

Consolidated Financial Statements of

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

Year ended December 31, 2015



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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, 2015, 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 consolidated financial position of The Corporation of the Municipality of Brooke-Alvinston as at December 31, 2015, and its results of consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

October 13, 2016

London, Canada

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Consolidated Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Financial Assets		
Cash and cash equivalents	\$ 1,361,418	\$ 830,399
Accounts receivable	1,035,425	1,140,270
Taxes receivable	321,134	292,216
Loans receivable	539,328	508,057
Investments (note 2)	450,450	590,783
Investment in Bluewater Power Corporation (note 3)	436,897	436,452
	<u>4,144,652</u>	<u>3,798,177</u>
Financial Liabilities		
Accounts payable and accrued liabilities	335,980	160,908
Deferred revenue (note 4)	289,989	217,934
Long-term debt (note 5)	1,790,625	1,766,104
Funds held in trust (note 2)	193,950	196,413
	<u>2,610,544</u>	<u>2,341,359</u>
Net financial assets	1,534,108	1,456,818
Non-Financial Assets		
Tangible capital assets (note 6)	19,272,292	19,482,481
Inventories held for consumption	108,120	139,440
Prepaid expenses and deposits	8,614	28,763
Contingencies (note 13)		
Accumulated surplus (note 8)	<u>\$ 20,923,134</u>	<u>\$ 21,107,502</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, 2015, with comparative information for 2014

	2015 Budget	2015 Actual	2014 Actual
Revenues:			
Property taxation	\$ 2,195,283	\$ 2,225,672	\$ 2,070,826
User charges	321,400	741,854	738,569
Government of Canada	20,222	3,000	5,181
Province of Ontario	1,315,331	1,450,347	2,190,811
Revenue from other municipalities	201,185	107,826	134,479
Penalties and interest on taxes	60,200	53,746	71,629
Investment income	7,500	68,042	46,780
Donations	-	54,452	51,146
Gain (loss) on sale of tangible capital assets	-	(7,159)	2,615
Share of income of Bluewater Power Corporation	-	445	19,711
Prepaid special charges	-	307,891	442,010
Other	8,950	91,567	80,091
	<u>4,130,071</u>	<u>5,097,683</u>	<u>5,853,848</u>
Expenditures:			
General government	563,880	519,463	586,514
Protection services	1,418,466	918,724	992,391
Transportation services	1,534,944	1,762,856	1,610,274
Water and sewer	-	746,316	765,847
Other environmental services	145,907	141,682	146,444
Health services	750	81,368	65,332
Recreation and cultural services	472,014	510,899	527,715
Planning and development	109,150	600,743	846,375
	<u>4,245,111</u>	<u>5,282,051</u>	<u>5,540,892</u>
Annual surplus (deficit)	(115,040)	(184,368)	312,956
Accumulated surplus, beginning of year	21,107,502	21,107,502	20,794,546
Accumulated surplus, end of year	<u>\$ 20,992,462</u>	<u>\$ 20,923,134</u>	<u>\$ 21,107,502</u>

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, 2015, with comparative information for 2014

	2015	2014
Annual surplus (deficit)	\$ (184,368)	\$ 312,956
Acquisition of tangible capital assets	(812,588)	(969,764)
Amortization of tangible capital assets	982,162	947,594
Gain (loss) on disposal of tangible capital assets	7,159	(2,615)
Proceeds on sale of tangible capital assets	33,456	5,000
	25,821	293,171
Change in inventories held for consumption	31,320	(69,606)
Change in prepaid expenses and deposits	20,149	(14,925)
	51,469	(84,531)
Change in net financial assets	77,290	208,640
Net financial assets, beginning of year	1,456,818	1,248,178
Net financial assets, end of year	\$ 1,534,108	\$ 1,456,818

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Consolidated Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (184,368)	\$ 312,956
Adjustments for:		
Amortization of tangible capital assets	982,162	947,594
Gain (loss) on disposal of capital assets	7,159	(2,615)
Changes in non-cash operating working capital:		
Accounts receivable	104,845	352,228
Taxes receivable	(28,918)	262,450
Loans receivable	(31,271)	8,260
Accounts payable and accrued liabilities	175,072	(268,476)
Deferred revenue	72,055	152,628
Inventories held for consumption	31,320	(69,606)
Prepaid expenses and deposits	20,149	(14,925)
Funds held in trust	(2,463)	5,028
	1,145,742	1,685,522
Financing activities:		
Repayment of long-term debt	(149,879)	(149,962)
Proceeds from long-term debt	174,400	68,100
	24,521	(81,862)
Investing activities:		
Investment in Bluewater Power Corporation	(445)	(19,711)
Additions to capital assets	(812,588)	(969,764)
Proceeds on disposal of capital assets	33,456	5,000
Investments	140,333	(157,309)
	(639,244)	(1,141,784)
Increase in cash	531,019	461,876
Cash and cash equivalents, beginning of year	830,399	368,523
Cash and cash equivalents, end of year	\$ 1,361,418	\$ 830,399

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements

Year ended December 31, 2015

The Municipality of Brooke-Alvinston ("Municipality" or "Corporation") 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, 2015

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, 2015

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	7-100
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, 2015

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, 2015

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.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(m) Liabilities for contaminated sites:

In June 2010, PSAB issued PS3260, Liability for Contaminated Sites effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceed an environmental standard.

The Municipality recognizes a liability for remediation of a contaminated site when the site is no longer in productive use or an unexpected event resulting in contamination has occurred and the following criteria are satisfied: contamination exceeds an environmental standard, the Municipality is either directly responsible or has accepted responsibility for remediation, it is expected future economic benefits will be given up and a reasonable estimate of the amount can be made. Future economic benefits are expected to be given up if the Municipality has an external obligation to remediate a site or has commenced remediation on its own accord. The adoption of this standard has been applied retroactively. There were no changes to the financial statements as a result of the implementation of this standard.

2. Funds held in trust:

Within investments are \$193,950 (2014 - \$196,413) 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, 2015

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:

	2015	2014
Current assets	\$ 32,798,683	\$ 34,085,653
Tangible capital assets	55,279,649	51,809,351
Regulatory balances	6,660,625	4,784,683
Other assets	7,775,288	8,560,772
Total assets	\$102,514,245	\$ 99,240,459
Current liabilities	\$ 22,046,594	\$ 20,028,677
Non-current liabilities	35,592,704	34,878,498
Regulatory balances	3,575,386	4,138,802
Shareholders' equity	41,299,561	40,194,482
Total liabilities and shareholders' equity	\$102,514,245	\$ 99,240,459
Revenues	\$136,449,483	\$124,812,957
Operating expenses	131,621,697	120,579,113
Other income (expenses)	(2,066,042)	(2,003,406)
Income tax expense	1,351,000	1,570,000
Net movement in regulatory balances	2,449,358	3,538,557
Other comprehensive income	(36,741)	(1,079,108)
Net earnings	\$ 3,823,361	\$ 3,119,887
Cash provided by (used in):		
Operating activities	\$ 7,966,281	\$ 8,943,984
Financing activities	(9,138,536)	(5,350,633)
Investing activities	(2,161,079)	(2,060,923)

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

3. Investment in Bluewater Power Corporation (continued):

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

	2015	2014
Investment in Bluewater Power Corporation, beginning of year	\$ 436,452	\$ 416,741
Share of net earnings	20,016	29,671
Dividends received or receivable	(19,571)	(9,960)
Investment in Bluewater Power Corporation, end of year	\$ 436,897	\$ 436,452

Adoption of International Financial Reporting Standards ("IFRS"):

The Canadian Accounting Standards Board ("AcSB") provided deferrals which allow rate regulated entities to defer the adoption of IFRS until January 1, 2015. This is the first year end for which Bluewater Power Corporation's financial statements have been prepared in accordance with IFRS.

The impact of the adoption of IFRS on Bluewater Corporation's financial position and results of operations is detailed in their financial statements and note disclosures.

As a result of the adoption of IFRS, the municipality's investment in Bluewater Power Corporation was reduced by \$7,016. This adjustment is non-recurring and has been treated on a prospective basis.

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

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:

	2015	2014
Federal gas tax	\$ 160,307	\$ 73,778
Other deferred revenues	129,682	144,156
	\$ 289,989	\$ 217,934

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:

	2015	2014
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	\$ 613,570	\$ 636,859
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
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	55,762	66,176
OPIC sewer, Inwood system, serial debenture, repayable in semi-annual principal instalments of \$17,775 plus interest at a fixed rate of 4.54%, maturing 2030	515,475	554,692
OPIC sewer, Alvinston upgrades, serial debenture, repayable in semi-annual principal instalments of \$2,475 plus interest at a fixed rate of 4.54%, maturing 2030	71,775	79,974
Infrastructure Ontario firetruck debenture, repayable in semi-annual principal instalments of \$16,000 plus interest at a fixed rate of 1.67%, maturing 2020	160,000	-
	1,416,582	1,340,741

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

5. Long-term debt (continued):

	2015	2014
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
Waterline debentures, repayable in blended annual instalments of \$1,267 including interest at a fixed rate of 7.00%, maturing 2017	2,292	3,325
BMO debenture, repayable in quarterly principal instalments of \$2,160 including interest at prime, maturing 2015	-	8,640
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	65,250	62,833
Tile drainage loans, repayable in various blended annual payments including interest at 6.00%, maturing 2016 to 2025	306,501	345,565
	<u>374,043</u>	<u>425,363</u>
	<u>\$ 1,790,625</u>	<u>\$ 1,766,104</u>

Interest paid on long-term debt during 2015 was \$72,205 (2014 - \$73,093). During the year, \$14,400 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
2016	\$ 159,104	\$ 66,931	\$ 226,035
2017	155,446	60,546	215,992
2018	154,850	54,498	209,348
2019	157,047	48,528	205,575
2020	158,557	42,516	201,073
Thereafter	1,005,621	210,362	1,215,983
	<u>\$ 1,790,625</u>	<u>\$ 483,381</u>	<u>\$ 2,274,006</u>

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

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, 2014	Additions	Disposals	Balance December 31, 2015
Land	\$ 130,068	\$ -	\$ -	\$ 130,068
Land improvements	830,981	68,118	-	899,099
Buildings	5,330,759	43,533	-	5,374,292
Vehicles and equipment	5,357,124	653,517	(158,706)	5,851,935
Environmental infrastructure	9,537,068	90,112	-	9,627,180
Transportation infrastructure	15,162,559	26,126	-	15,188,685
Assets under construction	104,086	35,268	(104,086)	35,268
	\$ 36,452,645	\$ 916,674	\$ (262,792)	\$ 37,106,527

Accumulated amortization	Balance December 31, 2014	Amortization	Disposals	Balance December 31, 2015
Land improvements	\$ 275,574	\$ 34,319	\$ -	\$ 309,893
Buildings	2,185,175	94,002	-	2,279,177
Vehicles and equipment	3,147,470	294,183	118,091	3,323,562
Environmental infrastructure	2,483,333	127,208	-	2,610,541
Transportation infrastructure	8,878,612	432,450	-	9,311,062
	\$ 16,970,164	\$ 982,162	\$ 118,091	\$ 17,834,235

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

6. Tangible capital assets (continued):

Cost	Balance			Balance
	December 31, 2013	Additions	Disposals	
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
	\$ 35,485,266	\$ 1,163,937	\$ (196,558)	\$ 36,452,645

Accumulated amortization	Balance			Balance
	December 31, 2013	Amortization	Disposals	
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
8458422	8,458,422	420,190	-	8,878,612
	\$ 16,022,570	\$ 947,594	\$ -	\$ 16,970,164

Net book value	Balance		Balance
	December 31, 2014	December 31, 2015	
Land	\$ 130,068		\$ 130,068
Land improvements	555,407		589,206
Buildings	3,145,584		3,095,115
Vehicles and equipment	2,209,654		2,528,373
Environmental infrastructure	7,053,735		7,016,639
Transportation infrastructure	6,283,947		5,877,623
Assets under construction	104,086		35,268
	\$ 19,482,481		\$ 19,272,292

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

7. Pension plan:

The Corporation contributed \$34,566 (2014 - \$27,448) to OMERS on behalf of its employees for current service. Contributions in 2015 were 9.0% (2014 - 9.0%) for employee earnings below the year's maximum pensionable earnings and 14.6% (2014 - 14.6%) thereafter. Contributions are included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus.

8. Accumulated surplus:

	2015	2014
Surplus:		
General deficit	\$ 215,365	\$ (115,247)
Alvinston special area deficit	(6,052)	(11,262)
Inwood special area	7,035	10,800
Water operations deficit	(441,682)	(396,614)
Sewer	123,602	181,921
Inwood sewer	111,795	122,052
Community centre	197,171	240,137
Canada Day committee	8,934	9,787
Cemetery	43,353	136,739
Inwood	27,321	24,927
Investment in Bluewater Power Distribution Corporation	436,897	436,452
Invested in tangible capital assets	19,272,292	19,482,481
	19,996,031	20,122,173
Unfunded:		
Long-term debt used to finance tangible capital assets	(1,466,747)	(1,390,906)
Total surplus	18,529,284	18,731,267
Reserves set aside for specific purposes of the Municipality:		
Reserves (Schedule)	2,194,370	2,083,115
Reserve funds set aside for specific purposes by the Municipality:		
Reserve Funds (Schedule)	199,480	293,120
	\$ 20,923,134	\$ 21,107,502

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

9. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2015 operating and capital budgets approved by the Council on April 27, 2015. 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	\$ 4,130,071
Total revenue	4,130,071
Expenses:	
Operating budget	4,245,111
Total expenses	4,245,111
Annual deficit, as budgeted	(115,040)
Amortization	(980,609)
Capital expenditures	812,588
Annual deficit, revised	\$ (283,061)

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, 2015

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:

	2015	2014
Property taxes collected on behalf of the County of Lambton	\$ 1,321,797	\$ 1,283,395
Amounts collected on behalf of school boards	1,108,291	1,112,951
Amounts remitted to school boards and the County of Lambton	(2,430,088)	(2,396,346)
	\$ -	\$ -

12. Comparative information:

Certain of the 2014 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, 2015, 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, 2015

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, 2015

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, 2015, with comparative information for 2014

	2015 Budget	2015 Actual	2014 Actual
Materials	\$ 3,094,548	\$ 3,100,537	\$ 3,390,385
Salaries and benefits	1,129,829	1,123,965	1,123,018
Amortization	-	980,609	947,594
Interest expense	20,734	76,940	79,895
	\$ 4,245,111	\$ 5,282,051	\$ 5,540,892

THE CORPORATION OF THE MUNICIPALITY OF BROOKE- ALVINSTON

Consolidated Schedule - Reserves and Reserve Funds

Year ended December 31, 2015, with comparative information for 2014

	2015	Appropriations to (from) reserves	2014
Reserves:			
Working capital	\$ 874,612	\$ -	\$ 874,612
Inwood fire department	-	(50,000)	50,000
Election	3,000	3,000	-
Storm sewers	20,800	-	20,800
Water	36,477	-	36,477
Sewers	64,318	-	64,318
Alvinston fire department	-	(101,745)	101,745
General	310,000	50,000	260,000
Roads	589,004	90,000	499,004
Community centre	178,009	60,000	118,009
Hospital	13,150	-	13,150
Municipal Building	80,000	40,000	40,000
Other	20,000	20,000	-
Alvinston lighting	5,000	-	5,000
	<u>2,194,370</u>	<u>111,255</u>	<u>2,083,115</u>
Reserve funds:			
Alvinston general	116,751	(60,078)	176,829
Inwood fire department	-	(34,041)	34,041
Sewer	2,257	13	2,244
Water	58,345	338	58,007
Alvinston capital utility	22,127	128	21,999
	<u>199,480</u>	<u>(93,640)</u>	<u>293,120</u>
	<u>\$ 2,393,850</u>	<u>\$ 17,615</u>	<u>\$ 2,376,235</u>

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Consolidated Schedule - Segmented Financial Information

Year ended December 31, 2015

December 31, 2015	General government	Protection services	Transportation services	Water and sewer	Other environmental	Health services	Recreation and culture services	Planning and development	Total
Revenue:									
Property taxation	\$ 2,225,672	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,225,672
User charges	32,801	48,692	6,114	380,610	-	13,841	214,866	44,930	741,854
Government of Canada	-	-	-	-	-	-	3,000	-	3,000
Province of Ontario	1,305,108	-	-	14,636	2,212	-	-	128,391	1,450,347
Revenue from other municipalities	-	75,954	-	-	-	-	-	31,872	107,826
Penalties and interest on taxes	53,746	-	-	-	-	-	-	-	53,746
Investment income	45,454	-	-	-	-	22,588	-	-	68,042
Donations	6,113	300	-	-	-	14,144	31,845	2,050	54,452
Gain (loss) on sale of tangible capital assets	-	-	(7,159)	-	-	-	-	-	(7,159)
Share of income of Bluewater Power Corporation	445	-	-	-	-	-	-	-	445
Other	13,587	300	-	-	-	80	-	77,600	91,567
Prepaid special charges	-	-	-	-	-	-	-	307,891	307,891
	3,682,926	125,246	(1,045)	395,246	2,212	50,653	249,711	592,734	5,097,683
Expenses:									
Materials	129,174	719,049	863,910	448,968	141,682	18,865	213,280	565,609	3,100,537
Salaries and benefits	368,920	102,019	397,255	-	-	59,615	195,056	1,100	1,123,965
Amortization	21,369	97,656	501,691	248,073	-	2,888	100,275	8,657	980,609
Interest expense	-	-	-	49,275	-	-	2,288	25,377	76,940
	519,463	918,724	1,762,856	746,316	141,682	81,368	510,899	600,743	5,282,051
Net surplus (deficit)	\$ 3,163,463	\$ (793,478)	\$(1,763,901)	\$ (351,070)	\$ (139,470)	\$ (30,715)	\$ (261,188)	\$ (8,009)	\$ (184,368)

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 (loss) 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