

The Corporation of the Municipality of Brooke-Alvinston

**Financial Statements
December 31, 2017**

Council

Mayor

Don McGugan

Councillors

Ken Alderman

Jeannette Douglas

Frank Nemcek

Wayne Deans

Administration

Clerk / Administrator

Janet Denkers

Treasurer

Stephen Ikert

Treasury Assistant

Sandra Dale

Financial Assistant

Darlene Paolucci

Public Works Manager

Randy Hills

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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 Collins Barrow 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.

A handwritten signature in blue ink, appearing to read "Stephen Ikert", is written over a horizontal line.

Stephen Ikert

Treasurer

The Corporation of the Municipality of Brooke-Alvinston
Financial Statements
For The Year Ended December 31, 2017

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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 financial statements of the The Corporation of the Municipality of Brooke-Alvinston, which comprise the statement of financial position as at December 31, 2017 and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for 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 financial statements.

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

Independent Auditors' Report cont'd...

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Corporation of the Municipality of Brooke-Alvinston as at December 31, 2017 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.

Emphasis of Matter

The financial statements of The Corporation of the Municipality of Brooke-Alvinston for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on September 28, 2017. We were not engaged to audit, review, or apply any procedures to the 2016 financial statements of the The Corporation of the Municipality of Brooke-Alvinston with respect to any adjustments made in the period and, accordingly, we do not express an opinion on any other form of assurance on the 2016 financial statements taken as a whole.



**Sarnia, Ontario
September 27, 2018**

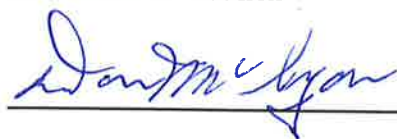
**Chartered Professional Accountants
Licensed Public Accountants**

The Corporation of the Municipality of Brooke-Alvinston
Statement Of Financial Position
December 31, 2017

	2017	2016
Assets		
Financial Assets		
Cash and cash equivalents	\$ 2,219,663	\$ 1,843,406
Investments (note 11)	312,444	453,989
Taxes and interest receivable	335,116	340,858
Accounts receivable	988,597	729,797
Loans Receivable	416,152	541,779
Investment in Bluewater Power Corporation (note 3)	460,024	445,797
Total financial assets	<u>4,731,996</u>	<u>4,355,626</u>
Liabilities		
Accounts payable and accrued liabilities	810,514	466,031
Municipal debt (note 4)	2,036,963	2,313,899
Deferred revenue (note 5)	78,429	66,320
Funds held in trust (note 11)	199,675	193,950
Total liabilities	<u>3,125,581</u>	<u>3,040,200</u>
Net Financial Assets (Debt)	<u>1,606,415</u>	<u>1,315,426</u>
Non-Financial Assets		
Tangible capital assets (note 6)	19,890,836	19,685,888
Prepaid expenses	57,246	22,374
Inventory	71,405	75,335
Total non-financial assets	<u>20,019,487</u>	<u>19,783,597</u>
Accumulated Surplus (note 7)	<u>\$ 21,625,902</u>	<u>\$ 21,099,023</u>

Contingencies (note 8)

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, 2017

	Budget 2017 (note 9)	Actual 2017	Actual 2016
Revenues			
Taxation	\$ 2,732,334	\$ 2,740,697	\$ 2,402,422
Fees and user charges	1,376,929	1,019,250	947,173
Fees and user charges - other municipalities	80,046	124,157	76,256
Grants	1,522,050	1,360,968	1,484,066
Other	198,250	330,788	262,951
Bluewater Power Corporation, change in equity	-	14,227	8,900
Total Revenues	<u>5,909,609</u>	<u>5,590,087</u>	<u>5,181,768</u>
Expenditures			
General government	575,526	528,523	531,813
Protection services	845,188	789,410	860,351
Transportation services	1,913,644	1,683,785	1,703,545
Environmental services	943,562	872,840	908,432
Health services	78,091	77,776	80,783
Recreation and cultural services	554,251	527,659	507,594
Planning and development	905,997	583,215	413,362
Total Expenditures	<u>5,816,259</u>	<u>5,063,208</u>	<u>5,005,880</u>
Annual Surplus of Revenues over Expenditures	93,350	526,879	175,888
Accumulated Surplus, Beginning Of Year	<u>21,099,023</u>	<u>21,099,023</u>	<u>20,923,135</u>
Accumulated Surplus, End Of Year	<u>\$ 21,192,373</u>	<u>\$ 21,625,902</u>	<u>\$ 21,099,023</u>

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 Assêts
December 31, 2017

	Actual 2017	Actual 2016
Annual surplus	\$ 526,879	\$ 175,888
Amortization of tangible capital assets	850,664	852,567
Change in prepaid and inventory expenses	(30,943)	19,025
Loss on sale of tangible capital assets	(12,880)	(3,063)
Proceeds from sale of tangible assets	17,881	23,694
Acquisition of tangible capital assets	<u>(1,060,612)</u>	<u>(1,286,794)</u>
Net change in net financial assets	290,989	(218,683)
Net financial assets, beginning of year	<u>1,315,426</u>	<u>1,534,109</u>
Net financial assets, end of year	\$ <u><u>1,606,415</u></u>	\$ <u><u>1,315,426</u></u>

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; 2017

	2017	2016
Operating Activities		
Annual surplus	\$ 526,879	\$ 175,888
Items not requiring cash:		
Amortization of tangible capital assets	850,664	852,567
(Gain) on disposal of tangible capital assets	<u>(12,880)</u>	<u>(3,063)</u>
	1,364,663	1,025,392
Taxes and interest receivable	5,742	(19,724)
Accounts receivable	(258,800)	305,628
Loans receivable	125,627	(2,451)
Accounts payable and accrued liabilities	344,482	61,269
Inventories held for consumption	3,930	32,785
Deferred revenue	12,109	(154,886)
Prepaid expenses	(34,872)	(13,760)
Funds held in trust	5,725	-
	<u>1,568,606</u>	<u>1,234,253</u>
Capital Transactions		
Proceeds from sale of tangible assets	17,881	23,694
Acquisition of tangible capital assets	<u>(1,060,612)</u>	<u>(1,286,794)</u>
	<u>(1,042,731)</u>	<u>(1,263,100)</u>
Investing Transactions		
Investments	141,545	(3,539)
Investment in Bluewater Power Corporation	<u>(14,227)</u>	<u>(8,900)</u>
	<u>127,318</u>	<u>(12,439)</u>
Financing Transactions		
Proceeds from long-term debt issue	-	687,300
Repayment of municipal debt	<u>(276,936)</u>	<u>(164,026)</u>
	<u>(276,936)</u>	<u>523,274</u>
Net change in cash and cash equivalents	376,257	481,988
Opening, cash and cash equivalents	<u>1,843,406</u>	<u>1,361,418</u>
Closing, cash and cash equivalents	<u>\$ 2,219,663</u>	<u>\$ 1,843,406</u>

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.

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.

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.

The Corporation of the Municipality of Brooke-Alvinston
Notes to the Financial Statements
December 31, 2017

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 no included in the consolidated statement of operations and accumulated surplus. The amounts collected and remitted as of December 31, 2017 are as follows:

	School Boards	County	2017 Total	2016 Total
Taxation and user charges collected	\$ 1,139,189	\$ 1,472,519	\$ 2,611,708	\$ 2,501,405
Amounts transferred	<u>(1,139,189)</u>	<u>(1,472,519)</u>	<u>(2,611,708)</u>	<u>(2,501,405)</u>
	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

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:

	2017	2016
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	<u>190,674</u>	<u>176,447</u>
	\$ <u>460,024</u>	\$ <u>445,797</u>

Notes continued on page 11....

The Corporation of the Municipality of Brooke-Alvinston
Notes to the Financial Statements
December 31, 2017

3. Hydro Investments cont'd...

Continuity of Investment

Balance, beginning of year	\$ <u>445,797</u>	\$ <u>436,897</u>
Share of net income for the year	26,370	20,420
Dividends received during the year	<u>12,143</u>	<u>11,520</u>
Net increase in equity during the year	<u>14,227</u>	<u>8,900</u>
Balance, end of year	\$ <u><u>460,024</u></u>	\$ <u><u>445,797</u></u>

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 2017, the Municipality of Brooke-Alvinston received \$9,739 (2016 - \$8,945) 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

	2017	2016
Assets		
Current assets	\$ 39,256,653	\$ 33,630,344
Property, plant and equipment	66,349,482	61,077,118
Other assets	<u>6,125,605</u>	<u>7,031,258</u>
Total assets	111,731,740	101,738,720
Regulatory balances	<u>2,314,833</u>	<u>2,572,446</u>
Total Assets and Regulatory Balances	\$ <u><u>114,046,573</u></u>	\$ <u><u>104,311,166</u></u>
Liabilities		
Current liabilities	\$ 26,678,124	\$ 20,466,249
Long-term liabilities	<u>38,985,929</u>	<u>37,797,675</u>
	<u>65,664,053</u>	<u>58,263,924</u>
Equity		
Share capital	18,032,105	18,032,105
Retained earnings	30,684,797	27,599,833
Accumulated other comprehensive loss	<u>(4,202,268)</u>	<u>(3,096,319)</u>
Total equity	<u>44,514,634</u>	<u>42,535,619</u>
Total liabilities and equity	110,178,687	100,799,543
Regulatory balances	<u>3,867,886</u>	<u>3,511,623</u>
Total Liabilities, Equity and Regulatory Balances	\$ <u><u>114,046,573</u></u>	\$ <u><u>104,311,166</u></u>

Notes continued on page 12....

The Corporation of the Municipality of Brooke-Alvinston
Notes to the Financial Statements
December 31, 2017

3. Hydro Investments cont'd...

Bluewater Power Corporation - Results of Operations

Revenues	\$ 132,110,244	\$ 148,739,522
Expenditures	125,375,875	138,839,584
Income tax expense	<u>1,628,000</u>	<u>1,560,000</u>
Net income for the year	<u>5,106,369</u>	<u>8,339,938</u>
Net movement in regulatory balances, net of tax	(334,876)	(3,523,416)
Other comprehensive loss for the year	<u>(1,105,949)</u>	<u>(1,980,470)</u>
Total comprehensive income for the year	<u>\$ 3,665,544</u>	<u>\$ 2,836,052</u>
Municipality of Brooke-Alvinston		
Share of Net Income @ 0.72%	<u>\$ 26,370</u>	<u>\$ 20,420</u>
Dividends	<u>\$ 1,686,529</u>	<u>\$ 1,599,994</u>
Municipality of Brooke-Alvinston, dividend @ 0.72%	<u>\$ 12,143</u>	<u>\$ 11,520</u>
Net Increase in Equity During the Year	<u>\$ 14,227</u>	<u>\$ 8,900</u>

Notes continued on page 13....

The Corporation of the Municipality of Brooke-Alvinston
Notes to the Financial Statements
December 31, 2017

4. Municipal Debt

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

	2017	2016
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.	\$ 96,000	\$ 128,000
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.	34,213	45,110
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.	546,533	600,000
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.	444,375	479,925
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.	61,875	66,825
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.	<u>565,191</u>	<u>589,686</u>
	<u>1,748,187</u>	<u>1,909,546</u>
To Finance Municipal Services:		
Waterline debentures, repayable in blended annual instalments of \$1,267, including interest at a fixed rate of 7.00%, final payment made during fiscal year.	-	1,184
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.	56,250	60,750
Tile drain loans, repayable in various blended annual payments, including interest at fixed rates of 6.00%, maturing 2018-2026.	<u>232,526</u>	<u>342,419</u>
	<u>288,776</u>	<u>404,353</u>
Total Municipal Debt	\$ <u>2,036,963</u>	\$ <u>2,313,899</u>

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The Corporation of the Municipality of Brooke-Alvinston
Notes to the Financial Statements
December 31, 2017

4. Municipal Debt cont'd....

(b) Principal repayments are as follows:

2018	\$	207,059
2019		210,490
2020		213,258
2021		159,721
2022		163,625
Thereafter		<u>1,082,810</u>
	\$	<u>2,036,963</u>

(c) Total interest charges for the year for municipal debt which is reported on the statement of financial position was \$80,274 (2016 - \$66,774). During the year, \$Nil (2016 - \$87,300) in new tile drainage loans was incurred. The Municipality has an operating loan with \$2,000,000 available to be drawn on it.

(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	2017	2016
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The deferred revenue is comprised of the following:

Other deferred revenues	\$ <u>78,429</u>	\$ <u>66,320</u>
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The net change during the year in the deferred revenue balances is as follows:

Balance, beginning	\$ 66,320	\$ 221,206
Other deferred revenue received	<u>23,325</u>	<u>66,320</u>
	89,645	287,526
Transfer to operations	<u>11,216</u>	<u>221,206</u>
Balance, ending	\$ <u>78,429</u>	\$ <u>66,320</u>

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The Corporation of the Municipality of Brooke-Alvinston
Notes to the Financial Statements
December 31, 2017

6. Tangible Capital Assets

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
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
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Asset Cost 2016

	Land	Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Balance, beginning	\$ 130,068	\$ 899,099	\$ 5,374,292	\$ 3,807,831	\$ 2,044,104	\$ 24,815,865	\$ 35,268	\$ 37,106,527
Additions	-	6,670	122,844	143,312	-	1,034,857	14,379	1,322,062
Disposals	-	-	-	40,998	-	-	35,268	76,266
Class transfers, (to) from	-	-	-	-	-	-	-	-
Balance, ending	\$ 130,068	\$ 905,769	\$ 5,497,136	\$ 3,910,145	\$ 2,044,104	\$ 25,850,722	\$ 14,379	\$ 38,352,323

Accumulated Amortization

Balance, beginning	\$ -	\$ 309,893	\$ 2,279,177	\$ 2,284,067	\$ 1,039,495	\$ 11,921,603	\$ -	\$ 17,834,235
Amortization	-	30,263	97,772	197,212	90,560	436,760	-	852,567
Disposals	-	-	-	20,367	-	-	-	20,367
Balance, ending	\$ -	\$ 340,156	\$ 2,376,949	\$ 2,460,912	\$ 1,130,055	\$ 12,358,363	\$ -	\$ 18,666,435

Net Book Value	\$ 130,068	\$ 565,613	\$ 3,120,187	\$ 1,449,233	\$ 914,049	\$ 13,492,359	\$ 14,379	\$ 19,685,888
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Assets Under Construction

Assets under construction having a value of \$29,951 (2016 - \$14,379) 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 (2016 - \$Nil).

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The Corporation of the Municipality of Brooke-Alvinston
Notes to the Financial Statements
December 31, 2017

7. Accumulated Surplus	2017	2016
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Accumulated surplus consists of the following individual fund surplus and reserves as follows:

Surplus

Invested in tangible capital assets	\$ 19,890,836	\$ 19,685,888
Equity in Bluewater Power Corporation	460,024	445,797
General surplus	1,243,614	682,900
Alvinston special area	5,485	7,012
Inwood special area	6,578	7,623
Water operations deficit	(513,910)	(532,451)
Sewer operations deficit	(215,596)	(199,558)
Inwood sewer operations deficit	(125,248)	(119,827)
Canada Day committee	10,288	8,501
Cemetery	280,296	310,920
	<u>21,042,367</u>	<u>20,296,805</u>

Unfunded:

Long-term debt used to finance tangible capital assets	<u>(1,748,187)</u>	<u>(1,909,546)</u>
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Total Surplus	<u>19,294,180</u>	<u>18,387,259</u>
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Reserves set aside for specific purposes by Council:

Working Capital	1,234,612	1,234,613
Capital Reserve	901,252	1,148,608
Special Area	27,150	24,150
Fire	60,000	40,000
Cultural	40,000	40,000
Investment Revenue Reserve	68,708	224,393

Total Reserves	<u>2,331,722</u>	<u>2,711,764</u>
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Accumulated Surplus	\$ <u>21,625,902</u>	\$ <u>21,099,023</u>
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The Corporation of the Municipality of Brooke-Alvinston
Notes to the Financial Statements
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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, 2017, 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 2017 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.

	2017 Budget Amount
Budgeted (deficit) for the year	\$ (194,692)
Adjustments to budgeted deficit:	
Debt principal repayments	257,124
Capital expenditures	1,307,450
Reserve transfers	(423,868)
Amortization	<u>(850,664)</u>
Annual budgeted surplus	<u>\$ 95,350</u>

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 2017 was \$35,645 (2016 - \$35,319) for current service. Employers contributions for current service are included as an expense in the consolidated Statement of Financial Activity.

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The Corporation of the Municipality of Brooke-Alvinston
Notes to the Financial Statements
December 31, 2017

11. Investments and Trust Funds	2017	2016
Investments		
BMO Term Investments	\$ 199,675	\$ 347,648
BMO Mutual Fund Investments	<u>112,769</u>	<u>106,341</u>
	<u>\$ 312,444</u>	<u>\$ 453,989</u>

Investments include Trust funds administered by the Municipality amounting to \$199,675 (2016 - \$193,950) 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.

In the prior year there was a reserve fund investment in the amount of \$153,697 which was utilized in the year the remaining balance is \$NIL.

12. Comparative Figures

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

13. Expenses by Object

	Budget 2017	Actual 2017	Actual 2016
Materials and Services	\$ 4,388,100	\$ 2,893,420	\$ 2,949,366
Salaries and Benefits	1,348,505	1,238,054	1,134,088
Amortization - not budgeted for	-	850,664	852,567
Interest expense	<u>79,654</u>	<u>81,070</u>	<u>69,859</u>
	<u>\$ 5,816,259</u>	<u>\$ 5,063,208</u>	<u>\$ 5,005,880</u>

14. 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.

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14. Segmented Information cont'd...

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.

The Corporation of the Municipality of Brooke-Alvinston
Notes to the Financial Statements
December 31, 2017

14. 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	\$ 2,740,697	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,740,697
Water and sewer charges	-	-	-	-	-	-	-	-
Fees and User charges	6,815	15,703	5,108	501,596	12,676	198,958	278,394	1,019,250
Fees and User charges	-	-	-	-	-	-	-	-
Other municipalities	-	68,416	-	-	-	-	55,741	124,157
Grants	1,023,473	-	142,266	85,135	5,000	-	105,094	1,360,968
Other	146,819	2,825	12,880	3,699	27,427	17,866	119,272	330,788
Bluewater Power	14,227	-	-	-	-	-	-	14,227
	<u>3,917,804</u>	<u>84,438</u>	<u>160,254</u>	<u>590,430</u>	<u>45,103</u>	<u>216,824</u>	<u>558,501</u>	<u>5,590,087</u>
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	15,601	217,070	110,626	1,090,337
Contracted services	28,988	441,179	502,954	332,484	-	17,465	436,424	1,759,494
Interest	-	2,005	-	57,723	-	-	20,545	80,273
Amortization and loss on disposal of assets	20,901	94,321	353,514	272,211	3,481	97,639	8,597	850,664
Other	8,406	21,330	-	10,983	750	3,494	5,823	50,786
	<u>528,523</u>	<u>789,410</u>	<u>1,683,785</u>	<u>872,840</u>	<u>77,776</u>	<u>527,659</u>	<u>583,215</u>	<u>5,063,208</u>
Annual Surplus (Deficit)	<u>\$ 3,389,281</u>	<u>\$ (704,972)</u>	<u>\$ (1,523,531)</u>	<u>\$ (282,410)</u>	<u>\$ (32,673)</u>	<u>\$ (310,835)</u>	<u>\$ (24,714)</u>	<u>\$ 526,879</u>

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The Corporation of the Municipality of Brooke-Alvinston
Notes to the Financial Statements
December 31, 2017

14. Segmented Information cont'd...

For the Year Ended December 31, 2016	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation Cultural	Planning Development	Total
Revenue								
Taxation	\$ 2,402,422	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,402,422
Water and sewer charges	-	-	-	487,751	-	-	-	487,751
Fees and User charges	16,256	19,727	21,081	-	11,153	200,300	190,905	459,422
Fees and User charges	-	-	-	-	-	-	-	-
Other municipalities	-	59,805	-	-	-	-	16,451	76,256
Grants	1,168,512	-	225,024	-	-	3,000	87,530	1,484,066
Other	92,812	4,906	3,063	4,085	20,144	17,165	120,776	262,951
Bluewater Power	8,900	-	-	-	-	-	-	8,900
	<u>3,688,902</u>	<u>84,438</u>	<u>249,168</u>	<u>491,836</u>	<u>31,297</u>	<u>220,465</u>	<u>415,662</u>	<u>5,181,768</u>
Expenditures								
Salaries and benefits	369,264	109,402	422,665	-	55,680	176,677	400	1,134,088
Materials and supplies	141,400	654,585	910,178	608,409	21,342	230,754	382,699	2,949,367
Contracted services	-	-	-	-	-	-	-	-
Interest	-	2,546	-	45,995	-	-	21,318	69,859
Amortization and loss on disposal of assets	21,149	93,818	370,702	254,028	3,761	100,163	8,945	852,566
Other	-	-	-	-	-	-	-	-
	<u>531,813</u>	<u>860,351</u>	<u>1,703,545</u>	<u>908,432</u>	<u>80,783</u>	<u>507,594</u>	<u>413,362</u>	<u>5,005,880</u>
Annual Surplus (Deficit)	\$ <u>3,157,089</u>	\$ <u>(775,913)</u>	\$ <u>(1,454,377)</u>	\$ <u>(416,596)</u>	\$ <u>(49,486)</u>	\$ <u>(287,129)</u>	\$ <u>2,300</u>	\$ <u>175,888</u>