

Consolidated Financial Statements of

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

Year ended December 31, 2016



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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, 2016, 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, including schedules.

### *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, 2016, and its results of consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

September 28, 2017

London, Canada

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

Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 1,843,406	\$ 1,361,418
Accounts receivable	729,797	1,035,425
Taxes receivable	340,858	321,134
Loans receivable	541,779	539,328
Investments (note 2)	453,989	450,450
Investment in Bluewater Power Corporation (note 3)	445,797	436,897
	<u>4,355,626</u>	<u>4,144,652</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	466,032	404,763
Deferred revenue (note 4)	66,320	221,206
Long-term debt (note 5)	2,313,899	1,790,625
Funds held in trust (note 2)	193,950	193,950
	<u>3,040,201</u>	<u>2,610,544</u>
Net financial assets	1,315,425	1,534,108
<b>Non-Financial Assets</b>		
Tangible capital assets (note 6)	19,685,888	19,272,292
Inventories held for consumption	75,335	108,120
Prepaid expenses and deposits	22,374	8,614
Contingencies (note 13)		
Accumulated surplus (note 8)	<u>\$ 21,099,022</u>	<u>\$ 20,923,134</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, 2016, with comparative information for 2015

	2016 Budget	2016 Actual	2015 Actual
<b>Revenues:</b>			
Property taxation	\$ 2,388,831	\$ 2,402,422	\$ 2,196,996
User charges	783,073	775,852	776,556
Government of Canada	242,000	228,024	3,000
Province of Ontario	1,190,403	1,256,039	1,450,348
Revenue from other municipalities	74,410	76,257	107,826
Penalties and interest on taxes	50,350	59,939	53,746
Investment income	6,000	63,685	59,905
Donations	-	46,581	56,562
Gain (loss) on sale of tangible capital assets	-	3,063	(7,159)
Share of income of Bluewater Power Corporation	-	8,900	445
Prepaid special charges	-	171,321	307,891
Other	8,820	89,686	91,567
	<u>4,743,887</u>	<u>5,181,769</u>	<u>5,097,683</u>
<b>Expenditures:</b>			
General government	573,014	531,813	519,463
Protection services	862,540	860,351	918,724
Transportation services	2,533,202	1,703,545	1,762,856
Water and sewer	601,441	763,190	746,316
Other environmental services	151,698	145,243	141,682
Health services	850	80,783	81,368
Recreation and cultural services	542,235	507,594	508,611
Planning and development	126,950	413,362	603,031
	<u>5,391,930</u>	<u>5,005,881</u>	<u>5,282,051</u>
Annual surplus (deficit)	(648,043)	175,888	(184,368)
Accumulated surplus, beginning of year	20,923,134	20,923,134	21,107,502
Accumulated surplus, end of year	<u>\$ 20,275,091</u>	<u>\$ 21,099,022</u>	<u>\$ 20,923,134</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, 2016, with comparative information for 2015

	2016	2015
Annual surplus (deficit)	\$ 175,888	\$ (184,368)
Acquisition of tangible capital assets	(1,286,794)	(812,588)
Amortization of tangible capital assets	852,567	982,162
Gain (loss) on disposal of tangible capital assets	(3,063)	7,159
Proceeds on sale of tangible capital assets	23,694	33,456
	(237,708)	25,821
Change in inventories held for consumption	32,785	31,320
Change in prepaid expenses and deposits	(13,760)	20,149
	19,025	51,469
Change in net financial assets	(218,683)	77,290
Net financial assets, beginning of year	1,534,108	1,456,818
Net financial assets, end of year	\$ 1,315,425	\$ 1,534,108

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE- ALVINSTON

## Consolidated Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 175,888	\$ (184,368)
Adjustments for:		
Amortization of tangible capital assets	852,567	982,162
Gain (loss) on disposal of capital assets	(3,063)	7,159
Changes in non-cash operating working capital:		
Accounts receivable	305,628	104,845
Taxes receivable	(19,724)	(28,918)
Loans receivable	(2,451)	(31,271)
Accounts payable and accrued liabilities	61,269	175,072
Deferred revenue	(154,886)	72,055
Inventories held for consumption	32,785	31,320
Prepaid expenses and deposits	(13,760)	20,149
Funds held in trust	-	(2,463)
	1,234,253	1,145,742
Financing activities:		
Repayment of long-term debt	(164,026)	(149,879)
Proceeds from long-term debt	687,300	174,400
	523,274	24,521
Investing activities:		
Investment in Bluewater Power Corporation	(8,900)	(445)
Additions to capital assets	(1,286,794)	(812,588)
Proceeds on disposal of capital assets	23,694	33,456
Investments	(3,539)	140,333
	(1,275,539)	(639,244)
Increase in cash	481,988	531,019
Cash and cash equivalents, beginning of year	1,361,418	830,399
Cash and cash equivalents, end of year	\$ 1,843,406	\$ 1,361,418

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements

Year ended December 31, 2016

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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 and Inwood Community Centre Board.

### (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, 2016

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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, 2016

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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	7-100
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, 2016

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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, 2016

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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.

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (m) Liabilities for contaminated sites:

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.

## 2. Funds held in trust:

Within investments are \$193,950 (2015 - \$193,950) 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, 2016

## 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:

	2016	2015
Current assets	\$ 33,630,344	\$ 32,798,683
Tangible capital assets	61,077,118	55,279,649
Regulatory balances	2,572,446	6,660,625
Other assets	7,031,258	7,775,288
<b>Total assets</b>	<b>\$104,311,166</b>	<b>\$102,514,245</b>
Current liabilities	\$ 20,466,249	\$ 22,046,594
Non-current liabilities	37,797,675	35,592,704
Regulatory balances	3,511,623	3,575,386
Shareholders' equity	42,535,619	41,299,561
<b>Total liabilities and shareholders' equity</b>	<b>\$104,311,166</b>	<b>\$102,514,245</b>
Revenues	\$148,739,522	\$136,449,483
Operating expenses	(136,070,476)	(131,621,697)
Other income (expenses)	(2,769,108)	(2,066,042)
Income tax expense	(1,560,000)	(1,351,000)
Net movement in regulatory balances	(3,523,416)	2,449,358
Other comprehensive income	(1,980,470)	(36,741)
<b>Net earnings</b>	<b>\$ 2,836,052</b>	<b>\$ 3,823,361</b>
Cash provided by (used in):		
Operating activities	\$ 8,594,347	\$ 7,966,281
Financing activities	(10,064,956)	(9,138,536)
Investing activities	(1,964,117)	(2,161,079)

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

### 3. Investment in Bluewater Power Corporation (continued):

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

	2016	2015
Investment in Bluewater Power Corporation, beginning of year	\$ 436,897	\$ 436,452
Share of net earnings	20,420	20,016
Dividends received or receivable	(11,520)	(19,571)
Investment in Bluewater Power Corporation, end of year	\$ 445,797	\$ 436,897

### 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:

	2016	2015
Federal gas tax	\$ -	\$ 160,307
Other deferred revenues	66,320	60,899
	\$ 66,320	\$ 221,206

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 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:

	2016	2015
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	\$ 589,686	\$ 613,570
Infrastructure Ontario Inwood storm sewer debenture, repayable in blended semi-annual instalments of \$34,126 including interest at a fixed rate of 2.52% per annum, maturing 2026	600,000	-
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	45,110	55,762
OPIC sewer, Inwood system, serial debenture, repayable in semi-annual principal instalments of \$17,775 plus interest at a fixed rate of 4.54% per annum, maturing 2030	479,925	515,475
OPIC sewer, Alvinston upgrades, serial debenture, repayable in semi-annual principal instalments of \$2,475 plus interest at a fixed rate of 4.54% per annum, maturing 2030	66,825	71,775
Infrastructure Ontario firetruck debenture, repayable in semi-annual principal instalments of \$16,000 plus interest at at fixed rate of 1.67% per annum, maturing 2020	128,000	160,000
	<u>1,909,546</u>	<u>1,416,582</u>



# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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

	2016	2015
To finance municipal services:		
Waterline debentures, repayable in blended annual instalments of \$1,267 including interest at a fixed rate of 7.00% per annum, maturing 2017	\$ 1,184	\$ 2,292
OPIC sewer, Inwood connections, serial debenture, repayable in semi-annual principal instalments of \$2,027 plus interest at a fixed rate of 4.54% per annum, maturing 2030	60,750	65,250
Tile drainage loans, repayable in various blended annual payments including interest at 6.00% per annum, maturing 2017 to 2026	342,419	306,501
	404,353	374,043
	\$ 2,313,899	\$ 1,790,625

Interest paid on long-term debt during 2016 was \$66,774 (2015 - \$72,205). During the year, \$87,300 (2015 - \$14,400) in new tile drainage loans was incurred. The Municipality has an operating loan with \$2,000,000 available to be drawn on it.

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

	Principal	Interest	Total
2017	\$ 214,663	\$ 80,274	\$ 294,937
2018	215,768	72,727	288,495
2019	219,721	64,729	284,450
2020	223,044	56,859	279,903
2021	170,094	49,114	219,208
Thereafter	1,270,609	202,325	1,472,934
	\$ 2,313,899	\$ 526,028	\$ 2,839,927

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 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, 2015	Additions	Disposals	Balance December 31, 2016
Land	\$ 130,068	\$ -	\$ -	\$ 130,068
Land improvements	899,099	6,670	-	905,769
Buildings	5,374,292	122,844	-	5,497,136
Vehicles and equipment	5,851,935	143,312	(40,998)	5,954,249
Environmental infrastructure	9,627,180	514,571	-	10,141,751
Transportation infrastructure	15,188,685	520,286	-	15,708,971
Assets under construction	35,268	14,379	(35,268)	14,379
	<b>\$ 37,106,527</b>	<b>\$ 1,322,062</b>	<b>\$ (76,266)</b>	<b>\$ 38,352,323</b>

Accumulated amortization	Balance December 31, 2015	Amortization	Disposals	Balance December 31, 2016
Land improvements	\$ 309,893	\$ 30,263	\$ -	\$ 340,156
Buildings	2,279,177	97,772	-	2,376,949
Vehicles and equipment	3,323,562	287,772	(20,367)	3,590,967
Environmental infrastructure	2,610,541	134,073	-	2,744,614
Transportation infrastructure	9,311,062	302,687	-	9,613,749
	<b>\$ 17,834,235</b>	<b>\$ 852,567</b>	<b>\$ (20,367)</b>	<b>\$ 18,666,435</b>

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 6. Tangible capital assets (continued):

Cost	Balance			Balance
	December 31, 2014	Additions	Disposals	
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
	<b>\$ 36,452,645</b>	<b>\$ 916,674</b>	<b>\$ (262,792)</b>	<b>\$ 37,106,527</b>

Accumulated amortization	Balance			Balance
	December 31, 2014	Amortization	Disposals	
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
8458422	8,878,612	432,450	-	9,311,062
	<b>\$ 16,970,164</b>	<b>\$ 982,162</b>	<b>\$ (118,091)</b>	<b>\$ 17,834,235</b>

Net book value	Balance		Balance
	December 31, 2015		
Land	\$ 130,068		\$ 130,068
Land improvements	589,206		565,613
Buildings	3,095,115		3,120,187
Vehicles and equipment	2,528,373		2,363,282
Environmental infrastructure	7,016,639		7,397,137
Transportation infrastructure	5,877,623		6,095,222
Assets under construction	35,268		14,379
	<b>\$ 19,272,292</b>		<b>\$ 19,685,888</b>

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 7. Pension plan:

The Corporation contributed \$35,319 (2015 - \$34,566) to OMERS on behalf of its employees for current service. Contributions in 2016 were 9.0% (2015 - 9.0%) for employee earnings below the year's maximum pensionable earnings and 14.6% (2015 - 14.6%) thereafter. Contributions are included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus.

## 8. Accumulated surplus:

	2016	2015
Surplus:		
General deficit	\$ 268,743	\$ 215,365
Alvinston special area deficit	(1,588)	(6,052)
Inwood special area	8,000	7,035
Water operations deficit	(452,661)	(441,682)
Sewer	62,393	123,602
Inwood sewer	111,524	111,795
Community centre	95,245	197,171
Canada Day committee	8,501	8,934
Cemetery	35,578	43,353
Inwood	29,385	27,321
Investment in Bluewater Power Distribution Corporation	445,797	436,897
Invested in tangible capital assets	19,685,888	19,272,292
	20,296,805	19,996,031
Unfunded:		
Long-term debt used to finance tangible capital assets	(1,909,546)	(1,466,747)
Total surplus	18,387,259	18,529,284
Reserves set aside for specific purposes of the Municipality:		
Reserves (Schedule)	2,487,370	2,194,370
Reserve funds set aside for specific purposes by the Municipality:		
Reserve Funds (Schedule)	224,393	199,480
	\$ 21,099,022	\$ 20,923,134

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 9. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2016 operating and capital budgets approved by the Council on April 28, 2016. 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	\$ 4,743,887
Total revenue	4,743,887
Expenses:	
Operating budget	5,391,930
Total expenses	5,391,930
Annual deficit, as budgeted	(648,043)
Amortization	(852,567)
Capital expenditures	1,286,794
Annual deficit, revised	\$ (213,816)

## 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, 2016

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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:

	2016	2015
Property taxes collected on behalf of the County of Lambton	\$ 1,370,890	\$ 1,321,797
Amounts collected on behalf of school boards	1,130,515	1,108,291
Amounts remitted to school boards and the County of Lambton	(2,501,405)	(2,430,088)
	\$ -	\$ -

## 12. Comparative information:

Certain of the 2015 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, 2016, 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, 2016

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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, 2016

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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, 2016, with comparative information for 2015

	2016 Budget	2016 Actual	2015 Actual
Materials	\$ 4,217,160	\$ 2,949,367	\$ 3,095,587
Salaries and benefits	1,102,220	1,134,088	1,123,966
Amortization	-	852,567	980,609
Interest expense	72,550	69,859	81,889
	\$ 5,391,930	\$ 5,005,881	\$ 5,282,051

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE- ALVINSTON

Consolidated Schedule - Reserves and Reserve Funds

Year ended December 31, 2016, with comparative information for 2015

	2016	Appropriations to (from) reserves	2015
<b>Reserves:</b>			
Working capital	\$ 874,612	\$ -	\$ 874,612
Inwood fire department	20,000	20,000	-
Election	6,000	3,000	3,000
Storm sewers	20,800	-	20,800
Water	36,477	-	36,477
Sewers	64,318	-	64,318
Alvinston fire department	20,000	20,000	-
General	360,000	50,000	310,000
Roads	689,004	100,000	589,004
Community centre	278,009	100,000	178,009
Hospital	13,150	-	13,150
Municipal Building	60,000	(20,000)	80,000
Other	40,000	20,000	20,000
Alvinston lighting	5,000	-	5,000
	<u>2,487,370</u>	<u>293,000</u>	<u>2,194,370</u>
<b>Reserve funds:</b>			
Alvinston general	140,172	23,421	116,751
Sewer	2,298	41	2,257
Water	59,397	1,052	58,345
Alvinston capital utility	22,526	399	22,127
	<u>224,393</u>	<u>24,913</u>	<u>199,480</u>
	<u>\$ 2,711,763</u>	<u>\$ 317,913</u>	<u>\$ 2,393,850</u>

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

## Consolidated Schedule - Segmented Financial Information

Year ended December 31, 2016

December 31, 2016	General government	Protection services	Transportation services	Water and sewer	Other environmental	Health services	Recreation and culture services	Planning and development	Total
Revenue:									
Property taxation	\$ 2,402,422	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,402,422
User charges	16,256	19,727	21,081	487,751	-	11,153	200,300	19,584	775,852
Government of Canada	-	-	225,024	-	-	-	3,000	-	228,024
Province of Ontario	1,168,512	-	-	-	-	-	-	87,527	1,256,039
Revenue from other municipalities	-	59,805	-	-	-	-	-	16,451	76,257
Penalties and interest on taxes	59,939	-	-	-	-	-	-	-	59,939
Investment income	31,162	-	-	4,085	-	7,632	-	20,805	63,685
Donations	-	4,806	-	-	-	12,512	17,165	12,097	46,581
Gain (loss) on sale of tangible capital assets	-	-	3,063	-	-	-	-	-	3,063
Share of income of Bluewater Power Corporation	8,900	-	-	-	-	-	-	-	8,900
Other	1,711	100	-	-	-	-	-	87,874	89,686
Prepaid special charges	-	-	-	-	-	-	-	171,321	171,321
	3,688,902	84,438	249,168	491,836	-	31,297	220,465	415,659	5,181,769
Expenses:									
Materials	141,400	654,585	910,178	463,166	145,243	21,342	230,754	382,699	2,949,367
Salaries and benefits	369,264	109,402	422,665	-	-	55,680	176,677	400	1,134,088
Amortization	21,149	93,818	370,702	254,029	-	3,761	100,163	8,945	852,567
Interest expense	-	2,546	-	45,995	-	-	-	21,318	69,859
	531,813	860,351	1,703,545	763,190	145,243	80,783	507,594	413,362	5,005,881
Net surplus (deficit)	\$ 3,157,089	\$ (775,913)	\$(1,454,377)	\$ (271,354)	\$ (145,243)	\$ (49,486)	\$ (287,129)	\$ 2,297	\$ 175,888

# 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	\$ 2,196,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,196,996
User charges	32,801	46,582	6,114	443,448	-	13,841	214,866	18,904	776,556
Government of Canada	-	-	-	-	-	-	3,000	-	3,000
Province of Ontario	1,305,108	-	-	14,636	2,212	-	-	128,392	1,450,348
Revenue from other municipalities	-	75,954	-	-	-	-	-	31,872	107,826
Penalties and interest on taxes	53,746	-	-	-	-	-	-	-	53,746
Investment income	45,454	-	-	(18,723)	-	22,588	-	10,586	59,905
Donations	-	2,410	-	-	-	14,144	37,958	2,050	56,562
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
	3,648,137	125,246	6,114	439,361	2,212	50,653	248,665	577,295	5,097,683
Expenses:									
Materials	129,174	719,049	863,909	444,019	141,682	18,865	213,280	565,609	3,095,587
Salaries and benefits	368,920	102,019	397,256	-	-	59,615	195,056	1,100	1,123,966
Amortization	21,369	97,656	501,691	248,073	-	2,888	100,275	8,657	980,609
Interest expense	-	-	-	54,224	-	-	-	27,665	81,889
	519,463	918,724	1,762,856	746,316	141,682	81,368	508,611	603,031	5,282,051
Net surplus (deficit)	\$ 3,128,674	\$ (793,478)	\$(1,756,742)	\$(306,955)	\$(139,470)	\$(30,715)	\$(259,946)	\$(25,736)	\$(184,368)