The Corporation of the Municipality of Brooke-Alvinston

Financial Statements
December 31, 2018

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Municipality of Brooke-Alvinston (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of consolidated financial statements. These systems are monitored and evaluated by management.

The consolidated financial statements have been audited by Baker Tilly Sarnia LLP, independent external auditors and appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Stephen Ikert
Treasurer

Council

Mayor	David Ferguson
Councillors	Frank Nemcek
	Jamie Armstrong
	Jeannette Douglas
	Wayne Deans

Administration

Clerk / Administrator	Janet Denkers
Treasurer	Stephen Ikert
Treasury Assistant	Sandra Dale
Financial Assistants	Darlene Paolucci / Cheryl Beaugrand
Public Works Manager	Randy Hills

The Corporation of the Municipality of Brooke-Alvinston

Financial Statements
For The Year Ended December 31, 2018

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of The Corporation of the Municipality of Brooke-Alvinston (the Municipality) which comprise the statement of financial position as at December 31, 2018 and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018 and the results of its financial activities, cash flows and change in net financial assets for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Independent
Auditor's Report cont'd...

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly Sarnia LLP

Sarnia, Ontario
July 25, 2019

Chartered Professional Accountants
Licensed Public Accountants

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The Corporation of the Municipality of Brooke-Alvinston
Statement Of Financial Position
December 31, 2018

	2018	2017
Assets		
Financial Assets		
Cash and cash equivalents	$ **1,700,673**	$ 2,219,663
Investments (note 11)	**308,228**	312,444
Taxes and interest receivable	**341,803**	335,116
Accounts receivable	**1,189,371**	988,597
Loans Receivable	**390,644**	416,152
Investment in Bluewater Power Corporation (note 3)	**490,891**	460,024
Total financial assets	**4,421,610**	4,731,996
Liabilities		
Accounts payable and accrued liabilities	**494,188**	810,514
Municipal debt (note 4)	**1,851,213**	2,036,963
Deferred revenue (note 5)	**60,215**	78,429
Funds held in trust (note 11)	**204,475**	199,675
Total liabilities	**2,610,091**	3,125,581
Net Financial Assets (Debt)	**1,811,519**	1,606,415
Non-Financial Assets		
Tangible capital assets (note 6)	**20,176,312**	19,890,836
Prepaid expenses	**25,078**	57,246
Inventory	**71,942**	71,405
Total non-financial assets	**20,273,332**	20,019,487
Accumulated Surplus (note 7)	$ **22,084,851**	$ 21,625,902

Contingencies (note 8)

Commitment (note 14)

On Behalf Of Council

Mayor

Treasurer

The accompanying notes are an integral part of this financial statement.

The Corporation of the Municipality of Brooke-Alvinston
Statement Of Operations and Accumulated Surplus
For the Year Ended December 31, 2018

	Budget 2018 (note 9)	Actual 2018	Actual 2017
Revenues			
Taxation	$ 2,871,289	**$ 2,889,112**	$ 2,740,697
Fees and user charges	1,644,840	**1,322,143**	1,019,250
Fees and user charges - other municipalities	102,852	**167,280**	124,157
Grants	1,446,600	**1,367,112**	1,360,968
Other	186,945	**343,065**	330,788
Bluewater Power Corporation, change in equity	-	**30,867**	14,227
Total Revenues	6,252,526	**6,119,579**	5,590,087
Expenditures			
General government	587,991	**600,558**	528,523
Protection services	860,890	**871,789**	789,410
Transportation services	2,224,348	**1,913,681**	1,683,783
Environmental services	950,823	**898,534**	872,840
Health services	89,714	**90,401**	79,303
Recreation and cultural services	604,456	**527,230**	527,660
Planning and development	1,215,989	**758,437**	581,689
Total Expenditures	6,534,211	**5,660,630**	5,063,208
Annual Surplus (Deficit) of Revenues over Expenditures	(281,685)	**458,949**	526,879
Accumulated Surplus, Beginning Of Year	21,625,902	**21,625,902**	21,099,023
Accumulated Surplus, End Of Year	$ 21,344,217	**$ 22,084,851**	$ 21,625,902

The accompanying notes are an integral part of this financial statement.

The Corporation of the Municipality of Brooke-Alvinston
Statement of Change in Net Financial Assets
December 31, 2018

	Budget 2018 (note 9)	Actual 2018	Actual 2017
Annual surplus (deficit)	$ (281,685)	$ 458,949	$ 526,879
Amortization of tangible capital assets	852,362	852,362	850,664
Change in prepaid and inventory expenses	-	31,631	(30,943)
Loss on sale of tangible capital assets	-	-	(12,880)
Proceeds from sale of tangible assets	-	-	17,881
Acquisition of tangible capital assets	(1,310,974)	(1,137,838)	(1,060,612)
Net change in net financial assets	(740,297)	205,104	290,989
Net financial assets, beginning of year	1,606,415	1,606,415	1,315,426
Net financial assets, end of year	$ 866,118	$ 1,811,519	$ 1,606,415

The accompanying notes are an integral part of this financial statement.

The Corporation of the Municipality of Brooke-Alvinston
Statement Of Cash Flows
For The Year Ended December 31, 2018

	2018	2017
Operating Activities		
Annual surplus	$ **458,949**	$ 526,879
Items not requiring cash:		
Amortization of tangible capital assets	**852,362**	850,664
(Gain) on disposal of tangible capital assets	**-**	(12,880)
	1,311,311	1,364,663
Taxes and interest receivable	**(6,687)**	5,742
Accounts receivable	**(200,774)**	(258,800)
Loans receivable	**25,508**	125,627
Accounts payable and accrued liabilities	**(316,326)**	344,482
Inventories held for consumption	**(537)**	3,930
Deferred revenue	**(18,214)**	12,109
Prepaid expenses	**32,168**	(34,872)
Funds held in trust	**4,800**	5,725
	831,249	1,568,606
Capital Transactions		
Proceeds from sale of tangible assets	**-**	17,881
Acquisition of tangible capital assets	**(1,137,838)**	(1,060,612)
	(1,137,838)	(1,042,731)
Investing Transactions		
Sale of Investments	**4,216**	141,545
Investment in Bluewater Power Corporation	**(30,867)**	(14,227)
	(26,651)	127,318
Financing Transactions		
Proceeds from long-term debt	**24,000**	-
Repayment of municipal debt	**(209,750)**	(276,936)
	(185,750)	(276,936)
Net change in cash and cash equivalents	**(518,990)**	376,257
Opening, cash and cash equivalents	**2,219,663**	1,843,406
Closing, cash and cash equivalents	$ **1,700,673**	$ 2,219,663

The accompanying notes are an integral part of this financial statement.

1. Significant Accounting Policies

The Financial Statements of the Municipality of Brooke-Alvinston (the "Municipality" or "Corporation") are the representation of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada as prescribed by the Municipal Act, Municipal Affairs Act and related legislation. The Municipality is a lower tier municipality in the Province of Ontario, Canada.

Significant accounting policies adopted include:

(a) Basis of Reporting

(i) Reporting Entity

These financial statements reflect the financial assets, liabilities, reserves, surpluses/deficits, changes in investment in tangible capital assets and revenues and expenditures of all municipal organizations and committees which are controlled by Council.

(ii) Investment in Bluewater Power Corporation

The investment in Bluewater Power Corporation is accounted for on the modified equity basis which reflects the Municipality's investment in the enterprises and its share of net income since acquisition. Under the modified equity basis, the enterprise's accounting principles are not adjusted to conform with those of the municipality and inter-organizational transactions and balances are not eliminated. However, interorganizational 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.

(iii) Accounting for County and School Board Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Lambton are not reflected in the balances of these financial statements except to the extent that any amounts due to or from are reported on the Statement of Financial Position.

(iv) Trust Funds

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

(iv) 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 supposed to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services preformed. If funding is received for which the related expenses have not yet been incurred or services preformed, these amounts are recorded as a liability at year end.

Notes continued on page 8....

1. Significant Accounting Policies cont'd....

(b) Basis of Accounting

(i) Accrual Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available 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.

(ii) Cash and Cash Equivalents

Cash and cash equivalents include cash on account and short-term investments with original maturities of three months or less and are stated at cost.

(iii) 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 expenditures, provides the Change in Net Financial Assets for the year.

(iv) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible capital assets are recorded at their fair value at the date of contribution. Where fair market value cannot be reasonably determined, contributed tangible capital assets are recorded at a nominal amount. The useful life of the assets is based on estimates determined by management. The cost, less residual value, of the tangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Years
Land improvements	10 years
Buildings	50 years
Equipment, furniture and fixtures	5 years
Vehicles	5 to 15 years
Road infrastructure	7 to 100 years
Environmental infrastructure	50 to 75 years

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

(v) Intangible Assets

Intangible assets, art and cultural and historic assets, and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources, are not recorded as assets in these financial statements.

Notes continued on page 9....

1. Significant Accounting Policies cont'd....

(b) Basis of Accounting cont'd...

(vi) Deferred Revenue

Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the Statement of Financial Position. The revenue is reported on the Statement of Operations and Accumulated Surplus in the year in which it is used for the specified purpose.

(vii) Revenue Recognition

Property tax billings are prepared by the municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services, the requisition made by the County of Lambton in respect of County services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and sets up supplementary tax billings. Assessments and related property taxes are also subject to appeals, vacancy rebates and write-offs if applicable in the year. Each year management provides a best estimate of the affect of supplementary assessments and tax appeals on taxation revenue.

The Municipality is entitled to collect interest and penalties on the overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

User fees and other revenues are recognized when related goods or services are provided and collectability is reasonably assured.

Investment income earned on surplus funds (other than obligatory reserve funds) is reported as revenue on the daily accrual basis. Investment income earned on obligatory reserve funds is recorded directly to each fund balance.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when the monies are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

(viii) Use of Estimates

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Due to the inherent uncertainty in making estimates, actual results could differ from management's best estimates as additional information becomes available in the future.

Notes continued on page 10....

2. Operations Of School Boards And The County Of Lambton

The Municipality collects property taxes and payments in lieu of property taxes on behalf of the County of Lambton and school boards operating within the Municipality and County of Lambton. These amounts are not included in the consolidated statement of operations and accumulated surplus. The amounts collected and remitted as of December 31, 2018 are as follows:

	School Boards	County	2018 Total	2017 Total
Taxation and user charges collected	$ 1,161,773	$ 1,536,523	$ 2,698,296	$ 2,611,708
Amounts transferred	(1,161,773)	(1,536,523)	(2,698,296)	(2,611,708)
	$ -	$ -	$ -	$ -

3. Hydro Investments

In recognition of the requirements of Bill 35 (The Energy Competition Act, 1998) the Municipality, along with the City of Sarnia, Township of Warwick, Village of Point Edward, Village of Oil Springs and Town of Petrolia, effective October 31, 2000, merged all of the their hydro-electrical operations and transferred all of their hydro-electrical assets and liabilities to Bluewater Power Corporation and its subsidiary.

Upon determination of the fair value of assets and liabilities transferred, each municipality received a promissory note from Bluewater Power Corporation's wholly owned subsidiary, Bluewater Power Distribution Corporation, and a proportionate share of the common shares of Bluewater Power Corporation. On the effective date of Bill 35, the assets of Alvinston Hydro Electric Commission were transferred to Bluewater Power Corporation. The Municipality of Brooke-Alvinston 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 investment is composed of the following:

	2018	2017
Promissory note	$ 139,519	$ 139,519
Alvinston Electricity Holdings Inc. common shares	129,831	129,831
Share of net income since acquisition, net of dividends received	221,541	190,674
	$ 490,891	$ 460,024

Notes continued on page 11....

3. Hydro Investments cont'd...

Continuity of Investment		
Balance, beginning of year	**$ 460,024**	$ 445,797
Share of net income for the year	**44,836**	26,370
Dividends received during the year	**13,969**	12,143
Net increase in equity during the year	**30,867**	14,227
Balance, end of year	**$ 490,891**	$ 460,024

The promissory note due from Bluewater Power Distribution Corporation, bears interest at 6.73%, is unsecured, subordinated and due eighteen months following demand for payment. During 2018, the Municipality of Brooke-Alvinston received $9,567 (2017 - $9,739) of interest income on the promissory note which is reported in the Statement of Operations and Accumulated Surplus.

The following tables provide condensed financial information from the municipality's government business enterprises.

Bluewater Power Corporation - Financial Position	**2018**	**2017**
Assets		
Current assets	**$ 29,869,264**	$ 39,256,653
Property, plant and equipment	**71,862,777**	66,349,482
Other assets	**6,189,274**	6,125,605
Total assets	**107,921,315**	111,731,740
Regulatory balances	**3,305,906**	2,314,833
Total Assets and Regulatory Balances	**$ 111,227,221**	$ 114,046,573
Liabilities		
Current liabilities	**$ 18,602,719**	$ 26,678,124
Long-term liabilities	**39,051,221**	38,985,929
Total liabilities	**57,653,940**	65,664,053
Equity		
Share capital	**18,032,105**	18,032,105
Retained earnings	**33,772,608**	30,684,797
Accumulated other comprehensive loss	**(3,002,997)**	(4,202,268)
Total equity	**48,801,716**	44,514,634
Total liabilities and equity	**106,455,656**	110,178,687
Regulatory balances	**4,771,565**	3,867,886
Total Liabilities, Equity and Regulatory Balances	**$ 111,227,221**	$ 114,046,573

Notes continued on page 12....

3. Hydro Investments cont'd...

Bluewater Power Corporation - Results of Operations

Revenues	**$ 131,792,398**	$ 132,110,244
Expenditures	**124,817,883**	125,375,875
Income tax expense	**1,731,000**	1,628,000
Net income for the year	**5,243,515**	5,106,369
Net movement in regulatory balances, net of tax	**(215,606)**	(334,876)
Other comprehensive loss for the year	**1,199,271**	(1,105,949)
Total comprehensive income for the year	**$ 6,227,180**	$ 3,665,544
Municipality of Brooke-Alvinston Share of Net Income @ 0.72%	**$ 44,836**	$ 26,370
Dividends	**$ 1,940,098**	$ 1,686,529
Municipality of Brooke-Alvinston, dividend @ 0.72%	**$ 13,969**	$ 12,143
Net Increase in Equity During the Year	**$ 30,867**	$ 14,227

Notes continued on page 13....

4. Municipal Debt

(a) The balance of municipal debt reported on the statement of financial position is made up of the following:

	2018	2017
To Finance Tangible Capital Assets:		
Infrastructure Ontario firetruck debenture, repayable in semi-annual principal instalments of $16,000, plus interest at a fixed rate of 1.67%, due July 2020.	$ **64,000**	$ 96,000
Infrastructure Ontario, Alvinston sewer facilities upgrades debenture, repayable in blended semi-annual instalments of $5,932, including interest at a fixed rate of 2.28%, due July 2020.	**23,066**	34,213
Infrastructure Ontario, Inwood storm sewer debenture, repayable in blended semi-annual instalments of $31,126, including interest at a fixed rate of 2.52%, due December 2026.	**491,710**	546,533
Infrastructure Ontario, Inwood sewer system serial debenture, repayable in semi-annual principal instalments of $17,775, plus interest at a fixed rate of 4.54%, due March 2030.	**408,825**	444,375
Infrastructure Ontario, Alvinston sewer upgrades serial debenture, repayable in semi-annual principal instalments of $2,475 plus interest at a fixed rate of 4.54%, due March 2030.	**56,925**	61,875
Infrastructure Ontario, waterline debenture, repayable in blended semi-annual instalments of $19,659, including interest at a fixed rate of 2.54%, due July 2035.	**540,070**	565,191
	1,584,596	1,748,187
To Finance Municipal Services:		
OIPC sewer (Inwood Connections) serial debenture, repayable in semi-annual principal instalments of $2,250, plus interest at a fixed rate of 4.54%, maturing 2030.	**51,750**	56,250
Tile drain loans, repayable in various blended annual payments, including interest at fixed rates of 6.00%, maturing 2018-2026.	**214,867**	232,526
	266,617	288,776
Total Municipal Debt	$ **1,851,213**	$ 2,036,963

Notes continued on page 14....

4. Municipal Debt cont'd....

(b) Principal repayments are as follows:

2019	$	211,005
2020		213,804
2021		161,767
2022		165,792
2023		152,769
Thereafter		946,076
	$	**1,851,213**

(c) Total interest charges for the year for municipal debt which is reported on the statement of financial position was $68,789 (2017 - $80,274). During the year, $Nil (2017 - $Nil) in new tile drainage loans was incurred. The Municipality has an operating loan with $2,000,000 available.

(d) The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

5. Deferred Revenue

	2018	2017
The deferred revenue is comprised of the following:		
Deferred revenues	**$ 60,215**	$ 78,429

The net change during the year in the deferred revenue balances is as follows:

Balance, beginning	**$ 78,429**	$ 66,320
Deferred revenue received	**76,078**	23,325
	154,507	89,645
Transfer to operations	**94,292**	11,216
Balance, ending	**$ 60,215**	$ 78,429

Notes continued on page 15....

6. Tangible Capital Assets

Asset Cost 2018

	Land	Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Balance, beginning	$ 130,068	$ 910,190	$ 5,793,186	$ 3,997,281	$ 2,029,906	$ 26,214,046	$ 29,951	$ 39,104,628
Additions	-	-	201,278	330,365	-	636,146	-	1,167,789
Disposals	-	-	-	-	-	-	(29,951)	(29,951)
Balance, ending	**$ 130,068**	**$ 910,190**	**$ 5,994,464**	**$ 4,327,646**	**$ 2,029,906**	**$ 26,850,192**	**$ -**	**$ 40,242,466**

Accumulated Amortization

Balance, beginning	$ -	$ 370,859	$ 2,489,658	$ 2,656,629	$ 936,742	$ 12,759,904	$ -	$ 19,213,792
Amortization	-	23,837	120,814	198,992	102,407	406,312	-	852,362
Disposals	-	-	-	-	-	-	-	-
Balance, ending	**$ -**	**$ 394,696**	**$ 2,610,472**	**$ 2,855,621**	**$ 1,039,149**	**$ 13,166,216**	**$ -**	**$ 20,066,154**
Net Book Value	**$ 130,068**	**$ 515,494**	**$ 3,383,992**	**$ 1,472,025**	**$ 990,757**	**$ 13,683,976**	**$ -**	**$ 20,176,312**

Asset Cost 2017

	Land	Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Balance, beginning	$ 130,068	$ 905,769	$ 5,497,136	$ 3,910,145	$ 2,044,104	$ 25,850,722	$ 14,379	$ 38,352,323
Additions	-	4,421	296,050	87,136	294,109	363,324	15,572	1,060,612
Disposals	-	-	-	-	308,307	-	-	308,307
Class transfers, (to) from	-	-	-	-	-	-	-	-
Balance, ending	**$ 130,068**	**$ 910,190**	**$ 5,793,186**	**$ 3,997,281**	**$ 2,029,906**	**$ 26,214,046**	**$ 29,951**	**$ 39,104,628**

Accumulated Amortization

Balance, beginning	$ -	$ 340,156	$ 2,376,949	$ 2,460,912	$ 1,130,055	$ 12,358,363	$ -	$ 18,666,435
Amortization	-	30,703	112,709	195,717	109,994	401,541	-	850,664
Disposals	-	-	-	-	303,307	-	-	303,307
Balance, ending	**$ -**	**$ 370,859**	**$ 2,489,658**	**$ 2,656,629**	**$ 936,742**	**$ 12,759,904**	**$ -**	**$ 19,213,792**
Net Book Value	**$ 130,068**	**$ 539,331**	**$ 3,303,528**	**$ 1,340,652**	**$ 1,093,164**	**$ 13,454,142**	**$ 29,951**	**$ 19,890,836**

Assets Under Construction
Assets under construction having a value of $Nil (2017 - $29,951) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Works Of Art And Historical Treasures
The Municipality manages and controls art and historical cultural treasures, they are not setup as capital assets or amortized.

Writedown Of Tangible Capital Assets
The writedown of tangible capital assets during the year was $Nil (2017 - $Nil).

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7. Accumulated Surplus

Accumulated surplus consists of the following individual fund surplus and reserves as follows:

	2018	2017
Surplus		
Invested in tangible capital assets	**$ 20,176,312**	$ 19,890,836
Equity in Bluewater Power Corporation	**490,891**	460,024
General surplus	**570,362**	558,150
Alvinston special area	**5,082**	5,485
Inwood special area	**5,191**	6,578
Water operations	**94,842**	32,968
Sewer operations deficit	**(229,150)**	(304,876)
Inwood sewer operations	**107,697**	102,618
Canada Day committee	**9,451**	10,288
Cemetery	**239,077**	280,296
	21,469,755	21,042,367
Unfunded:		
Long-term debt used to finance tangible capital assets	**(1,584,596)**	(1,748,187)
Total Surplus	**19,885,159**	19,294,180
Reserves set aside for specific purposes by Council:		
Working Capital	**1,304,612**	1,234,612
Capital Reserve	**779,283**	901,252
Special Area	**13,150**	27,150
Fire	**10,000**	60,000
Cultural	**-**	40,000
Alvinston Investment Revenue Reserve	**92,647**	68,708
Total Reserves	**2,199,692**	2,331,722
Accumulated Surplus	**$ 22,084,851**	$ 21,625,902

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8. 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, 2018, the ultimate outcomes are indeterminable as litigation is still in progress. The Municipality's management is of the opinion that the Municipality has valid defences and adequate insurance coverage to offset the amount of any claims and related costs, if any. Consequently, no provision for potential loss, if any, is reflected in these financial statements.

9. Budget Data

The unaudited budget data presented in these financial statements is based upon the 2018 budget approved by Council. Budgets are not prepared on a basis consistent with that used to report actual results under Public Sector Accounting Standards which is allowable as per Ontario Regulation 284/09 of the Municipal Act. Budgets anticipate using surpluses (or deficits) accumulated in previous years to reduce current expenditures in excess of revenues to $Nil. In addition the budget expensed all tangible capital assets rather than capitalizing them and recording amortization expense. The budget also expenses principal payments on debt and reserve transfers. As a result, the budget figures presented in the Statement of Operations and Accumulated Surplus represent the budget adopted by the Municipality's council with the following adjustments.

	2018 Budget Amount
Budgeted (deficit) for the year	$ (771,420)
Adjustments to budgeted deficit:	
Debt principal repayments	182,322
Capital expenditures	1,310,974
Reserve transfers	(151,199)
Amortization	(852,362)
Annual budgeted surplus (deficit)	**$ (281,685)**

10. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of members of its employees. The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by employees based on the length of service and rates of pay. Employers and employees contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario Municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension plan surplus or deficit. The amount contributed to "OMERS" for 2018 was $39,982 (2017 - $35,645) for current service. Employers contributions for current service are included as an expense in the consolidated Statement of Financial Activity.

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11. Investments and Trust Funds

	2018	2017
Investments		
BMO Term Investments	$ 199,675	$ 199,675
BMO Mutual Fund Investments	108,553	112,769
	$ 308,228	$ 312,444

Investments include Trust funds administered by the Municipality amounting to $204,475 (2017 - $199,675) are 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.

12. Comparative Figures

Certain prior year's figures have been reclassified to conform to the current year's presentation.

13. Expenses by Object

	Budget 2018	Actual 2018	Actual 2017
Materials and Services	$ 2,040,224	$ 1,110,253	$ 1,091,897
Salaries and Benefits	1,441,950	1,327,576	1,231,653
Contracted Services	2,930,688	2,261,925	1,759,462
Interest expense	74,084	79,816	81,070
Other	47,265	28,698	48,462
Amortization - not budgeted for	-	852,362	850,664
	$ 6,534,211	$ 5,660,630	$ 5,063,208

14. Commitment

The Corporation of the Municipality of Brooke-Alvinston has entered into a lease agreement with Inwood Fireman's Association Inc. for property at 6483 Weidman Line in Inwood, Ontario. The lease expires on December 31, 2019, with a one year automatic renewal triggering unless proper notice is given. The rent of $19,475.00 plus HST is payable in two equal instalments on January 1 and July 1 beginning on January 1, 2018. Rent increases of 1.5% will occur each year of the term.

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15. Segmented Information

The Corporation of the Municipality of Brooke-Alvinston is a diversified municipal government institution that provides a wide range of services to its inhabitants such as policing, fire protection, water distribution, sewage collection and treatment, waste collection and disposal, recycling services, recreational services, library facilities, and planning. Distinguishable functional segments have been separately disclosed in the segmented information.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The nature of the segments and the activities they encompass are as follows:

General Government
This reports the revenues and expenses that relate to the governance and operations of the Municipality and cannot be directly attributed to a specific segment.

Protection to Persons and Property
Protection to persons and property is comprised of police services, fire protection, animal control and building inspections. The police services work to ensure the safety and protection of the inhabitants and their property. The fire department, whose members are all volunteers, is responsible to provide for fighting services, fire prevention programs, training and education. The building inspections provides a number of services including enforcement of building and construction codes and a review of all property development plans through its application process.

Transportation Services
Transportation is responsible for maintenance and construction of the Municipality's roadways, bridges, parking areas, street lighting and winter control.

Environmental Services
Environmental services consist of providing water treatment and distribution, sanitary sewage collection and treatment and ensuring that the Municipality's sewer and water systems meet all Provincial standards. In addition, environmental services consists of providing solid waste collection and recycling services.

Health Services
Health services consists of a health team building and the local cemetery operations.

Recreational and Cultural Services
This service provides services to improve health and development of the Municipality's inhabitants. This is accomplished by the municipality operating and maintaining a performing arts theatre, parks and an arena, a swimming pool and a community centre. The Municipality also provides recreational programs and library facilities.

Planning and Development Services
The Municipality is responsible for planning and zoning including the Official Plan. In addition, this area of service includes tourist information, promotion and events, business improvement areas, drainage, and commercial and residential development.

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15. Segmented Information cont'd...

For the Year Ended December 31, 2018	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation Cultural	Planning Development	Total
Revenue								
Taxation	$ 2,820,192	$ -	$ -	$ 68,920	$ -	$ -	$ -	**$ 2,889,112**
Fees and User charges	7,694	12,502	2,687	602,940	17,243	205,211	473,866	**1,322,143**
Fees and User charges Other municipalities	2,000	65,860	-	-	-	-	99,420	**167,280**
Grants	931,391	-	170,862	79,007	-	7,541	178,311	**1,367,112**
Other	196,652	3,420	-	7,489	19,148	32,341	84,015	**343,065**
Bluewater Power	30,867	-	-	-	-	-	-	**30,867**
	3,988,796	81,782	173,549	758,356	36,391	245,093	835,612	**6,119,579**
Expenditures								
Salaries and benefits	368,912	189,398	479,351	28,968	59,621	200,676	650	**1,327,576**
Materials and supplies	189,014	123,581	326,428	200,821	21,250	205,830	51,918	**1,118,842**
Contracted services	22,039	440,397	758,317	338,577	-	25,832	668,173	**2,253,335**
Interest	-	1,471	-	53,366	-	-	13,952	**68,789**
Amortization and loss on disposal of assets	19,996	95,612	349,585	281,898	3,480	92,325	9,466	**852,362**
Other	597	21,330	-	(5,096)	6,050	2,567	14,278	**39,726**
	600,558	871,789	1,913,681	898,534	90,401	527,230	758,437	**5,660,630**
Annual Surplus (Deficit)	$ 3,388,238	$ (790,007)	$(1,740,132)	$ (140,178)	$ (54,010)	$ (282,137)	$ 77,175	$ 458,949

Notes continued on page 21....

15. Segmented Information cont'd...

For the Year Ended December 31, 2017	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation Cultural	Planning Development	Total
Revenue								
Taxation	$ 2,671,927	$ -	$ -	$ 68,770	$ -	$ -	$ -	$ 2,740,697
Fees and User charges	6,815	15,704	5,108	501,596	12,676	198,958	278,394	1,019,251
Fees and User charges Other municipalities	-	68,416	-	-	-	-	55,740	124,156
Grants	1,023,473	-	142,266	85,135	-	5,000	105,094	1,360,968
Other	146,844	2,800	12,880	3,699	27,427	17,866	119,272	330,788
Bluewater Power	14,227	-	-	-	-	-	-	14,227
	3,863,286	86,920	160,254	659,200	40,103	221,824	558,500	5,590,087
Expenditures								
Salaries and benefits	354,653	136,547	462,174	27,145	57,944	191,991	1,200	1,231,654
Materials and supplies	115,575	94,028	365,143	172,294	17,128	217,070	110,626	1,091,865
Contracted services	28,987	441,180	502,953	332,484	-	17,466	436,425	1,759,495
Interest	-	2,005	-	57,724	-	-	20,545	80,274
Amortization and loss on disposal of assets	20,901	94,321	353,513	272,211	3,481	97,639	8,597	850,663
Other	8,407	21,329	-	10,982	750	3,494	4,296	49,257
	528,523	789,410	1,683,783	872,840	79,303	527,660	581,689	5,063,208
Annual Surplus (Deficit)	$ 3,334,763	$ (702,490)	$(1,523,529)	$ (213,640)	$ (39,200)	$ (305,836)	$ (23,189)	$ 526,879