

Consolidated Financial Statements of

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

Year ended December 31, 2014



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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, 2014, 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 Consolidated Financial Statements*

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

### *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, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

December 10, 2015

London, Canada

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

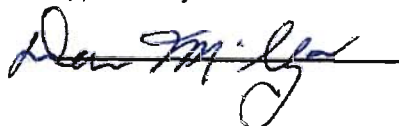
Consolidated Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 830,399	\$ 368,523
Accounts receivable	1,140,270	1,492,498
Taxes receivable	292,216	554,666
Loans receivable	508,057	516,317
Investments (note 2)	590,783	433,474
Investment in Bluewater Power Corporation (note 3)	436,452	416,741
	<u>3,798,177</u>	<u>3,782,219</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	160,908	429,384
Deferred revenue (note 4)	217,934	65,306
Long-term debt (note 5)	1,766,104	1,847,966
Funds held in trust (note 2)	196,413	191,385
	<u>2,341,359</u>	<u>2,534,041</u>
Net financial assets	1,456,818	1,248,178
<b>Non-Financial Assets</b>		
Tangible capital assets (note 6)	19,482,481	19,462,696
Inventories held for consumption	139,440	69,834
Prepaid expenses and deposits	28,763	13,838
Contingencies (note 13)		
Accumulated surplus (note 8)	<u>\$ 21,107,502</u>	<u>\$ 20,794,546</u>

See accompanying notes to consolidated financial statements.

Approved by:



Mayor



Treasurer

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE- ALVINSTON

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2014, with comparative information for 2013

	2014 Budget	2014 Actual	2013 Actual
<b>Revenues:</b>			
Property taxation	\$ 1,999,179	\$ 2,070,826	\$ 2,018,477
User charges	321,100	738,569	759,063
Government of Canada	-	5,181	400,320
Province of Ontario	1,527,687	2,190,811	1,717,723
Revenue from other municipalities	89,526	134,479	116,210
Penalties and interest on taxes	60,200	71,629	80,267
Investment income	-	46,780	42,594
Donations	-	51,146	24,988
Gain on sale of tangible capital assets	-	2,615	-
Share of income of Bluewater Power Corporation	-	19,711	30,757
Prepaid special charges	-	442,010	203,551
Other	5,000	80,091	221,815
	4,002,692	5,853,848	5,615,765
<b>Expenditures:</b>			
General government	595,836	586,514	450,946
Protection services	1,071,380	992,391	933,232
Transportation services	1,788,925	1,610,274	1,802,796
Water and sewer	-	765,847	729,741
Other environmental services	141,163	146,444	140,360
Health services	750	65,332	62,365
Recreation and cultural services	522,341	527,715	614,210
Planning and development	192,522	846,375	460,768
	4,312,917	5,540,892	5,194,418
Annual surplus (deficit)	(310,225)	312,956	421,347
Accumulated surplus, beginning of year	20,794,546	20,794,546	20,373,199
Accumulated surplus, end of year	\$ 20,484,321	\$ 21,107,502	\$ 20,794,546

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, 2014, with comparative information for 2013

	2014	2013
Annual surplus	\$ 312,956	\$ 421,347
Acquisition of tangible capital assets	(969,764)	(1,413,445)
Amortization of tangible capital assets	947,594	921,960
Gain on disposal of tangible capital assets	(2,615)	-
Proceeds on sale of tangible capital assets	5,000	-
	293,171	(70,138)
Change in inventories held for consumption	(69,606)	55,114
Change in prepaid expenses and deposits	(14,925)	(9,750)
	(84,531)	45,364
Change in net financial assets	208,640	(24,774)
Net financial assets, beginning of year	1,248,178	1,272,952
Net financial assets, end of year	\$ 1,456,818	\$ 1,248,178

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

## Consolidated Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 312,956	\$ 421,347
Adjustments for:		
Amortization of tangible capital assets	947,594	921,960
Gain on disposal of capital assets	(2,615)	-
Changes in non-cash operating working capital:		
Accounts receivable	352,228	(42,165)
Taxes receivable	262,450	(88,172)
Loans receivable	8,260	37,261
Accounts payable and accrued liabilities	(268,476)	166,134
Deferred revenue	152,628	(228,048)
Inventories held for consumption	(69,606)	55,114
Prepaid expenses and deposits	(14,925)	(9,750)
Funds held in trust	5,028	-
	1,685,522	1,233,681
Financing activities:		
Repayment of long-term debt	(149,962)	(145,478)
Proceeds from long-term debt (note 5)	68,100	31,500
	(81,862)	(113,978)
Investing activities:		
Investment in Bluewater Power Corporation	(19,711)	(21,911)
Additions to capital assets	(969,764)	(1,413,445)
Proceeds on disposal of capital assets	5,000	-
Investments	(157,309)	(1,819)
	(1,141,784)	(1,437,175)
Increase (decrease) in cash	461,876	(317,472)
Cash and cash equivalents, beginning of year	368,523	685,995
Cash and cash equivalents, end of year	\$ 830,399	\$ 368,523

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements

Year ended December 31, 2014

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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 Chartered Professional Accountants - Canada ("CPA Canada"). 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, 2014

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## 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 transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.



# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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## 1. Significant accounting policies (continued):

### (h) Pension plan:

The Corporation provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Fund, and provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The fund is a contributory defined benefit pension plan. As this is a multi-employer plan, no liability is recorded on the Corporation's books.

The Employer's contributions to a multi-employer, defined benefit plan are expensed as obligations arise.

### (i) 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.

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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## 1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(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.

(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.

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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## 1. Significant accounting policies (continued):

### (j) 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.

### (k) 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.

### (l) 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.

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.

## 2. Funds held in trust:

Within investments are \$196,413 (2013 - \$191,385) of funds held in trust for cemetery operations. These pertain to proceeds from cemetery lot sales. The interest on these investments is to be used for the care and maintenance of the cemetery. Legislation prohibits the use of the principal investment.

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

### 3. 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:

	2014	2013
Current assets	\$ 35,212,647	\$ 33,846,694
Tangible capital assets	57,143,857	57,669,135
Other assets	7,210,526	5,544,163
<b>Total assets</b>	<b>\$ 99,567,030</b>	<b>\$ 97,059,992</b>
Current liabilities	\$ 22,191,566	\$ 19,824,135
Non-current liabilities	36,137,774	38,732,777
Shareholders' equity	41,237,690	38,503,080
<b>Total liabilities and shareholders' equity</b>	<b>\$ 99,567,030</b>	<b>\$ 97,059,992</b>
Revenues	\$125,846,935	\$118,660,901
Expenditures	121,728,949	114,389,072
<b>Net earnings</b>	<b>\$ 4,117,986</b>	<b>\$ 4,271,829</b>
Cash provided by (used in):		
Operating activities	\$ 12,222,531	\$ 8,549,611
Financing activities	(5,339,470)	(680,362)
Investing activities	(5,350,633)	(5,861,833)

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

	2014	2013
Investment in Bluewater Power Corporation, beginning of year	\$ 416,741	\$ 394,830
Share of net earnings	29,671	30,757
Dividends received or receivable	(9,960)	(8,846)
<b>Investment in Bluewater Power Corporation, end of year</b>	<b>\$ 436,452</b>	<b>\$ 416,741</b>

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 4. Deferred revenue:

A requirement of public sector accounting principles of the CPA Canada Handbook - Accounting 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:

	2014	2013
Federal gas tax	\$ 73,778	\$ -
Other deferred revenues	144,156	65,306
	<b>\$ 217,934</b>	<b>\$ 65,306</b>

## 5. 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 borrowings of the Municipality are as follows:

	2014	2013
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	\$ 636,859	\$ 659,567
BAI Minor Hockey debenture, repayable in blended quarterly instalments of \$1,040 including interest at a fixed rate of 5.25%, maturing 2015	3,040	6,914
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	66,176	76,357
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	554,692	590,479
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	79,974	85,134
	<b>1,340,741</b>	<b>1,418,451</b>

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 5. Long-term debt (continued):

	2014	2013
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	\$ 5,000	\$ 10,000
Waterline debentures, repayable in blended annual instalments of \$1,267 including interest at a fixed rate of 7.00%, maturing 2017	3,325	4,292
BMO debenture, repayable in quarterly principal instalments of \$2,160 including interest at prime, maturing 2015	8,640	17,280
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	62,833	66,886
Tile drainage loans, repayable in various blended annual payments including interest at fixed rates ranging from 6.00% to 8.00%, maturing 2015 to 2024 per annum	345,565	331,057
	425,363	429,515
	\$ 1,766,104	\$ 1,847,966

Interest paid on long-term debt during 2014 was \$73,093 (2013 - \$84,718). During the year, \$68,100 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
2015	\$ 149,881	\$ 70,005	\$ 219,886
2016	126,011	63,521	189,532
2017	122,287	57,743	180,030
2018	121,623	52,500	174,123
2019	123,746	46,866	170,612
Thereafter	1,122,556	250,194	1,372,750
	\$ 1,766,104	\$ 540,829	\$ 2,306,933

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 6. Tangible capital assets:

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

Cost	Balance December 31, 2013	Additions	Disposals	Balance December 31, 2014
Land	\$ 130,068	\$ -	\$ -	\$ 130,068
Land improvements	782,931	48,050	-	830,981
Buildings	5,283,530	47,229	-	5,330,759
Vehicles and equipment	5,162,952	196,557	(2,385)	5,357,124
Environmental infrastructure	9,327,344	209,724	-	9,537,068
Transportation infrastructure	14,604,113	558,446	-	15,162,559
Assets under construction	194,328	103,931	(194,173)	104,086
	<b>\$ 35,485,266</b>	<b>\$ 1,163,937</b>	<b>\$ (196,558)</b>	<b>\$ 36,452,645</b>

Accumulated amortization	Balance December 31, 2013	Amortization	Disposals	Balance December 31, 2014
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	246,001	29,573	-	275,574
Buildings	2,092,956	92,219	-	2,185,175
Vehicles and equipment	2,867,870	279,600	-	3,147,470
Environmental infrastructure	2,357,321	126,012	-	2,483,333
Transportation infrastructure	8,458,422	420,190	-	8,878,612
	<b>\$ 16,022,570</b>	<b>\$ 947,594</b>	<b>\$ -</b>	<b>\$ 16,970,164</b>

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 6. Tangible capital assets (continued):

Cost	Balance			Balance
	December 31, 2012	Additions	Disposals	
Land	\$ 130,068	\$ -	\$ -	\$ 130,068
Land improvements	782,931	-	-	782,931
Buildings	5,059,555	223,975	-	5,283,530
Vehicles and equipment	5,121,764	41,188	-	5,162,952
Environmental infrastructure	8,546,486	780,858	-	9,327,344
Transportation infrastructure	14,394,757	209,356	-	14,604,113
Assets under construction	36,260	194,328	(36,260)	194,328
	<b>\$ 34,071,821</b>	<b>\$ 1,449,705</b>	<b>\$ (36,260)</b>	<b>\$ 35,485,266</b>

Accumulated amortization	Balance			Balance
	December 31, 2012	Amortization	Disposals	
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	218,831	27,170	-	246,001
Buildings	2,004,084	88,872	-	2,092,956
Vehicles and equipment	2,580,226	287,644	-	2,867,870
Environmental infrastructure	2,234,106	395,059	-	2,357,321
Transportation infrastructure	8,063,363	123,215	-	8,458,422
	<b>\$ 15,100,610</b>	<b>\$ 921,960</b>	<b>\$ -</b>	<b>\$ 16,022,570</b>

Net book value	Balance		Balance
	December 31, 2013	December 31, 2014	
Land	\$ 130,068		\$ 130,068
Land improvements	536,930		555,407
Buildings	3,190,574		3,145,584
Vehicles and equipment	2,295,082		2,209,654
Environmental infrastructure	6,970,023		7,053,735
Transportation infrastructure	6,145,691		6,283,947
Assets under construction	194,328		104,086
	<b>\$ 19,462,696</b>		<b>\$ 19,482,481</b>



# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 7. Pension plan:

The Corporation contributed \$27,448 (2013 - \$17,340) to OMERS on behalf of its employees for current service. Contributions in 2014 were 9.0% (2013 - 9.0%) for employee earnings below the year's maximum pensionable earnings and 14.6% (2013 - 14.6%) thereafter. Contributions are included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus.

## 8. Accumulated surplus:

	2014	2013
Surplus:		
General deficit	\$ (115,247)	\$ (335,662)
Alvinston special area deficit	(11,262)	(3,447)
Inwood special area	10,800	9,808
Water operations deficit	(396,614)	(310,515)
Sewer	181,921	272,654
Inwood sewer	122,052	126,164
Community centre	240,137	261,808
Canada Day committee	9,787	9,641
Cemetery	136,739	134,281
Inwood	24,927	23,908
Investment in Bluewater Power Distribution Corporation	436,452	416,741
Invested in tangible capital assets	19,482,481	19,462,696
	20,122,173	20,068,077
Unfunded:		
Long-term debt used to finance tangible capital assets	(1,390,906)	(1,468,614)
Total surplus	18,731,267	18,599,463
Reserves set aside for specific purposes of the Municipality:		
Reserves (Schedule)	2,083,115	1,890,078
Reserve funds set aside for specific purposes by the Municipality:		
Reserve Funds (Schedule)	293,120	305,005
	\$ 21,107,502	\$ 20,794,546

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 9. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2014 operating and capital budgets approved by the Council on June 19, 2014. 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	\$ 4,002,692
Total revenue	4,002,692
Expenses:	
Operating budget	4,312,917
Total expenses	4,312,917
Annual deficit, as budgeted	(310,225)
Amortization	(947,594)
Capital expenditures	967,379
Annual deficit, revised	\$ (290,440)

## 10. Financial instruments:

The Municipality's financial instruments include cash, accounts receivable, taxes receivable, investments, accounts payable and accrued liabilities, and long-term debt. The fair values of these financial instruments, excluding long-term debt, approximate their carrying value due to the expected short-term maturity of these instruments. The long-term debt facilities 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, 2014

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## 11. 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:

	2014	2013
Property taxes collected on behalf of the County of Lambton	\$ 1,283,395	\$ 1,243,058
Amounts collected on behalf of school boards	1,112,951	1,109,260
Amounts remitted to school boards and the County of Lambton	(2,396,346)	(2,352,318)
	\$ -	\$ -

## 12. Comparative information:

Certain of the 2013 comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

## 13. 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, 2014, 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, 2014

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## 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, 2014

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## 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, 2014, with comparative information for 2013

	2014 Budget	2014 Actual	2013 Actual
Materials	\$ 3,283,095	\$ 3,390,384	\$ 3,124,751
Salaries and benefits	1,018,926	1,123,019	1,062,989
Amortization	-	947,594	921,960
Interest expense	10,896	79,895	84,718
	\$ 4,312,917	\$ 5,540,892	\$ 5,194,418

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE- ALVINSTON

## Consolidated Schedule - Reserves and Reserve Funds

Year ended December 31, 2014, with comparative information for 2013

	2014	Appropriations to (from) reserves	2013
<b>Reserves:</b>			
Working capital	\$ 874,612	\$ -	\$ 874,612
Inwood fire department	50,000	20,000	30,000
Election	-	(9,972)	9,972
Storm sewers	20,800	-	20,800
Water	36,477	-	36,477
Sewers	64,318	-	64,318
Alvinston fire department	101,745	20,000	81,745
General	260,000	130,000	130,000
Roads	499,004	50,000	449,004
Community centre	118,009	(26,991)	145,000
Hospital	13,150	-	13,150
Municipal Building	40,000	40,000	-
Other	-	(30,000)	30,000
Alvinston lighting	5,000	-	5,000
	<u>2,083,115</u>	<u>193,037</u>	<u>1,890,078</u>
<b>Reserve funds:</b>			
Alvinston general	176,829	(12,656)	189,485
Inwood fire department	34,041	225	33,816
Sewer	2,244	15	2,229
Water	58,007	385	57,622
Alvinston capital utility	21,999	146	21,853
	<u>293,120</u>	<u>(11,885)</u>	<u>305,005</u>
	<u>\$ 2,376,235</u>	<u>\$ 181,152</u>	<u>\$ 2,195,083</u>

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

## Consolidated Schedule - Segmented Financial Information

Year ended December 31, 2014

December 31, 2014	General government	Protection services	Transportation services	Water and sewer	Other environmental	Health services	Recreation and culture services	Planning and development	Total
Revenue:									
Property taxation	\$ 2,070,826	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,070,826
User charges	11,533	12,166	10,605	356,518	-	8,501	216,026	123,220	738,569
Government of Canada	-	-	2,181	-	-	-	3,000	-	5,181
Province of Ontario	1,511,151	-	-	458,523	-	-	-	221,137	2,190,811
Revenue from other municipalities	-	67,219	-	-	-	-	-	67,260	134,479
Penalties and interest on taxes	71,629	-	-	-	-	-	-	-	71,629
Investment income	37,563	-	-	-	-	9,217	-	-	46,780
Donations	-	17,757	-	-	-	-	31,292	2,097	51,146
Gain on sale of tangible capital assets	-	-	-	-	-	-	2,615	-	2,615
Share of income of Bluewater Power Corporation	19,711	-	-	-	-	-	-	-	19,711
Other	838	3,400	-	10	-	12,297	1,235	62,311	80,091
Prepaid special charges	-	-	-	-	-	-	-	442,010	442,010
	3,723,251	100,542	12,786	815,051	-	30,015	254,168	918,035	5,853,848
Expenses:									
Materials	193,642	808,482	718,983	471,423	146,444	23,764	225,923	801,723	3,390,384
Salaries and benefits	371,252	98,594	415,036	-	-	39,312	196,425	2,400	1,123,019
Amortization	21,620	85,315	476,255	242,915	-	2,256	105,367	13,866	947,594
Interest expense	-	-	-	51,509	-	-	-	28,386	79,895
	586,514	992,391	1,610,274	765,847	146,444	65,332	527,715	846,375	5,540,892
Net surplus (deficit)	\$ 3,136,737	\$ (891,849)	\$(1,597,488)	\$ 49,204	\$ (146,444)	\$ (35,317)	\$ (273,547)	\$ 71,660	\$ 312,956



# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

## Consolidated Schedule - Segmented Financial Information

Year ended December 31, 2013

December 31, 2013	General government	Protection services	Transportation services	Water and sewer	Other environmental	Health services	Recreation and culture services	Planning and development	Total
Revenue:									
Property taxation	\$ 2,018,477	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,018,477
User charges	8,759	15,833	4,731	367,498	-	14,309	215,535	132,398	759,063
Government of Canada	249,705	-	150,615	-	-	-	-	-	400,320
Province of Ontario	1,629,300	960	-	-	-	-	-	87,463	1,717,723
Revenue from other municipalities	-	78,167	4,035	-	-	-	-	34,008	116,210
Penalties and interest on taxes	80,267	-	-	-	-	-	-	-	80,267
Investment income	42,594	-	-	-	-	-	-	-	42,594
Donations	19,037	-	-	-	-	-	5,951	-	24,988
Loss on sale of tangible capital assets	-	-	-	-	-	-	-	-	-
Share of income of Bluewater Power Corporation	30,757	-	-	-	-	-	-	-	30,757
Other	158,318	1,995	-	-	-	-	1,347	60,155	221,815
Prepaid special charges	-	-	-	-	-	-	-	203,551	203,551
	4,237,214	96,955	159,381	367,498	-	14,309	222,833	517,575	5,615,765
Expenses:									
Materials	101,286	741,864	930,991	430,129	140,360	37,065	319,197	423,859	3,124,751
Salaries and benefits	327,580	109,879	405,336	-	-	22,755	196,739	700	1,062,989
Amortization	22,080	81,489	466,469	244,752	-	2,545	98,274	6,351	921,960
Interest expense	-	-	-	54,860	-	-	-	29,858	84,718
	450,946	933,232	1,802,796	729,741	140,360	62,365	614,210	460,768	5,194,418
Net surplus (deficit)	\$ 3,786,268	\$ (836,277)	\$(1,643,415)	\$(362,243)	\$(140,360)	\$(48,056)	\$(391,377)	\$ 56,807	\$ 421,347