

Consolidated Financial Statements of

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

Year ended December 31, 2012



KPMG LLP
140 Fullarton Street Suite 1400
PO Box 2305
London ON N6A 5P2
Canada

Telephone (519) 672-4880
Fax (519) 672-5684
Internet www.kpmg.ca

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, 2012, 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.

KPMG Confidential

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



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, 2012, 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 Professional Accountants, Licensed Public Accountants

March 27, 2014

London, Canada

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Consolidated Statement of Financial Position

December 31, 2012, with comparative information for 2011

	2012	2011
Financial Assets		
Cash and cash equivalents	\$ 835,995	\$ 726,103
Accounts receivable	1,450,333	1,177,114
Taxes receivable	466,494	477,861
Loans receivable	466,778	261,025
Investments (note 13)	177,070	149,426
Investment in Bluewater Power Corporation (note 2)	394,830	378,143
	<u>3,791,500</u>	<u>3,169,672</u>
Financial Liabilities		
Accounts payable and accrued liabilities	263,250	352,390
Deferred revenue (note 3)	293,354	202,698
Long-term debt (note 4)	1,961,944	1,960,090
	<u>2,518,548</u>	<u>2,515,178</u>
Net financial assets	1,272,952	654,494
Non-Financial Assets		
Tangible capital assets (note 5)	18,971,211	19,291,771
Inventories held for consumption	124,948	32,311
Prepaid expenses and deposits	4,088	30,978
Contingencies (note 11)		
Subsequent events (note 12)		
Accumulated surplus (note 6)	<u>\$ 20,373,199</u>	<u>\$ 20,009,554</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, 2012, with comparative information for 2011

	2012 Budget (unaudited)	2012 Actual	2011 Actual
Revenues:			
Property taxation	\$ 2,053,819	\$ 2,098,347	\$ 1,981,342
User charges	302,005	754,692	677,603
Government of Canada	-	3,000	71,921
Province of Ontario	1,390,000	1,813,045	1,697,850
Revenue from other municipalities	102,105	105,521	95,067
Penalties and interest on taxes	72,000	83,378	81,661
Investment income	10,000	38,369	50,902
Donations	26,850	44,790	19,879
Loss on sale of tangible capital assets	-	(9,531)	(9,220)
Share of income of Bluewater Power Corporation	-	25,271	21,844
Prepaid special charges	-	268,014	75,345
Other	-	29,391	3,505
	3,956,779	5,254,287	4,767,699
Expenditures:			
General government	562,630	468,338	783,210
Protection services	998,864	929,281	918,427
Transportation services	1,668,427	1,607,630	1,628,922
Water and sewer	49,194	671,953	700,898
Other environmental services	143,036	142,887	135,547
Health services	450	52,886	57,343
Recreation and cultural services	466,824	473,187	459,319
Planning and development	105,300	544,480	210,609
	3,994,725	4,890,642	4,894,275
Annual surplus (deficit)	(37,946)	363,645	(126,576)
Accumulated surplus, beginning of year	20,009,554	20,009,554	20,136,130
Accumulated surplus, end of year	\$ 19,971,608	\$ 20,373,199	\$ 20,009,554

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, 2012, with comparative information for 2011

	2012	2011
Annual surplus (deficit)	\$ 363,645	\$ (126,576)
Acquisition of tangible capital assets	(644,162)	(1,503,571)
Amortization of tangible capital assets	923,068	903,108
Loss on disposal of tangible capital assets	9,531	9,220
Proceeds on sale of tangible capital assets	32,123	66,000
	684,205	(651,819)
Change in inventories held for consumption	(92,637)	13,046
Change in prepaid expenses and deposits	26,890	(575)
	(65,747)	12,471
Change in net financial assets	618,458	(639,348)
Net financial assets, beginning of year	654,494	1,293,842
Net financial assets, end of year	\$ 1,272,952	\$ 654,494

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Consolidated Statement of Cash Flows

Year ended December 31, 2012, with comparative information for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 363,645	\$ (126,576)
Adjustment for:		
Amortization of tangible capital assets	923,068	903,108
Loss on disposal of capital assets	9,531	9,220
Changes in non-cash operating working capital:		
Accounts receivable	(273,219)	(54,789)
Taxes receivable	11,367	(95,996)
Loans receivable	(205,753)	15,241
Accounts payable and accrued liabilities	(89,140)	(122,993)
Deferred revenue	90,656	200,598
Inventories held for consumption	(92,637)	13,046
Prepaid expenses and deposits	26,890	(575)
	764,408	740,284
Financing activities:		
Repayment of long-term debt	(148,244)	(140,277)
Proceeds from long-term debt (note 4)	150,098	68,200
	1,854	(72,077)
Investing activities:		
Investment in Bluewater Power Corporation	(16,687)	(14,130)
Additions to capital assets	(644,162)	(1,503,571)
Proceeds on disposal of capital assets	32,123	66,000
Investments	(27,644)	210,984
	(656,370)	(1,240,717)
Increase (decrease) in cash	109,892	(572,510)
Cash and cash equivalents, beginning of year	726,103	1,298,613
Cash and cash equivalents, end of year	\$ 835,995	\$ 726,103

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements

Year ended December 31, 2012

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, 2012

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 or receivable 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, 2012

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, 2012

1. Significant accounting policies (continued):

(h) 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, 2012

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, 2012

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:

	2012	2011
Current assets	\$ 28,620,350	\$ 28,287,879
Tangible capital assets	57,623,118	48,212,831
Other assets	6,200,062	15,724,078
Total assets	\$ 92,443,530	\$ 92,224,788
Current liabilities	\$ 17,745,614	\$ 18,512,120
Non-current liabilities	39,237,951	40,570,348
Shareholders' equity	35,459,965	33,142,320
Total liabilities and shareholders' equity	\$ 92,443,530	\$ 92,224,788
Revenues	\$ 85,886,776	\$ 87,639,940
Expenditures	82,376,931	84,606,030
Net earnings	\$ 3,509,845	\$ 3,033,910
Cash provided by (used in):		
Operating activities	\$ 8,143,333	\$ 4,016,785
Financing activities	6,708,939	605,389
Investing activities	(14,828,085)	(5,482,927)

The Municipality's investment in Bluewater Power Corporation is as follows:

	2012	2011
Investment in Bluewater Power Corporation, beginning of year	\$ 378,143	\$ 364,013
Share of net earnings	25,271	21,844
Dividends received or receivable	(8,584)	(7,714)
Investment in Bluewater Power Corporation, end of year	\$ 394,830	\$ 378,143

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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:

	2012	2011
Federal gas tax	\$ 244,879	\$ 163,252
Other deferred revenues	48,475	39,446
	<u>\$ 293,354</u>	<u>\$ 202,698</u>

4. Long-term debt:

The Municipality finances capital and operational projects from external sources, as well as internal sources, such as the Alvinston Cemetery Board and reserve funds of the Municipality. Internal borrowings are eliminated upon consolidation. The external and internal borrowings of the Municipality are as follows:

	2012	2011
To finance tangible capital assets:		
OSIFA waterline debenture, repayable in blended semi-annual instalments of \$19,659 including interest at a fixed rate of 2.54% per annum, maturing 2035	\$ 681,709	\$ 703,300
BAI Minor Hockey debenture, repayable in blended quarterly instalments of \$1,040 including interest at a fixed rate of 5.25%, maturing 2015	10,590	14,080
OSIFA sewer facilities upgrade debenture, repayable in blended semi-annual instalments of \$5,932 including interest at a fixed rate of 2.28% per annum, maturing 2020	86,309	96,038
OPIC sewer, Inwood system, serial debenture, repayable in semi-annual principal instalments of \$17,893 plus interest at a fixed rate of 4.54%, maturing 2030	626,265	662,052
OPIC sewer, Alvinston upgrades, serial debenture, repayable in semi-annual principal instalments of \$2,580 plus interest at a fixed rate of 4.54%, maturing 2030	90,294	95,453
	<u>1,495,167</u>	<u>1,570,923</u>

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

4. Long-term debt (continued):

	2012	2011
To finance municipal services:		
Mount Caramel Cemetery municipal drain serial debenture, repayable in annual principal instalments of \$5,000 plus interest at a fixed rate of 5.00%, maturing 2015	\$ 15,000	\$ 20,000
Waterline debentures, repayable in blended annual instalments of \$1,267 including interest at a fixed rate of 7.00%, maturing 2017	5,195	18,588
BMO debenture, repayable in quarterly principal instalments of \$2,160 including interest at prime, maturing 2015	25,920	34,560
OPIC sewer, Inwood connections, serial debenture, repayable in semi-annual principal instalments of \$2,027 plus interest at a fixed rate of 4.54%, maturing 2030	70,941	74,995
Tile drainage loans, repayable in various blended annual payments including interest at fixed rates ranging from 6.00% to 8.00%, maturing 2013 to 2022 per annum	349,721	241,024
	466,777	389,167
	\$ 1,961,944	\$ 1,960,090

Interest paid on long-term debt during 2012 was \$94,437 (2011 - \$90,646). During the year, \$150,100 in new tile drainage loans was incurred.

Future payments on external long-term debt for the year ending December 31 are as follows:

	Principal	Interest	Total
2013	\$ 145,478	\$ 65,505	\$ 210,983
2014	147,572	61,532	209,104
2015	142,181	56,869	199,050
2016	117,849	52,826	170,675
2017	113,636	48,956	162,592
Thereafter	1,295,228	324,402	1,619,630
	\$ 1,961,944	\$ 610,090	\$ 2,572,034

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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, 2011	Additions	Disposals	Balance December 31, 2012
Land	\$ 130,068	\$ -	\$ -	\$ 130,068
Land improvements	710,317	72,614	-	782,931
Buildings	5,055,696	3,859	-	5,059,555
Vehicles and equipment	5,057,910	127,678	(63,824)	5,121,764
Environmental infrastructure	8,546,486	-	-	8,546,486
Transportation infrastructure	14,001,583	403,751	(10,577)	14,394,757
Assets under construction	26,015	36,260	(26,015)	36,260
	\$ 33,528,075	\$ 644,162	\$ (100,416)	\$ 34,071,821

Accumulated amortization	Balance December 31, 2011	Amortization	Disposals	Balance December 31, 2012
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	191,661	27,170	-	218,831
Buildings	1,920,864	83,220	-	2,004,084
Vehicles and equipment	2,316,525	314,282	(50,581)	2,580,226
Environmental infrastructure	2,121,304	112,802	-	2,234,106
Transportation infrastructure	7,685,950	385,594	(8,181)	8,063,363
	\$ 14,236,304	\$ 923,068	\$ (58,762)	\$ 15,100,610

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

5. Tangible capital assets (continued):

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

Accumulated amortization	Balance			Balance
	December 31, 2010	Amortization	Disposals	
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

Net book value	Balance		Balance
	December 31, 2011		
Land	\$ 130,068		\$ 130,068
Land improvements	518,656		564,100
Buildings	3,134,832		3,055,471
Vehicles and equipment	2,741,385		2,541,538
Environmental infrastructure	6,425,182		6,312,380
Transportation infrastructure	6,315,633		6,331,394
Assets under construction	26,015		36,260
	\$ 19,291,771		\$ 18,971,211

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

6. Accumulated surplus:

	2012	2011
Surplus:		
General surplus	\$ 27,090	\$ (510,464)
Alvinston special area	(441)	(3,254)
Inwood special area	1,791	2,807
Water operations	(243,424)	(185,109)
Sewer	411,321	506,466
Community centre	274,867	230,396
Canada Day committee	10,444	7,597
Cemetery	116,511	124,172
Inwood	26,658	29,279
Investment in Bluewater Power Distribution Corporation	394,830	378,143
Invested in tangible capital assets	18,971,211	19,291,771
	19,990,858	19,871,804
Unfunded:		
Long-term debt used to finance tangible capital assets	(1,495,168)	(1,570,923)
Total surplus	18,495,690	18,300,881
Reserves set aside for specific purposes of the Municipality:		
Reserves (Schedule)	1,612,678	1,480,928
Reserve funds set aside for specific purposes by the Municipality:		
Reserve Funds (Schedule)	264,831	227,745
	\$ 20,373,199	\$ 20,009,554

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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	\$ 3,956,779
Total revenue	3,956,779
Expenses:	
Operating budget	3,994,725
Total expenses	3,994,725
Annual deficit, as budgeted	(37,946)
Amortization	(923,068)
Capital expenditures	644,162
Annual deficit, revised	\$ (316,852)

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, 2012

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:

	2012	2011
Property taxes collected on behalf of the County of Lambton	\$ 1,191,761	\$ 1,172,776
Amounts collected on behalf of school boards	1,118,381	1,138,924
Amounts remitted to school boards and the County of Lambton	(2,310,142)	(2,311,700)
	\$ -	\$ -

10. Comparative figures:

Certain of the 2011 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, 2012, 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, 2012

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 for tile drainage loans of \$31,500 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. On April 12, 2013, the Municipality committed to contracts relating to the Inwood storm sewer and street reconstruction totaling \$399,116.

13. Internal long-term debt eliminated upon consolidation:

The Municipality finances capital and operational projects from external sources, as well as internal sources, such as the Alvinston Cemetery Board and reserve funds of the Municipality. Internal borrowings, eliminated upon consolidation, consist of the following:

	2012	2011
Internal long-term debt, used to finance the tangible capital assets:		
Alvinston Cemetery Board waterline debenture, repayable in annual blended instalments of \$15,897 including interest at a fixed rate of 5%, maturing 2020	\$ 102,742	\$ 112,989
Internal long-term debt, used to finance municipal services:		
General reserve fund water and municipal drain debentures, repayable in various blended annual payments including interest at fixed rates ranging from 2.94% to 7.00%, maturing 2013 to 2015	22,395	32,005
Alvinston Cemetery Board municipal drain debentures, repayable in various blended annual payments including interest at fixed rates ranging from 1.93% to 7.00%, maturing 2013 to 2016	54,007	53,045
Internal long-term debt, eliminated upon consolidation	\$ 179,144	\$ 198,039

Interest paid to the Cemetery Board and general reserve funds on internal long-term debt during 2012 was \$10,238 (2011 - \$12,252), which is eliminated upon consolidation. During the year, \$19,482 in new municipal drain debentures, which are eliminated upon consolidation, was incurred.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

14. 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.

(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.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

14. Segmented information (continued):

(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, 2012, with comparative information for 2011

	2012 Budget (unaudited)	2012 Actual	2011 Actual
Materials	\$ 2,962,971	\$ 2,874,156	\$ 2,927,499
Salaries and benefits	1,002,389	998,981	973,022
Amortization	-	923,068	903,108
Interest expense	33,365	94,437	90,646
	<hr/>	<hr/>	<hr/>
	\$ 3,998,725	\$ 4,890,642	\$ 4,894,275

THE CORPORATION OF THE MUNICIPALITY OF BROOKE- ALVINSTON

Consolidated Schedule - Reserves and Reserve Funds

Year ended December 31, 2012, with comparative information for 2011

	2012	Appropriations to (from) reserves	2011
Reserves:			
Working capital	\$ 874,612	\$ -	\$ 874,612
Inwood fire department	10,000	10,000	-
Election	6,972	3,000	3,972
Storm sewers	20,800	-	20,800
Water	36,477	-	36,477
Sewers	64,318	-	64,318
Alvinston fire department	61,745	20,000	41,745
General	60,000	60,000	-
Roads	349,004	-	349,004
Community centre	95,000	25,000	70,000
Hospital	8,750	3,750	5,000
Inwood drainage	20,000	10,000	10,000
Alvinston lighting	5,000	-	5,000
	<u>1,612,678</u>	<u>131,750</u>	<u>1,480,928</u>
Reserve funds:			
Alvinston general	150,045	36,018	114,027
Inwood fire department	33,601	312	33,289
Sewer	2,215	21	2,194
Water	57,256	533	56,723
Alvinston capital utility	21,714	202	21,512
	<u>264,831</u>	<u>37,086</u>	<u>227,745</u>
	<u>\$ 1,877,509</u>	<u>\$ 168,836</u>	<u>\$ 1,708,673</u>

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Consolidated Schedule - Segmented Financial Information

Year ended December 31, 2012

December 31, 2012	General government	Protection services	Transportation services	Water and sewer	Other environmental	Health services	Recreation and culture services	Planning and development	Total
Revenue:									
Property taxation	\$ 2,098,347	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,098,347
User charges	75,239	21,193	6,269	384,713	-	16,763	241,574	8,940	754,691
Government of Canada	-	-	-	-	-	-	3,000	-	3,000
Province of Ontario	1,629,500	3,380	-	36,824	4,270	-	-	139,071	1,813,045
Revenue from other municipalities	-	75,674	20,564	-	-	-	-	9,283	105,521
Penalties and interest on taxes	83,378	-	-	-	-	-	-	-	83,378
Investment income	38,369	-	-	-	-	-	-	-	38,369
Donations	20,767	-	-	-	-	-	13,020	11,003	44,790
Loss on sale of tangible capital assets	(9,531)	-	-	-	-	-	-	-	(9,531)
Share of income of Bluewater Power Corporation	25,271	-	-	-	-	-	-	-	25,271
Other	17,203	960	5,944	2,151	-	-	3,134	-	29,392
Prepaid special charges	-	-	-	-	-	-	-	268,014	268,014
	3,978,543	101,207	32,777	423,688	4,270	16,763	260,728	436,311	5,254,287
Expenses:									
Materials	116,886	749,487	757,863	377,198	142,887	20,626	193,909	515,300	2,874,156
Salaries and benefits	316,994	94,674	370,097	-	-	29,714	185,702	1,800	998,981
Amortization	21,462	85,120	479,670	234,340	-	2,546	93,576	6,354	923,068
Interest expense	12,996	-	-	60,415	-	-	-	21,026	94,437
	468,338	929,281	1,607,630	671,953	142,887	52,886	473,187	544,480	4,890,642
Net surplus (deficit)	\$ 3,510,205	\$ (828,074)	\$(1,574,853)	\$ (248,265)	\$ (138,617)	\$ (36,123)	\$ (212,459)	\$ (108,169)	\$ 363,645

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	215,896	564	677,603
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	296,610	150,573	4,767,699
Expenses:									
Materials	464,306	737,303	770,587	399,362	134,274	26,229	212,423	183,015	2,927,499
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	459,319	210,609	4,894,275
Net surplus (deficit)	\$ 3,026,095	\$ (811,000)	\$(1,625,936)	\$(307,218)	\$ (152,081)	\$ (33,691)	\$ (162,709)	\$ (60,036)	\$ (126,576)