

Consolidated Financial Statements of

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

Year ended December 31, 2013



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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, 2013, the consolidated statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidation financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Municipality of Brooke-Alvinston as at December 31, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

November 27, 2014

London, Canada

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# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

## Consolidated Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 518,523	\$ 835,995
Accounts receivable	1,492,498	1,450,333
Taxes receivable	554,666	466,494
Loans receivable	429,517	466,778
Investments	178,889	177,070
Investment in Bluewater Power Corporation (note 2)	416,741	394,830
	<u>3,590,834</u>	<u>3,791,500</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	429,384	263,250
Deferred revenue (note 3)	65,306	293,354
Long-term debt (note 4)	1,847,966	1,961,944
	<u>2,342,656</u>	<u>2,518,548</u>
Net financial assets	1,248,178	1,272,952
<b>Non-Financial Assets</b>		
Tangible capital assets (note 5)	19,462,696	18,971,211
Inventories held for consumption	69,834	124,948
Prepaid expenses and deposits	13,838	4,088
Contingencies (note 10)		
Subsequent events (note 11)		
Accumulated surplus (note 6)	<u>\$ 20,794,546</u>	<u>\$ 20,373,199</u>

See accompanying notes to consolidated financial statements.

Approved by:

\_\_\_\_\_ Mayor \_\_\_\_\_ Treasurer Administrator

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE- ALVINSTON

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2013, with comparative information for 2012

	2013 Budget	2013 Actual	2012 Actual
<b>Revenues:</b>			
Property taxation	\$ 1,922,072	\$ 2,018,477	\$ 2,098,347
User charges	277,969	759,063	754,692
Government of Canada	236,777	400,320	3,000
Province of Ontario	1,651,254	1,717,723	1,813,045
Revenue from other municipalities	87,924	116,210	105,521
Penalties and interest on taxes	72,100	80,267	83,378
Investment income	-	42,594	38,369
Donations	-	24,988	44,790
Loss on sale of tangible capital assets	-	-	(9,531)
Share of income of Bluewater Power Corporation	-	30,757	25,271
Prepaid special charges	-	203,551	268,014
Other	18,550	221,815	29,391
	<u>4,266,646</u>	<u>5,615,765</u>	<u>5,254,287</u>
<b>Expenditures:</b>			
General government	600,411	520,432	468,338
Protection services	1,004,412	933,232	929,281
Transportation services	2,108,532	1,802,796	1,607,630
Water and sewer	-	704,102	671,953
Other environmental services	143,194	140,960	142,887
Health services	5,450	61,765	52,886
Recreation and cultural services	640,997	614,210	473,187
Planning and development	115,518	416,921	544,480
	<u>4,618,514</u>	<u>5,194,418</u>	<u>4,890,642</u>
Annual surplus	(351,868)	421,347	363,645
Accumulated surplus, beginning of year	20,373,199	20,373,199	20,009,554
Accumulated surplus, end of year	<u>\$ 20,021,331</u>	<u>\$ 20,794,546</u>	<u>\$ 20,373,199</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, 2013, with comparative information for 2012

	2013	2012
Annual surplus	\$ 421,347	\$ 363,645
Acquisition of tangible capital assets	(1,413,445)	(644,162)
Amortization of tangible capital assets	921,960	923,068
Loss on disposal of tangible capital assets	-	9,531
Proceeds on sale of tangible capital assets	-	32,123
	(70,138)	684,205
Change in inventories held for consumption	55,114	(92,637)
Change in prepaid expenses and deposits	(9,750)	26,890
	45,364	(65,747)
Change in net financial assets	(24,774)	618,458
Net financial assets, beginning of year	1,272,952	654,494
Net financial assets, end of year	\$ 1,248,178	\$ 1,272,952

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE- ALVINSTON

## Consolidated Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 421,347	\$ 363,645
Adjustment for:		
Amortization of tangible capital assets	921,960	923,068
Loss on disposal of capital assets	-	9,531
Changes in non-cash operating working capital:		
Accounts receivable	(42,165)	(273,219)
Taxes receivable	(88,172)	11,367
Loans receivable	37,261	(205,753)
Accounts payable and accrued liabilities	166,134	(89,140)
Deferred revenue	(228,048)	90,656
Inventories held for consumption	55,114	(92,637)
Prepaid expenses and deposits	(9,750)	26,890
	1,233,681	764,408
Financing activities:		
Repayment of long-term debt	(145,478)	(148,244)
Proceeds from long-term debt (note 4)	31,500	150,098
	(113,978)	1,854
Investing activities:		
Investment in Bluewater Power Corporation	(21,911)	(16,687)
Additions to capital assets	(1,413,445)	(644,162)
Proceeds on disposal of capital assets	-	32,123
Investments	(1,819)	(27,644)
	(1,437,175)	(656,370)
Increase (decrease) in cash	(317,472)	109,892
Cash and cash equivalents, beginning of year	835,995	726,103
Cash and cash equivalents, end of year	\$ 518,523	\$ 835,995

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements

Year ended December 31, 2013

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The Municipality of Brooke-Alvinston ("Municipality") is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

## 1. Significant accounting policies:

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accounts - 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, 2013

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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, 2013

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## 1. Significant accounting policies (continued):

### (h) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial assets for the year.

### (i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life, years
Land improvements	10
Buildings	50
Roadways	7-50
Water and sewer	50-75
Vehicles	5-15
Furniture and fixtures	5

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

### (ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 1. Significant accounting policies (continued):

### (h) Non-financial assets (continued):

#### (iii) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

#### (iv) Interest capitalization:

The Municipality does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

#### (v) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the financial statements.

#### (vi) Inventories of supplies:

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

### (i) Deferred revenue:

The Municipality receives certain amounts, from the federal and provincial governments, of which the proceeds may only be used in the conduct of certain programs or completion of specific work. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

### (j) Budget figures:

Budget figures have been provided for comparison purposes. Given differences between the funding model and generally accepted accounting principles for local governments established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 1. Significant accounting policies (continued):

### (k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits.

In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

### (l) Change in accounting policy:

The Municipality has implemented Public Sector Accounting Board ("PSAB") section 3410 - Government Transfers at January 1, 2013. The standard discusses what the criteria are for a government transfer, recognition of the transferring and recipient government, eligibility criteria/stipulations within the transfer, and presentation and disclosure information related to the government transfer. In accordance with the transitional guidance included within the standard, this change has been applied prospectively. There were no changes to the financial statements as a result of the implementation of this standard.

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 2. Investment in Bluewater Power Corporation:

On October 31, 2000 the assets of the Alvinston Hydro Electric Commission were transferred to Bluewater Power Corporation. The Municipality was the sole shareholder of Alvinston Electricity Holdings Inc, which received a 0.72% interest in Bluewater Power Corporation in consideration for the transfer of the Commission's assets. The investment is reported using the modified equity method of accounting.

The summary financial information for Bluewater Power Corporation is as follows:

	2013	2012
Current assets	\$ 33,846,694	\$ 28,620,350
Tangible capital assets	57,669,135	57,623,118
Other assets	5,544,163	6,200,062
<b>Total assets</b>	<b>\$ 97,059,992</b>	<b>\$ 92,443,530</b>
Current liabilities	\$ 19,824,135	\$ 17,745,614
Non-current liabilities	38,732,777	39,237,951
Shareholders' equity	38,503,080	35,459,965
<b>Total liabilities and shareholders' equity</b>	<b>\$ 97,059,992</b>	<b>\$ 92,443,530</b>
Revenues	\$118,660,901	\$107,502,025
Expenditures	114,389,072	103,992,180
<b>Net earnings</b>	<b>\$ 4,271,829</b>	<b>\$ 3,509,845</b>
Cash provided by (used in):		
Operating activities	\$ 8,549,611	\$ 8,143,333
Financing activities	(680,362)	6,708,939
Investing activities	(5,861,833)	(14,828,085)

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

	2013	2012
Investment in Bluewater Power Corporation, beginning of year	\$ 394,830	\$ 378,143
Share of net earnings	30,757	25,271
Dividends received or receivable	(8,846)	(8,584)
<b>Investment in Bluewater Power Corporation, end of year</b>	<b>\$ 416,741</b>	<b>\$ 394,830</b>

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

### 3. Deferred revenue:

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

	2013	2012
Federal gas tax	\$ -	\$ 244,879
Other deferred revenues	65,306	48,475
	<b>\$ 65,306</b>	<b>\$ 293,354</b>

### 4. Long-term debt:

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

	2013	2012
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	\$ 659,567	\$ 681,709
BAI Minor Hockey debenture, repayable in blended quarterly instalments of \$1,040 including interest at a fixed rate of 5.25%, maturing 2015	6,914	10,590
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	76,357	86,309
OPIC sewer, Inwood system, serial debenture, repayable in semi-annual principal instalments of \$17,893 plus interest at a fixed rate of 4.54%, maturing 2030	590,479	626,265
OPIC sewer, Alvinston upgrades, serial debenture, repayable in semi-annual principal instalments of \$2,580 plus interest at a fixed rate of 4.54%, maturing 2030	85,134	90,294
	<b>1,418,451</b>	<b>1,495,167</b>

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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

	2013	2012
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	\$ 10,000	\$ 15,000
Waterline debentures, repayable in blended annual instalments of \$1,267 including interest at a fixed rate of 7.00%, maturing 2017	4,292	5,195
BMO debenture, repayable in quarterly principal instalments of \$2,160 including interest at prime, maturing 2015	17,280	25,920
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	66,886	70,941
Tile drainage loans, repayable in various blended annual payments including interest at fixed rates ranging from 6.00% to 8.00%, maturing 2013 to 2022 per annum	331,057	349,721
	<u>429,515</u>	<u>466,777</u>
	<u>\$ 1,847,966</u>	<u>\$ 1,961,944</u>

Interest paid on long-term debt during 2013 was \$84,718 (2012 - \$94,437). During the year, \$31,500 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
2014	\$ 149,962	\$ 73,093	\$ 223,055
2015	144,714	65,919	210,633
2016	120,534	59,745	180,279
2017	116,482	54,295	170,777
2018	115,469	49,401	164,870
Thereafter	1,200,805	287,043	1,487,848
	<u>\$ 1,847,966</u>	<u>\$ 589,496</u>	<u>\$ 2,437,462</u>

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 5. Tangible capital assets:

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

Cost	Balance December 31, 2012	Additions	Disposals	Balance December 31, 2013
Land	\$ 130,068	\$ -	\$ -	\$ 130,068
Land improvements	782,931	-	-	782,931
Buildings	5,059,555	223,975	-	5,283,530
Vehicles and equipment	5,121,764	41,188	-	5,162,952
Environmental infrastructure	8,546,486	780,858	-	9,327,344
Transportation infrastructure	14,394,757	209,356	-	14,604,113
Assets under construction	36,260	194,328	(36,260)	194,328
	<b>\$ 34,071,821</b>	<b>\$ 1,449,705</b>	<b>\$ (36,260)</b>	<b>\$ 35,485,266</b>

Accumulated amortization	Balance December 31, 2012	Amortization	Disposals	Balance December 31, 2013
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	218,831	27,170	-	246,001
Buildings	2,004,084	88,872	-	2,092,956
Vehicles and equipment	2,580,226	287,644	-	2,867,870
Environmental infrastructure	2,234,106	395,059	-	2,357,321
Transportation infrastructure	8,063,363	123,215	-	8,458,422
	<b>\$ 15,100,610</b>	<b>\$ 921,960</b>	<b>\$ -</b>	<b>\$ 16,022,570</b>

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 5. Tangible capital assets (continued):

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

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

Net book value	Balance		Balance
	December 31, 2012		
Land	\$ 130,068		\$ 130,068
Land improvements	564,100		536,930
Buildings	3,055,471		3,190,574
Vehicles and equipment	2,541,538		2,295,082
Environmental infrastructure	6,312,380		6,970,023
Transportation infrastructure	6,331,394		6,145,691
Assets under construction	36,260		194,328
	<b>\$ 18,971,211</b>		<b>\$ 19,462,696</b>



# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 6. Accumulated surplus:

	2013	2012
Surplus:		
General surplus	\$ (335,662)	\$ 27,089
Alvinston special area	(3,447)	(441)
Inwood special area	9,808	1,791
Water operations	(310,515)	(243,424)
Sewer	272,654	411,321
Inwood sewer	126,164	-
Community centre	261,808	274,867
Canada Day committee	9,641	10,444
Cemetery	134,281	116,511
Inwood	23,908	26,658
Investment in Bluewater Power Distribution Corporation	416,741	394,830
Invested in tangible capital assets	19,462,696	18,971,211
	20,068,077	19,990,857
Unfunded:		
Long-term debt used to finance tangible capital assets	(1,468,614)	(1,495,167)
Total surplus	18,599,463	18,495,690
Reserves set aside for specific purposes of the Municipality:		
Reserves (Schedule)	1,890,078	1,612,678
Reserve funds set aside for specific purposes by the Municipality:		
Reserve Funds (Schedule)	305,005	264,831
	\$ 20,794,546	\$ 20,373,199

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 7. Budget data:

The budget data presented in these financial statements is based upon the 2013 operating and capital budgets approved by the Council on July 3, 2013. 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	\$ 4,266,646
Total revenue	4,266,646
Expenses:	
Operating budget	4,618,514
Total expenses	4,618,514
Annual deficit, as budgeted	(351,868)
Amortization	(921,960)
Capital expenditures	1,413,445
Annual surplus, revised	\$ 139,617

## 8. 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, 2013

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## 9. Operations of schools boards and the County of Lambton:

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

	2013	2012
Property taxes collected on behalf of the County of Lambton	\$ 1,243,058	\$ 1,191,761
Amounts collected on behalf of school boards	1,109,260	1,118,381
Amounts remitted to school boards and the County of Lambton	(2,352,318)	(2,310,142)
	\$ -	\$ -

## 10. 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, 2013, 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.

## 11. Subsequent events:

Subsequent to year end, the Municipality entered into or committed to the following:

(a) Long-term debt:

Additional long-term debt was drawn for tile drainage loans of \$31,400 to finance work completed on behalf of ratepayers.

(b) Transportation services:

On June 24, 2014, the Municipality approved a capital project to improve storm drainage and road quality on LaSalle Street West. The estimated cost of the project is \$186,000.

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 12. 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, 2013

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## 12. 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, 2013, with comparative information for 2012

	2013 Budget	2013 Actual	2012 Actual
Materials	\$ 3,635,964	\$ 3,124,751	\$ 2,874,156
Salaries and benefits	982,550	1,062,989	998,981
Amortization	-	921,960	923,068
Interest expense	-	84,718	94,437
	\$ 4,618,514	\$ 5,194,418	\$ 4,890,642

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE- ALVINSTON

Consolidated Schedule - Reserves and Reserve Funds

Year ended December 31, 2013, with comparative information for 2012

	2013	Appropriations to (from) reserves	2012
<b>Reserves:</b>			
Working capital	\$ 874,612	\$ -	\$ 874,612
Inwood fire department	30,000	20,000	10,000
Election	9,972	3,000	6,972
Storm sewers	20,800	-	20,800
Water	36,477	-	36,477
Sewers	64,318	-	64,318
Alvinston fire department	81,745	20,000	61,745
General	130,000	70,000	60,000
Roads	449,004	100,000	349,004
Community centre	145,000	50,000	95,000
Hospital	13,150	4,400	8,750
Inwood drainage	-	(20,000)	20,000
Other	30,000	30,000	-
Alvinston lighting	5,000	-	5,000
	<u>1,890,078</u>	<u>277,400</u>	<u>1,612,678</u>
<b>Reserve funds:</b>			
Alvinston general	189,485	39,440	150,045
Inwood fire department	33,816	215	33,601
Sewer	2,229	14	2,215
Water	57,622	366	57,256
Alvinston capital utility	21,853	139	21,714
	<u>305,005</u>	<u>40,174</u>	<u>264,831</u>
	<u>\$ 2,195,083</u>	<u>\$ 317,574</u>	<u>\$ 1,877,509</u>

# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

## Consolidated Schedule - Segmented Financial Information

Year ended December 31, 2013

December 31, 2013	General government	Protection services	Transportation services	Water and sewer	Other environmental	Health services	Recreation and culture services	Planning and development	Total
Revenue:									
Property taxation	\$ 2,018,477	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,018,477
User charges	31,588	14,633	4,731	466,346	-	14,309	215,565	11,891	759,063
Government of Canada	249,705	-	150,615	-	-	-	-	-	400,320
Province of Ontario	1,629,300	960	-	-	-	-	-	87,463	1,717,723
Revenue from other municipalities	-	78,167	4,035	-	-	-	-	34,008	116,210
Penalties and interest on taxes	80,267	-	-	-	-	-	-	-	80,267
Investment income	42,594	-	-	-	-	-	-	-	42,594
Donations	19,447	-	-	-	-	-	5,541	-	24,988
Loss on sale of tangible capital assets	-	-	-	-	-	-	-	-	-
Share of income of Bluewater Power Corporation	30,757	-	-	-	-	-	-	-	30,757
Other	218,472	1,995	-	-	-	-	1,348	-	221,815
Prepaid special charges	-	-	-	-	-	-	-	203,551	203,551
	4,320,607	95,755	159,381	466,346	-	14,309	222,454	336,913	5,615,765
Expenses:									
Materials	170,772	741,864	930,991	404,490	140,960	36,465	319,197	380,012	3,124,751
Salaries and benefits	327,580	109,879	405,336	-	-	22,755	196,739	700	1,062,989
Amortization	22,080	81,489	466,469	244,752	-	2,545	98,274	6,351	921,960
Interest expense	-	-	-	54,860	-	-	-	29,858	84,718
	520,432	933,232	1,802,796	704,102	140,960	61,765	614,210	416,921	5,194,418
Net surplus (deficit)	\$ 3,800,175	\$ (837,477)	\$(1,643,415)	\$ (237,756)	\$ (140,960)	\$ (47,456)	\$ (391,756)	\$ (80,008)	\$ 421,347



# THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

## Consolidated Schedule - Segmented Financial Information

Year ended December 31, 2012

December 31, 2012	General government	Protection services	Transportation services	Water and sewer	Other environmental	Health services	Recreation and culture services	Planning and development	Total
Revenue:									
Property taxation	\$ 2,098,347	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,098,347
User charges	75,239	21,193	6,269	384,713	-	16,764	241,574	8,940	754,692
Government of Canada	-	-	-	-	-	-	3,000	-	3,000
Province of Ontario	1,629,500	3,380	-	36,824	4,270	-	-	139,071	1,813,045
Revenue from other municipalities	-	75,674	20,564	-	-	-	-	9,283	105,521
Penalties and interest on taxes	83,378	-	-	-	-	-	-	-	83,378
Investment income	38,369	-	-	-	-	-	-	-	38,369
Donations	20,767	-	-	-	-	-	13,020	11,003	44,790
Loss on sale of tangible capital assets	(9,531)	-	-	-	-	-	-	-	(9,531)
Share of income of Bluewater Power Corporation	25,271	-	-	-	-	-	-	-	25,271
Other	17,203	960	5,944	2,150	-	-	3,134	-	29,391
Prepaid special charges	-	-	-	-	-	-	-	268,014	268,014
	3,978,543	101,207	32,777	423,687	4,270	16,764	260,728	436,311	5,254,287
Expenses:									
Materials	116,886	749,487	757,863	377,198	142,887	20,626	193,909	515,300	2,874,156
Salaries and benefits	316,994	94,674	370,097	-	-	29,714	185,702	1,800	998,981
Amortization	21,462	85,120	479,670	234,340	-	2,546	93,576	6,354	923,068
Interest expense	12,996	-	-	60,415	-	-	-	21,026	94,437
	468,338	929,281	1,607,630	671,953	142,887	52,886	473,187	544,480	4,890,642
Net surplus (deficit)	\$ 3,510,205	\$ (828,074)	\$(1,574,853)	\$(248,266)	\$(138,617)	\$(36,122)	\$(212,459)	\$(108,169)	\$ 363,645