

The Corporation of the Municipality of Brooke-Alvinston

**Financial Statements
December 31, 2021**

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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.

A handwritten signature in black ink, appearing to read "S. 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, 2021

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Council

Mayor

David Ferguson

Councillors

Frank Nemcek

Jamie Armstrong

Jeannette Douglas

Wayne Deans

Administration

Clerk / Administrator

Janet Denkers

Treasurer

Stephen Ikert

Treasury Assistant

Dustin McNaughton

Financial Assistants

Darlene Paolucci / Cheryl Beaugrand

Public Works Manager

Randy Hills

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, 2021 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, 2021 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.

**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.



**Sarnia, Ontario
July 28, 2022**


**Chartered Professional Accountants
Licensed Public Accountants**

The Corporation of the Municipality of Brooke-Alvinston
Statement Of Financial Position
December 31, 2021

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Assets | | |
| Financial Assets | | |
| Cash and cash equivalents | \$ 2,047,318 | \$ 2,787,719 |
| Investments (note 11) | 341,890 | 335,496 |
| Taxes and interest receivable | 227,361 | 271,073 |
| Accounts receivable | 1,573,672 | 906,334 |
| Loans Receivable | 207,365 | 242,382 |
| Investment in Bluewater Power Corporation (note 3) | 577,772 | 536,395 |
| Total financial assets | <u>4,975,378</u> | <u>5,079,399</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 846,378 | 394,333 |
| Municipal debt (note 4) | 1,896,788 | 1,394,748 |
| Deferred revenue (note 5) | 358,081 | 158,124 |
| Funds held in trust (note 11) | 214,415 | 208,525 |
| Total liabilities | <u>3,315,662</u> | <u>2,155,730</u> |
| Net Financial Assets | <u>1,659,716</u> | <u>2,923,669</u> |
| Non-Financial Assets | | |
| Tangible capital assets (note 6) | 24,868,770 | 20,289,213 |
| Prepaid expenses | 65,066 | 22,993 |
| Inventory | 83,683 | 103,089 |
| Total non-financial assets | <u>25,017,519</u> | <u>20,415,295</u> |
| Accumulated Surplus (note 7) | <u>\$ 26,677,235</u> | <u>\$ 23,338,964</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, 2021

| | Budget 2021 (note 9) | Actual 2021 | Actual 2020 |
|---|-------------------------------------|------------------------|------------------------|
| Revenues | | | |
| Taxation | \$ 3,173,125 | \$ 3,158,712 | \$ 3,041,181 |
| Fees and user charges | 1,214,172 | 1,184,528 | 1,175,058 |
| Fees and user charges - other municipalities | 254,241 | 84,712 | 110,339 |
| Grants | 3,891,606 | 3,835,118 | 1,601,622 |
| Other | 349,483 | 447,718 | 307,371 |
| Bluewater Power Corporation, change in equity | - | 41,377 | 11,210 |
| Total Revenues | <u>8,882,627</u> | <u>8,752,165</u> | <u>6,246,781</u> |
| Expenditures | | | |
| General government | 571,895 | 522,305 | 536,817 |
| Protection services | 928,308 | 828,278 | 911,552 |
| Transportation services | 2,100,621 | 1,942,380 | 1,739,670 |
| Environmental services | 985,218 | 969,145 | 951,549 |
| Health services | 90,272 | 80,383 | 78,286 |
| Recreation and cultural services | 521,194 | 549,465 | 499,005 |
| Planning and development | 561,572 | 521,938 | 572,492 |
| Total Expenditures | <u>5,759,080</u> | <u>5,413,894</u> | <u>5,289,371</u> |
| Annual Surplus of Revenues over Expenditures | 3,123,547 | 3,338,271 | 957,410 |
| Accumulated Surplus, Beginning Of Year | <u>23,338,964</u> | <u>23,338,964</u> | <u>22,381,554</u> |
| Accumulated Surplus, End Of Year | <u>\$ 26,462,511</u> | <u>\$ 26,677,235</u> | <u>\$ 23,338,964</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 Assets
December 31, 2021

| | Budget 2021 (note 9) | Actual 2021 | Actual 2020 |
|--|-------------------------------------|----------------------------|----------------------------|
| Annual surplus | \$ 3,123,547 | \$ 3,338,271 | \$ 957,410 |
| Amortization of tangible capital assets | 1,074,087 | 1,074,087 | 895,818 |
| Change in prepaid and inventory expenses | - | (22,667) | (72,536) |
| (Gain)/Loss on sale of tangible capital assets | - | 31,979 | (6,512) |
| Proceeds from sale of tangible assets | - | 399,052 | 7,012 |
| Acquisition of tangible capital assets | <u>(4,802,130)</u> | <u>(6,084,675)</u> | <u>(1,389,792)</u> |
| Net change in net financial assets | (604,496) | (1,263,953) | 391,400 |
| Net financial assets, beginning of year | <u>2,532,269</u> | <u>2,923,669</u> | <u>2,532,269</u> |
| Net financial assets, end of year | <u>\$ 1,927,773</u> | <u>\$ 1,659,716</u> | <u>\$ 2,923,669</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, 2021

| | 2021 | 2020 |
|--|-----------------------------------|-----------------------------------|
| Operating Activities | | |
| Annual surplus | \$ 3,338,271 | \$ 957,410 |
| Items not requiring cash: | | |
| Amortization of tangible capital assets | 1,074,087 | 895,818 |
| Gain on sale of tangible capital assets | <u>31,979</u> | <u>(6,512)</u> |
| | 4,444,337 | 1,846,716 |
| Taxes and interest receivable | 43,712 | (7,629) |
| Accounts receivable | (667,338) | 88,877 |
| Loans receivable | 35,017 | 64,048 |
| Accounts payable and accrued liabilities | 452,045 | 49,790 |
| Inventories held for consumption | 19,406 | (59,565) |
| Deferred revenue | 199,957 | (456,924) |
| Prepaid expenses | (42,073) | (12,971) |
| Funds held in trust | <u>5,890</u> | <u>2,450</u> |
| | <u>4,490,953</u> | <u>1,514,792</u> |
| Capital Transactions | | |
| Proceeds from sale of tangible assets | 399,052 | 7,012 |
| Acquisition of tangible capital assets | <u>(6,084,675)</u> | <u>(1,389,792)</u> |
| | <u>(5,685,623)</u> | <u>(1,382,780)</u> |
| Investing Transactions | | |
| Purchase of Investments | (6,394) | (11,623) |
| Investment in Bluewater Power Corporation | <u>(41,377)</u> | <u>(11,210)</u> |
| | <u>(47,771)</u> | <u>(22,833)</u> |
| Financing Transactions | | |
| Proceeds from long-term debt | 650,000 | 29,400 |
| Repayment of municipal debt | <u>(147,960)</u> | <u>(237,802)</u> |
| | <u>502,040</u> | <u>(208,402)</u> |
| Net change in cash and cash equivalents | (740,401) | (99,223) |
| Opening, cash and cash equivalents | <u>2,787,719</u> | <u>2,886,942</u> |
| Closing, cash and cash equivalents | <u><u>\$ 2,047,318</u></u> | <u><u>\$ 2,787,719</u></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, 2021

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, 2021 are as follows:

| | School Boards | County | 2021 Total | 2020 Total |
|--|--------------------------|--------------------|-----------------------|-----------------------|
| Taxation and user charges collected | \$ 1,083,947 | \$ 1,771,098 | \$ 2,855,045 | \$ 2,868,220 |
| Amounts transferred | <u>(1,083,947)</u> | <u>(1,771,098)</u> | <u>(2,855,045)</u> | <u>(2,868,220)</u> |
| Balance, end of year | \$ <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 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:

| | 2021 | 2020 |
|---|-------------------|-------------------|
| 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>308,422</u> | <u>267,045</u> |
| | <u>\$ 577,772</u> | <u>\$ 536,395</u> |

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The Corporation of the Municipality of Brooke-Alvinston
Notes To The Financial Statements
December 31, 2021

3. Hydro Investments cont'd...

Continuity of Investment

| | | |
|--|-------------------|-------------------|
| Balance, beginning of year | \$ <u>536,395</u> | \$ <u>525,185</u> |
| Share of net income for the year | 54,433 | 25,287 |
| Dividends received during the year | <u>13,056</u> | <u>14,077</u> |
| Net increase in equity during the year | <u>41,377</u> | <u>11,210</u> |
| Balance, end of year | \$ <u>577,772</u> | \$ <u>536,395</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 2021, the Municipality of Brooke-Alvinston received \$9,771 (2020 - \$9,771) 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

| | 2021 | 2020 |
|---|-----------------------|-----------------------|
| Assets | | |
| Current assets | \$ 31,147,750 | \$ 31,820,186 |
| Property, plant and equipment | 89,339,408 | 83,109,097 |
| Other assets | <u>8,040,772</u> | <u>8,268,927</u> |
| Total assets | 128,527,930 | 123,198,210 |
| Regulatory balances | <u>6,602,712</u> | <u>5,731,053</u> |
| Total Assets and Regulatory Balances | \$ <u>135,130,642</u> | \$ <u>128,929,263</u> |
| Liabilities | | |
| Current liabilities | \$ 25,548,180 | \$ 23,303,815 |
| Long-term liabilities | <u>45,181,373</u> | <u>46,369,834</u> |
| Total liabilities | <u>70,729,553</u> | <u>69,673,649</u> |
| Equity | | |
| Share capital | 18,032,105 | 18,032,105 |
| Retained earnings | 45,404,161 | 40,720,749 |
| Accumulated other comprehensive loss | <u>(2,567,698)</u> | <u>(3,631,104)</u> |
| Total equity | <u>60,868,568</u> | <u>55,121,750</u> |
| Total liabilities and equity | 131,598,121 | 124,795,399 |
| Regulatory balances | <u>3,532,521</u> | <u>4,133,864</u> |
| Total Liabilities, Equity and Regulatory Balances | \$ <u>135,130,642</u> | \$ <u>128,929,263</u> |

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The Corporation of the Municipality of Brooke-Alvinston
Notes To The Financial Statements
December 31, 2021

3. Hydro Investments cont'd...

Bluewater Power Corporation - Results of Operations

| | | |
|---|---------------------|---------------------|
| Revenues | \$ 135,957,374 | \$ 146,299,604 |
| Expenditures | 128,889,680 | 140,291,729 |
| Income tax expense | <u>1,777,000</u> | <u>2,074,000</u> |
| Net income for the year | <u>5,290,694</u> | <u>3,933,875</u> |
| Net movement in regulatory balances, net of tax | 1,206,002 | 1,756,284 |
| Other comprehensive income (loss) for the year | <u>1,063,406</u> | <u>(1,001,905)</u> |
| Total comprehensive income for the year | <u>\$ 7,560,102</u> | <u>\$ 4,688,254</u> |
| Municipality of Brooke-Alvinston Share of Net Income @ 0.72% | <u>\$ 54,432</u> | <u>\$ 25,287</u> |
| Dividends | <u>\$ 1,813,284</u> | <u>\$ 1,955,088</u> |
| Municipality of Brooke-Alvinston, dividend @ 0.72% | <u>\$ 13,055</u> | <u>\$ 14,077</u> |
| Net Increase in Equity During the Year | <u>\$ 41,377</u> | <u>\$ 11,210</u> |

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The Corporation of the Municipality of Brooke-Alvinston
Notes To The Financial Statements
December 31, 2021

4. Municipal Debt

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

| | 2021 | 2020 |
|---|----------------------------|---------------------|
| 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. | \$ 318,757 | \$ 377,858 |
| 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. | 302,175 | 337,725 |
| 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. | 42,075 | 47,025 |
| Infrastructure Ontario, Shiloh Line Rehabilitation, serial debenture, repayable in semi-annual principal instalments of \$32,500 plus interest at a fixed rate of 2.06%, maturing 2031. | 650,000 | - |
| 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>460,790</u> | <u>487,886</u> |
| | <u>1,773,797</u> | <u>1,250,494</u> |
| 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. | 38,250 | 42,750 |
| Tile drain loans, repayable in various blended annual payments, including interest at fixed rates of 6.00%, maturing 2022-2030. | <u>84,741</u> | <u>101,504</u> |
| | <u>122,991</u> | <u>144,254</u> |
| Total Municipal Debt | <u>\$ 1,896,788</u> | <u>\$ 1,394,748</u> |

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The Corporation of the Municipality of Brooke-Alvinston
Notes To The Financial Statements
December 31, 2021

4. Municipal Debt cont'd....

(b) Principal repayments are as follows:

| | | |
|-------------------|-----------|-------------------------|
| 2022 | \$ | 216,157 |
| 2023 | | 211,862 |
| 2024 | | 214,839 |
| 2025 | | 217,916 |
| 2026 | | 219,139 |
| Thereafter | | <u>816,875</u> |
| | \$ | <u>1,896,788</u> |

(c) Total interest charges for the year for municipal debt which is reported on the statement of financial position was \$46,357 (2020 - \$54,999). During the year, \$650,000 (2020 - \$29,400) of new loans were incurred. The Municipality has an operating loan facility 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 | 2021 | 2020 |
|----------------------------|-------------|-------------|

The deferred revenue is comprised of the following:

| | | |
|-------------------|-------------------|-------------------|
| Deferred revenues | \$ <u>358,081</u> | \$ <u>158,124</u> |
|-------------------|-------------------|-------------------|

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

| | | |
|---------------------------|-------------------|-------------------|
| Balance, beginning | \$ 158,124 | \$ 615,048 |
| Deferred revenue received | <u>312,813</u> | <u>42,590</u> |
| | 470,937 | 657,638 |
| Transfer to operations | <u>112,856</u> | <u>499,514</u> |
| Balance, ending | \$ <u>358,081</u> | \$ <u>158,124</u> |

Restricted Use Funds

| | | |
|--|--------------------------|--------------------|
| Federal - Canada Community-Building Fund (CCBF - Formerly Gas Tax) | 76,465 | - |
| Federal - CCBF top-up | 73,508 | - |
| Interest on CCBF funds | <u>751</u> | <u>-</u> |
| | \$ <u>150,724</u> | \$ <u>-</u> |

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The Corporation of the Municipality of Brooke-Alvinston
Notes To The Financial Statements
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6. Tangible Capital Assets

Asset Cost 2021

| | Land | Land Improvements | Buildings | Equipment | Vehicles | Infrastructure | Assets Under Construction | Total |
|------------------------|-------------------|-------------------|---------------------|---------------------|---------------------|----------------------|---------------------------|----------------------|
| Balance, beginning | \$ 129,786 | \$ 961,131 | \$ 6,177,001 | \$ 4,535,430 | \$ 2,029,580 | \$ 27,633,978 | \$ 330,143 | \$ 41,797,049 |
| Additions | - | 3,992 | 451,134 | 953,454 | 177,919 | 4,800,766 | - | 6,387,265 |
| Disposals | - | (2,163) | (18,408) | 494,360 | 208,799 | - | 302,590 | 985,178 |
| Balance, ending | \$ 129,786 | \$ 962,960 | \$ 6,646,543 | \$ 4,994,524 | \$ 1,998,700 | \$ 32,434,744 | \$ 27,553 | \$ 47,199,136 |

Accumulated Amortization

| | | | | | | | | |
|------------------------|-------------|-------------------|---------------------|---------------------|---------------------|----------------------|-------------|----------------------|
| Balance, beginning | \$ - | \$ 437,051 | \$ 2,848,648 | \$ 3,001,638 | \$ 1,224,255 | \$ 13,996,244 | \$ - | \$ 21,507,836 |
| Amortization | - | 22,369 | 144,396 | 261,092 | 95,244 | 550,986 | - | 1,074,087 |
| Disposals | - | (2,163) | (18,408) | 256,495 | 15,633 | - | - | 251,557 |
| Balance, ending | \$ - | \$ 457,257 | \$ 3,011,452 | \$ 3,006,235 | \$ 1,303,866 | \$ 14,547,230 | \$ - | \$ 22,330,366 |

Net Book Value

| | | | | | | | | |
|--|------------|------------|--------------|--------------|------------|---------------|-----------|---------------|
| | \$ 129,786 | \$ 505,703 | \$ 3,635,091 | \$ 1,988,289 | \$ 694,834 | \$ 17,887,514 | \$ 27,553 | \$ 24,868,770 |
|--|------------|------------|--------------|--------------|------------|---------------|-----------|---------------|

Asset Cost 2020

| | Land | Land Improvements | Buildings | Equipment | Vehicles | Infrastructure | Assets Under Construction | Total |
|----------------------------|-------------------|-------------------|---------------------|---------------------|---------------------|----------------------|---------------------------|----------------------|
| Balance, beginning | \$ 129,786 | \$ 936,425 | \$ 6,072,321 | \$ 4,275,518 | \$ 2,047,724 | \$ 26,913,980 | \$ 72,380 | \$ 40,448,134 |
| Additions | - | 24,706 | 104,680 | 282,645 | - | 719,998 | 321,544 | 1,453,573 |
| Disposals | - | - | - | 22,733 | 18,144 | - | 63,781 | 104,658 |
| Class transfers, (to) from | - | - | - | - | - | - | - | - |
| Balance, ending | \$ 129,786 | \$ 961,131 | \$ 6,177,001 | \$ 4,535,430 | \$ 2,029,580 | \$ 27,633,978 | \$ 330,143 | \$ 41,797,049 |

Accumulated Amortization

| | | | | | | | | |
|------------------------|-------------|-------------------|---------------------|---------------------|---------------------|----------------------|-------------|----------------------|
| Balance, beginning | \$ - | \$ 415,078 | \$ 2,720,040 | \$ 2,806,100 | \$ 1,141,235 | \$ 13,569,942 | \$ - | \$ 20,652,395 |
| Amortization | - | 21,973 | 128,608 | 218,271 | 100,664 | 426,302 | - | 895,818 |
| Disposals | - | - | - | 22,733 | 17,644 | - | - | 40,377 |
| Balance, ending | \$ - | \$ 437,051 | \$ 2,848,648 | \$ 3,001,638 | \$ 1,224,255 | \$ 13,996,244 | \$ - | \$ 21,507,836 |

Net Book Value

| | | | | | | | | |
|--|------------|------------|--------------|--------------|------------|---------------|------------|---------------|
| | \$ 129,786 | \$ 524,080 | \$ 3,328,353 | \$ 1,533,792 | \$ 805,325 | \$ 13,637,734 | \$ 330,143 | \$ 20,289,213 |
|--|------------|------------|--------------|--------------|------------|---------------|------------|---------------|

Assets Under Construction

Assets under construction having a value of \$27,553 (2020 - \$330,143) 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 (2020 - \$Nil).

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The Corporation of the Municipality of Brooke-Alvinston
Notes To The Financial Statements
December 31, 2021

| 7. Accumulated Surplus | 2021 | 2020 |
|--|-----------------------------|-----------------------------|
| Accumulated surplus consists of the following individual fund surplus and reserves as follows: | | |
| Surplus | | |
| Invested in tangible capital assets | \$ 24,868,770 | \$ 20,289,213 |
| Equity in Bluewater Power Corporation | 577,772 | 536,395 |
| General surplus | 226,643 | 99,263 |
| Alvinston special area | 5,087 | 7,246 |
| Inwood special area | 7,641 | 7,938 |
| Water operations | (102,224) | (40,871) |
| Sewer operations deficit | (45,998) | 36,659 |
| Inwood sewer operations | (188,458) | (156,912) |
| Canada Day committee | 6,692 | 9,544 |
| Cemetery | <u>170,958</u> | <u>194,748</u> |
| | 25,526,883 | 20,983,223 |
| Unfunded: | | |
| Long-term debt used to finance tangible capital assets | <u>(1,773,797)</u> | <u>(1,250,494)</u> |
| Total Surplus | <u>23,753,086</u> | <u>19,732,729</u> |
| Reserves set aside for specific purposes by Council: | | |
| Working Capital | 1,349,611 | 1,304,612 |
| Capital Reserve | 579,283 | 1,429,282 |
| Special Area | 37,150 | 29,150 |
| Fire | 270,000 | 210,000 |
| Budget Surplus Reserve | 395,235 | 471,000 |
| Water | - | 148,510 |
| Alvinston Investment Revenue Reserve | <u>292,870</u> | <u>13,681</u> |
| Total Reserves | <u>2,924,149</u> | <u>3,606,235</u> |
| Accumulated Surplus | <u>\$ 26,677,235</u> | <u>\$ 23,338,964</u> |

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The Corporation of the Municipality of Brooke-Alvinston
Notes To The Financial Statements
December 31, 2021

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, 2021, 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 2021 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.

| | 2021 Budget Amount |
|---|-------------------------------|
| Budgeted surplus (deficit) for the year | \$ - |
| Adjustments to budgeted deficit: | |
| Debt principal repayments | 131,197 |
| Capital expenditures | 4,802,130 |
| Reserve transfers | (735,693) |
| Amortization | <u>(1,074,087)</u> |
| Annual adjusted budgeted surplus | <u>\$ 3,123,547</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 2021 was \$58,485 (2020 - \$48,962) 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, 2021

| 11. Investments and Trust Funds | 2021 | 2020 |
|--|-------------------|-------------------|
| Investments | | |
| BMO Term Investments | \$ 208,550 | \$ 208,525 |
| BMO Mutual Fund Investments | <u>133,340</u> | <u>126,971</u> |
| | <u>\$ 341,890</u> | <u>\$ 335,496</u> |

Investments include Trust funds administered by the Municipality amounting to \$214,415 (2020 - \$208,525) 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 2021 | Actual 2021 | Actual 2020 |
|------------------------|------------------------|------------------------|------------------------|
| Materials and Services | \$ 1,192,173 | \$ 996,272 | \$ 1,067,053 |
| Salaries and Benefits | 1,329,550 | 1,287,543 | 1,276,548 |
| Contracted Services | 2,103,608 | 2,002,870 | 1,976,357 |
| Interest expense | 42,267 | 46,357 | 55,000 |
| Other | 10,895 | 6,765 | 18,595 |
| Amortization | <u>-</u> | <u>1,074,087</u> | <u>895,818</u> |
| | <u>\$ 4,678,493</u> | <u>\$ 5,413,894</u> | <u>\$ 5,289,371</u> |

There is no explicit provision for amortization in the budget

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.

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14. Segmented Information cont'd....

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 contributions made to the area health services 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 parks, an arena, 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, 2021

14. Segmented Information cont'd...

| For the Year Ended December 31, 2021 | General Government | Protection Services | Transportation Services | Environmental Services | Health Services | Recreation Cultural | Planning Development | Total |
|---|-------------------------------|--------------------------------|------------------------------------|-----------------------------------|----------------------------|--------------------------------|---------------------------------|---------------------|
| Revenue | | | | | | | | |
| Taxation | \$ 3,083,447 | \$ - | \$ - | \$ 75,265 | \$ - | \$ - | \$ - | \$ 3,158,712 |
| Fees and User charges | 11,921 | 33,747 | 63,590 | 592,109 | 23,725 | 141,001 | 318,435 | 1,184,528 |
| Fees and User charges Other municipalities | - | 50,696 | - | - | - | - | 34,016 | 84,712 |
| Grants | 660,349 | 6,374 | 3,020,506 | - | - | 26,702 | 121,187 | 3,835,118 |
| Other | 136,150 | 315 | (31,980) | 7,403 | 28,210 | 235,581 | 72,039 | 447,718 |
| Bluewater Power | 41,377 | - | - | - | - | - | - | 41,377 |
| | <u>3,933,244</u> | <u>91,132</u> | <u>3,052,116</u> | <u>674,777</u> | <u>51,935</u> | <u>403,284</u> | <u>545,677</u> | <u>8,752,165</u> |
| Expenditures | | | | | | | | |
| Salaries and benefits | 375,025 | 129,660 | 465,326 | 27,975 | 55,474 | 232,433 | 1,650 | 1,287,543 |
| Materials and supplies | 95,767 | 82,133 | 340,387 | 210,108 | 20,250 | 186,373 | 61,712 | 996,730 |
| Contracted services | 27,051 | 518,385 | 612,378 | 391,986 | - | 8,448 | 444,164 | 2,002,412 |
| Interest | - | - | - | 40,267 | - | - | 6,090 | 46,357 |
| Amortization and loss on disposal of assets | 22,487 | 96,110 | 524,289 | 296,759 | 3,909 | 122,211 | 8,322 | 1,074,087 |
| Other | 1,975 | 1,990 | - | 2,050 | 750 | - | - | 6,765 |
| | <u>522,305</u> | <u>828,278</u> | <u>1,942,380</u> | <u>969,145</u> | <u>80,383</u> | <u>549,465</u> | <u>521,938</u> | <u>5,413,894</u> |
| Annual Surplus (Deficit) | <u>\$ 3,410,939</u> | <u>\$ (737,146)</u> | <u>\$ 1,109,736</u> | <u>\$ (294,368)</u> | <u>\$ (28,448)</u> | <u>\$ (146,181)</u> | <u>\$ 23,739</u> | <u>\$ 3,338,271</u> |

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The Corporation of the Municipality of Brooke-Alvinston
Notes To The Financial Statements
December 31, 2021

14. Segmented Information cont'd...

| For the Year Ended December 31, 2020 | General Government | Protection Services | Transportation Services | Environmental Services | Health Services | Recreation Cultural | Planning Development | Total |
|---|-------------------------------|--------------------------------|------------------------------------|-----------------------------------|----------------------------|--------------------------------|---------------------------------|-------------------|
| Revenue | | | | | | | | |
| Taxation | \$ 2,974,467 | \$ - | \$ - | \$ 66,714 | \$ - | \$ - | \$ - | \$ 3,041,181 |
| Fees and User charges | 12,242 | 75,339 | 4,536 | 606,715 | 20,100 | 143,109 | 313,017 | 1,175,058 |
| Fees and User charges | | | | | | | | |
| Other municipalities | - | 95,337 | - | - | - | - | 15,002 | 110,339 |
| Grants | 763,081 | - | 602,917 | 75,116 | - | 5,000 | 155,508 | 1,601,622 |
| Other | 169,199 | 4,100 | 6,511 | 7,605 | 32,110 | 6,000 | 81,846 | 307,371 |
| Bluewater Power | 11,210 | - | - | - | - | - | - | 11,210 |
| | <u>3,930,199</u> | <u>174,776</u> | <u>613,964</u> | <u>756,150</u> | <u>52,210</u> | <u>154,109</u> | <u>565,373</u> | <u>6,246,781</u> |
| Expenditures | | | | | | | | |
| Salaries and benefits | 373,085 | 175,450 | 445,738 | 25,655 | 54,841 | 200,529 | 1,250 | 1,276,548 |
| Materials and supplies | 110,769 | 107,834 | 362,853 | 216,757 | 18,787 | 184,304 | 65,749 | 1,067,053 |
| Contracted services | 26,971 | 538,368 | 559,846 | 366,915 | - | 4,862 | 479,395 | 1,976,357 |
| Interest | - | 403 | - | 44,706 | - | - | 9,891 | 55,000 |
| Amortization and loss on disposal of assets | 23,825 | 82,514 | 371,182 | 296,758 | 3,908 | 109,310 | 8,321 | 895,818 |
| Other | <u>2,167</u> | <u>6,983</u> | <u>51</u> | <u>758</u> | <u>750</u> | <u>-</u> | <u>7,886</u> | <u>18,595</u> |
| | <u>536,817</u> | <u>911,552</u> | <u>1,739,670</u> | <u>951,549</u> | <u>78,286</u> | <u>499,005</u> | <u>572,492</u> | <u>5,289,371</u> |
| Annual Surplus (Deficit) | \$ <u>3,393,382</u> | \$ <u>(736,776)</u> | \$ <u>(1,125,706)</u> | \$ <u>(195,399)</u> | \$ <u>(26,076)</u> | \$ <u>(344,896)</u> | \$ <u>(7,119)</u> | \$ <u>957,410</u> |

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15. COVID-19 Impact

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

The Municipality has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Temporarily started closing Municipal facilities for walk-in access on March 13, 2020. The Municipal office remained open with limited access and appropriate COVID-19 safety protocols in place.
- Working from home requirements were put in place for those able to do so, as well as physical distancing in the work units.
- Some part-time and seasonal employees have been temporarily laid off, and the hiring of one vacant position was postponed.
- The 2021 budget was developed considering the COVID-19 restrictions and the related financial implications
- The federal and provincial governments provided the Municipality with COVID-19 operating financial relief under the COVID-19 Safe Restart Agreement.

In 2021 the Municipality had adopted several specific measures, which include the cancellation of festivals, events and public gatherings, as well as the closure of several cultural and sports facilities. Estimates and assumptions have been made by management to try and quantify the financial effect of these activities. A detailed review of the 2021 Budget was conducted, and the results of this work was presented to Council. Management worked to manage all aspects of the budget very closely.