interest at fixed rates ranging from 6.00% to 8.00%, maturing 2012 to 2021 per annum	241,024	276,270
OPIC sewer debenture, repayable in monthly principal instalments of \$3,750 plus interest at a fixed rate of 4.54%, maturing 2030	832,500	877,500
BAI Minor Hockey debenture, repayable in blended monthly instalments of \$347 including interest at a fixed rate of 5.25%, maturing 2015	14,080	17,392
Mount Caramel Cemetery municipal drain debenture, repayable in monthly principal instalments of \$417 plus interest at a fixed rate of 5.00%, maturing 2015	20,000	-
	\$ 1,960,090	\$ 2,032,167

Interest paid on term loans during 2011 was \$90,646 (2010 - \$53,546).

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

4. Long-term debt (continued):

Future payments for the year ending December 31 are as follows:

	Principal	Interest	Total
2012	\$ 147,630	\$ 76,491	\$ 224,121
2013	133,787	68,814	202,601
2014	135,521	62,836	198,357
2015	130,781	56,753	187,534
2016	104,286	51,320	155,606
Thereafter	1,308,085	360,931	1,669,016
	<u>\$ 1,960,090</u>	<u>\$ 677,145</u>	<u>\$ 2,637,235</u>

5. Tangible capital assets:

The historical cost of tangible capital assets employed by the Municipality at December 31 is as follows:

Cost	Balance December 31, 2010	Additions	Disposals	Balance December 31, 2011
Land	\$ 130,068	\$ -	\$ -	\$ 130,068
Land improvements	706,724	3,593	-	710,317
Buildings	4,479,374	576,322	-	5,055,696
Vehicles and equipment	4,402,525	729,427	(74,042)	5,057,910
Environmental infrastructure	8,546,198	288	-	8,546,486
Transportation infrastructure	13,694,763	315,947	(9,127)	14,001,583
Assets under construction	148,021	(122,006)	-	26,015
	<u>\$ 32,107,673</u>	<u>\$ 1,503,571</u>	<u>\$ (83,169)</u>	<u>\$ 33,528,075</u>

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

5. Tangible capital assets (continued):

	Balance			Balance
	December 31,	Amortization	Disposals	December 31,
Accumulated amortization	2010			2011
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	166,899	24,762	-	191,661
Buildings	1,837,839	83,025	-	1,920,864
Vehicles and equipment	2,006,299	310,480	(254)	2,316,525
Environmental infrastructure	2,008,210	120,789	(7,695)	2,121,304
Transportation infrastructure	7,321,898	364,052	-	7,685,950
	\$ 13,341,145	\$ 903,108	\$ (7,949)	\$ 14,236,304

	Balance			Balance
Cost	December 31,	Additions	Disposals	December 31,
	2009			2010
Land	\$ 126,226	\$ 3,842	\$ -	\$ 130,068
Land improvements	681,748	24,976	-	706,724
Buildings	4,443,974	35,400	-	4,479,374
Vehicles and equipment	4,326,177	316,771	(240,423)	4,402,525
Environmental infrastructure	8,306,802	239,396	-	8,546,198
Transportation infrastructure	13,558,583	300,610	(164,430)	13,694,763
Assets under construction	75,098	148,021	(75,098)	148,021
	\$ 31,518,608	\$ 1,069,016	\$ (479,951)	\$ 32,107,673

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

5. Tangible capital assets (continued):

Accumulated amortization	Balance December 31, 2009	Amortization	Disposals	Balance December 31, 2010
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	142,317	24,582	-	166,899
Buildings	1,771,186	66,653	-	1,837,839
Vehicles and equipment	1,775,525	268,028	(37,254)	2,006,299
Environmental infrastructure	1,895,773	112,437	-	2,008,210
Transportation infrastructure	7,090,869	393,065	(162,036)	7,321,898
	\$ 12,675,670	\$ 864,765	\$ (199,290)	\$ 13,341,145

Net book value	Balance December 31, 2010	Balance December 31, 2011
Land	\$ 130,068	\$ 130,068
Land improvements	539,825	518,656
Buildings	2,641,535	3,134,832
Vehicles and equipment	2,396,226	2,741,385
Environmental infrastructure	6,537,988	6,425,182
Transportation infrastructure	6,372,865	6,315,633
Assets under construction	148,021	26,015
	\$ 18,766,528	\$ 19,291,771

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

6. Accumulated surplus:

	2011	2010
Surplus:		
General surplus	\$ (319,336)	\$ 1,094,370
Alvinston special area	(3,254)	(1,641)
Inwood special area	2,807	7,318
Water operations	(185,109)	(181,914)
Sewer	506,466	(327,196)
Community centre	230,396	73,207
Canada Day committee	7,597	2,837
Cemetery	290,206	266,069
Inwood	29,279	922
Investment in Bluewater Power Distribution Corporation	378,143	364,013
Invested in tangible capital assets	19,291,771	18,766,528
	<u>20,228,966</u>	<u>20,064,513</u>
Unfunded:		
Long-term debt	(1,960,090)	(2,032,167)
Total surplus	18,268,876	18,032,346
Reserves set aside for specific purposes of the Municipality:		
Reserves (Schedule)	1,480,928	1,868,581
Reserve funds set aside for specific purposes by the Municipality:		
Reserve Funds (Schedule)	259,750	235,203
	<u>\$ 20,009,554</u>	<u>\$ 20,136,130</u>

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

7. Budget data:

The unaudited budget data presented in these financial statements is based upon the 2011 operating and capital budgets approved by the Council on July 5, 2011. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget amount
Revenues:	
Operating budget	\$ 4,520,572
Total revenue	4,520,572
Expenses:	
Operating budget	5,071,055
Total expenses	5,071,055
Annual deficit, as budgeted	(550,483)
Amortization	(903,108)
Capital expenditures	1,503,571
Annual surplus, revised	\$ 49,980

8. Financial instruments:

The Municipality's financial instruments include cash, accounts receivable, taxes receivable, investments, accounts payable and accrued liabilities, and term loans. The fair values of these financial instruments, excluding term loans, approximate their carrying value due to the expected short-term maturity of these instruments. The term loans approximate their fair values as interest rates are equivalent to market rates available to the Municipality. Unless otherwise noted, it is the opinion of management that the Municipality is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

9. Operations of schools boards and the County of Lambton:

The Municipality collects property taxes and payments in lieu of property taxes on behalf of school boards operating within the Municipality and the County of Lambton. These amounts are not included in the consolidated statement of operations and accumulated surplus. The amounts collected and remitted are as follows:

	2011	2010
Property taxes collected on behalf of the County of Lambton	\$ 1,172,776	\$ 1,186,746
Amounts collected on behalf of school boards	1,138,924	1,149,746
Amounts remitted to school boards and the County of Lambton	(2,311,700)	(2,336,492)
	\$ -	\$ -

10. Comparative figures:

Certain of the 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

11. Contingencies:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2011, management believes that the Municipality has valid defences and appropriate insurance coverage in place. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material effect on the Municipality's financial position.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

12. Subsequent events:

Subsequent to year end, the Municipality entered into or committed to the following:

(a) Long-term debt:

Additional long-term debt was drawn, including tile drainage loans of \$150,100 and municipal drain loans of \$19,482 to finance work completed on behalf of ratepayers.

(b) Environmental services:

On January 24, 2013, the Municipality committed to contracts relating to water system upgrades totaling \$484,226.

13. Segmented information:

The Municipality is a municipal government institution that provides a range of services to its citizens. Municipal services are reported by function and their activities are separately disclosed in segmented information.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes and certain unconditional government transfers are apportioned based on each segment's net requirements.

The revenues and expenditures of each segment are presented in the Consolidated Schedule - Segmented Financial Information. The segments reported are as follows:

(a) General government:

General government consists of the activities of Council and general financial and administrative management of the Municipality and its programs and services.

(b) Protection services:

Protection services include police, fire, conservation authority and proactive inspection and control.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

13. Segmented information (continued):

(c) Transportation services:

The activities of the transportation function include construction and maintenance of roads and bridges, winter control, and street lighting.

(d) Environmental services:

The environmental function is responsible for providing water, sewer, waste disposal and recycling services to ratepayers.

(e) Health services:

The health services function consists of the activities of the cemetery board.

(f) Recreation and cultural services:

The recreation and cultural services function provides indoor and outdoor recreation facilities and programs, and library services.

(g) Planning and development:

The planning and development services function manages commercial, industrial and residential development within the Municipality.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Consolidated Schedule - Expenses By Object

Year ended December 31, 2011, with comparative figures for 2010

	2011 Budget (unaudited)	2011 Actual	2010 Actual
Materials	\$ 4,066,034	\$ 2,923,249	\$ 2,551,526
Salaries and benefits	950,307	973,022	923,036
Amortization	-	903,108	864,765
Interest expense	74,714	90,646	53,546
	<u>\$ 5,091,055</u>	<u>\$ 4,890,025</u>	<u>\$ 4,392,873</u>

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Consolidated Schedule - Reserves and Reserve Funds

Year ended December 31, 2011, with comparative figures for 2010

	2011	Appropriations to (from) reserves	2010
Reserves:			
Working capital	\$ 874,612	\$ -	\$ 874,612
Municipal building	-	(111,820)	111,820
Election	3,972	3,000	972
Storm sewers	20,800	-	20,800
Water	36,477	-	36,477
Sewers	64,318	-	64,318
Alvinston fire department	41,745	(35,728)	77,473
General	-	(85,000)	85,000
Roads	349,004	(114,295)	463,299
Community centre	70,000	(35,219)	105,219
Hospital	5,000	5,000	-
Inwood drainage	10,000	10,000	-
Alvinston lighting	5,000	5,000	-
Equipment purchase	-	(28,591)	28,591
	<u>1,480,928</u>	<u>(387,653)</u>	<u>1,868,581</u>
Reserve funds:			
Alvinston general	146,057	23,272	122,785
Inwood fire department	33,289	381	32,908
Sewer	2,169	-	2,169
Water	56,723	648	56,075
Alvinston capital utility	21,512	246	21,266
	<u>259,750</u>	<u>24,547</u>	<u>235,203</u>
	<u>\$ 1,740,678</u>	<u>\$ (363,106)</u>	<u>\$ 2,103,784</u>

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Consolidated Schedule - Segmented Financial Information

Year ended December 31, 2011

December 31, 2011	General government	Protection services	Transportation services	Water and sewer	Other environmental	Health services	Recreation and culture services	Planning and development	Total
Revenue:									
Property taxation	\$ 1,981,342	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,981,342
User charges	21,709	26,335	2,986	386,233	228	23,652	211,646	564	673,353
Government of Canada	59,441	-	-	-	(29,377)	-	41,857	-	71,921
Province of Ontario	1,578,242	500	-	7,447	12,615	-	38,857	60,189	1,697,850
Revenue from other municipalities	-	80,592	-	-	-	-	-	14,475	95,067
Penalties and interest on taxes	81,661	-	-	-	-	-	-	-	81,661
Investment income	50,902	-	-	-	-	-	-	-	50,902
Donations	19,879	-	-	-	-	-	-	-	19,879
Loss on sale of tangible capital assets	(9,220)	-	-	-	-	-	-	-	(9,220)
Share of income of Bluewater Power Corporation	21,844	-	-	-	-	-	-	-	21,844
Other	3,505	-	-	-	-	-	-	-	3,505
Prepaid special charges	-	-	-	-	-	-	-	75,345	75,345
	3,809,305	107,427	2,986	393,680	(16,534)	23,652	292,360	150,573	4,763,449
Expenses:									
Materials	464,306	737,303	770,587	399,362	134,274	26,229	208,173	183,015	2,923,249
Salaries and benefits	297,601	101,669	383,482	-	-	28,568	161,702	-	973,022
Amortization	21,303	79,455	474,853	234,340	1,273	2,546	85,194	4,144	903,108
Interest expense	-	-	-	67,196	-	-	-	23,450	90,646
	783,210	918,427	1,628,922	700,898	135,547	57,343	455,069	210,609	4,890,025
Net surplus (deficit)	\$ 3,026,095	\$ (811,000)	\$ (1,625,936)	\$ (307,218)	\$ (152,081)	\$ (33,691)	\$ (162,709)	\$ (60,036)	\$ (126,576)

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Consolidated Schedule - Segmented Financial Information

Year ended December 21, 2010

December 31, 2010	General government	Protection services	Transportation services	Water and sewer environmental	Other	Health services	Recreation and culture services	Planning and development	Total
Revenue:									
Property taxation	\$ 1,835,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,835,054
User charges	18,942	18,913	10,377	317,413	6,104	13,344	231,695	300	617,088
Government of Canada	1,621,600	4,660	-	39,359	-	-	4,400	10,668	1,680,687
Province of Ontario	43,450	-	73,013	2,535	-	-	38,026	-	157,024
Revenue from other municipalities	-	97,105	34,996	-	-	-	8,428	-	140,529
Penalties and interest on taxes	76,875	-	-	-	-	-	-	-	76,875
Investment income	53,513	-	-	-	-	-	-	-	53,513
Donations	37,155	-	-	-	-	-	-	-	37,155
Loss on sale of tangible capital assets	8,125	-	-	-	-	-	-	-	8,125
Share of income of Bluewater Power Corporation	18,151	-	-	-	-	-	-	-	18,151
Other	168,628	-	-	-	-	-	-	-	168,628
	3,881,493	120,678	118,386	359,307	6,104	13,344	282,549	10,968	4,792,829
Expenses:									
Materials	217,275	705,695	548,984	389,536	130,524	21,757	228,249	309,506	2,551,526
Salaries and benefits	273,214	101,355	350,800	-	-	24,979	172,688	-	923,036
Amortization	10,868	69,892	472,036	236,549	-	2,546	68,893	3,981	864,765
Interest expense	-	-	-	51,791	-	-	1,755	-	53,546
	501,357	876,942	1,371,820	677,876	130,524	49,282	471,585	313,487	4,392,873
Net surplus (deficit)	\$ 3,380,136	\$ (756,264)	\$(1,253,434)	\$(318,569)	\$(124,420)	\$(35,938)	\$(189,036)	\$(302,519)	\$ 399,956