

**THE CORPORATION OF THE MUNICIPALITY
OF BROOKE-ALVINSTON
CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2025

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MANAGEMENT'S REPORT

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 judgement, 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 regularity 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 MNP LLP, independent external auditors and appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Stephen Ikert

Treasurer

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

Opinion

We have audited the consolidated financial statements of The Corporation of the Municipality of Brooke- Alvinston (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, changes 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, 2025, and the results of its operations, changes in its net financial assets and its cash flows 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.

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Municipality as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

June 11, 2026

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2025

	2025	2024
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (note 2)	\$ 2,591,768	\$ 2,763,566
Investments (note 2)	39,668	46,108
Taxes receivable (note 3)	575,039	483,602
Accounts receivable	1,050,780	770,715
Loans receivable (note 4)	376,026	413,181
Investment in Bluewater Power Corporation (note 6)	703,427	663,393
TOTAL FINANCIAL ASSETS	5,336,708	5,140,565
LIABILITIES		
Accounts payable and accrued liabilities	537,641	558,987
Municipal debt (note 7)	1,158,918	1,387,848
Deferred revenue (note 8)	1,175,854	635,917
Funds held in trust (note 2)	228,497	222,103
TOTAL LIABILITIES	3,100,910	2,804,855
NET FINANCIAL ASSETS	2,235,798	2,335,710
NON-FINANCIAL ASSETS		
Tangible capital assets (note 9) (schedule 1)	25,907,460	25,444,675
Prepaid expenses	25,830	20,959
Inventory	149,793	165,438
TOTAL NON-FINANCIAL ASSETS	26,083,083	25,631,072
ACCUMULATED SURPLUS (note 10)	\$ 28,318,881	\$ 27,966,783

Contingencies (note 12)

Commitments (note 13)

Approved on behalf of Council:

Mayor

C.A.O./Clerk

Treasurer

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31, 2025

	Budget 2025 \$ (note 14)		Actual 2025 \$		Actual 2024 \$
REVENUES					
Taxation	3,908,549	\$	3,955,036	\$	3,632,115
Fees and user charges	1,541,150		1,673,241		1,359,209
Fees and user charges other municipalities	92,601		165,010		92,727
Grants	1,205,200		620,707		1,191,383
Other	147,005		438,063		533,570
Bluewater Power Corporation	-		40,035		19,347
TOTAL REVENUES	6,894,505	\$	6,892,092	\$	6,828,351
EXPENSES					
General government	702,292	\$	632,931	\$	638,870
Protection services	968,992		953,924		892,501
Transportation services	2,559,187		2,339,634		2,024,287
Environmental services	938,406		998,916		924,410
Health services	62,724		68,778		64,595
Recreation and cultural services	878,994		875,550		841,247
Planning and development	796,123		670,261		479,620
TOTAL EXPENSES	6,906,718	\$	6,539,994	\$	5,865,530
ANNUAL SURPLUS	(12,213)		352,098		962,821
ACCUMULATED SURPLUS - beginning of year	27,966,783		27,966,783		27,003,962
ACCUMULATED SURPLUS - end of year (note 11)	\$ 27,954,570	\$	28,318,881	\$	27,966,783

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31, 2025

	Budget 2025 \$ (note 14)	Actual 2025 \$	Actual 2024 \$
ANNUAL SURPLUS	(12,213)	352,098	962,821
Amortization of tangible capital assets	1,171,753	1,171,753	1,119,521
Acquisition of tangible capital assets	(2,021,000)	(1,650,187)	(1,906,036)
(Gain)/loss on sale tangible capital assets	-	(33,478)	(27,994)
Proceeds from sale of tangible capital assets		49,128	192,219
Change in prepaid and inventory assets	-	10,774	2,832
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(861,460)	(99,912)	343,363
NET FINANCIAL ASSETS - beginning of year	2,335,710	2,335,710	1,992,347
NET FINANCIAL ASSETS - end of year	1,474,250	2,235,798	2,335,710

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2025

	Actual 2025 \$	Actual 2024 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	352,098	962,821
Non-cash charges to operations		
Amortization of tangible capital assets	1,171,753	1,119,521
(Gain) loss on disposal of tangible capital assets	(33,478)	(27,994)
Change in non-cash assets and liabilities		
Taxes and interest receivable	(91,437)	(97,945)
Accounts receivable	(280,065)	612,732
Loans receivable	37,155	(31,853)
Accounts payable and accrued liabilities	(21,346)	141,078
Inventories held for consumption	15,645	(713)
Deferred revenue	539,937	(228,301)
Prepaid expenses	(4,871)	3,545
Funds held in trust	6,394	1,952
Net increase in cash from operating transactions	1,691,785	2,454,843
CAPITAL		
Acquisition of tangible capital assets	(1,650,187)	(1,906,036)
Proceeds on disposal of tangible capital assets	49,128	192,219
Net decrease in cash from capital transactions	(1,601,059)	(1,713,817)
INVESTING		
Maturation (purchase) of investments	6,440	270,427
Investment in Bluewater Power Corporation	(40,034)	(19,347)
Net increase (decrease) in cash from investing transactions	(33,594)	251,080
FINANCING		
Proceeds from long-term debt	-	100,000
Repayment of municipal debt	(228,930)	(250,172)
Net decrease in cash from investing transactions	(228,930)	(150,172)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(171,798)	841,934
CASH AND CASH EQUIVALENTS - beginning of year	2,763,566	1,921,632
CASH AND CASH EQUIVALENTS - end of year	2,591,768	2,763,566

The Corporation of the Municipality of Brooke-Alvinston ("Municipality") is a municipality in the Province of Ontario, Canada. It was incorporated in 2001 and conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, 2001, Municipal Affairs Act and related legislation. The Municipality provides municipal services such as fire, public works, planning, parks and recreation and other general government operations.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Municipality are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) as defined in the CPA Canada Public Sector Accounting Handbook. Significant aspects of the accounting policies are as follows:

a) Basis of Consolidation

i. Consolidated Entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all committees and local boards accountable for the administration of their financial affairs and resources of the Municipality and which are owned or controlled by the Municipality.

Inter-departmental and inter-organizational transactions and balances with this entity have been eliminated.

ii. Government Business Enterprise

The Municipality's investment in Bluewater Power Corporation ("BPC") is accounted for on the modified equity basis, consistent with Canadian public sector accounting standards as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, BPC's accounting policies are not adjusted to conform to those of the Municipality and inter-organizations transactions and balances are not eliminated. The Municipality recognizes its equity interest in the annual income or loss of BPC in its Consolidated Statement of Operations with corresponding increase or decrease in its investment asset account. Any dividends that the Municipality may receive from BPC will be reflected as reductions in the investment asset 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 these consolidated financial statements except that any amounts due to or from these organizations are reported on the statement of financial position. Taxation raised by the Municipality on behalf of these organizations is reflected as a deduction from total taxation on the Statement of Operations and Accumulated Surplus.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of accounting

The Municipality follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of a receipt of goods or services and/or the creation of a legal obligation to pay.

c) Cash and cash equivalents

Cash and cash equivalents include cash on account and short-term investments with original maturities of 90 or less and are stated at cost.

d) Non-financial assets

Non-financial assets are not yet 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.

e) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amount 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, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Asset	Useful Life - Years
Land improvements	10-75 years
Buildings	5-75 years
Equipment, furniture and fixtures	5-50 years
Vehicles	5 – 30 years
Road infrastructure	7 - 100 years
Environmental infrastructure	50 - 75 years

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

f) Intangible assets

Intangible assets, art and cultural and historical 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 (continued)

g) Revenue recognition

Property tax billings are prepared by the Municipality based on the assessment roles issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in the property assessments. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders a supplementary tax billing. Taxation revenues are recorded at the time the tax billings are issued.

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

Taxation revenues in any year may also be reduced as a result of reductions in assessment values arising from assessment and/or tax appeals. Each year, an amount is identified to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals and other deficiencies in tax revenues (e.g., uncollectible amounts, write-offs, etc.).

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 assets are recognized in the period in which eligible expenditures are made.

Investment income earned on surplus funds (other than obligatory reserve funds) is recognized when earned. Investment income earned on deferred revenue is recorded directly to each fund.

The Municipality's share of net income in Bluewater Power is recognized when earned.

The Municipality recognizes revenue from fines and penalties on late tax payments. These non-exchange transactions have no performance obligations and are recognized at their realizable value when the Municipality has the authority to claim or retain economic inflows based on a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized when the Municipality satisfies a performance obligation by providing the promised goods or services to a payor. The performance obligation is evaluated as being satisfied either over a period of time or at a point in time. The Municipality recognizes revenues from utilities, licenses and permits, certificates, recycling services, and rentals at a point in time, which occurs when the goods and/or services have been provided. In determining the transaction price, the Municipality measures revenue based on the consideration that is expected to receive in exchange for providing the goods and/or services.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Deferred Revenue

The Municipality receives revenue restricted by legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. The revenue is reported on the Statement of Operations and Accumulated Surplus in the year in which the related expenses are incurred or services performed.

i) Development charges and other revenues

Revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year are deferred and reported as liabilities.

j) Accumulated surplus

Accumulated surplus represents the Municipality's net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that the Municipality has net resources (financial and physical) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

k) Financial instruments

The Municipality classifies its financial instruments as either fair value or amortized cost. The Municipality's accounting policy for each category is as follows:

i. Fair Value

Fair value investments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Financial assets measured at fair value include cash, which is initially recognized at cost and subsequently carried at fair value. Changes in fair value are recognized in the statement of operations. The Municipality classifies this as a Level 1.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments (continued)

ii. Amortized Cost

Financial assets measured at amortized cost include temporary investments, accounts receivable and taxes receivable, other receivables, bank loans, accounts payable and accrued liabilities, and municipal debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest method rate, less any impairment losses on financial assets

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

l) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Estimates are used with accounting for items such as accrued receivables and accrued liabilities.

Items requiring the use of significant estimates include those related to the useful life of assets, allowance for doubtful accounts, and accrued accounts payable. Actual results could differ from these estimates.

m) Employee future benefits

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit pension plan, are expensed when contributions are due.

n) Budget figures

The Municipality's council completes separate budget reviews for tax supported operating and capital, as well as water and wastewater budgets each year. Budget figures have been provided for comparison purposes. Given the differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board (PSAB), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Asset retirement obligations

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

As of December 31, 2024, management's best estimate based on their information available does not recognize any asset retirement obligations, and therefore no liability exists. Management will continue to address the new standard and review the policy to determine if any asset retirement obligations are to be reported.

p) Inventories of materials and supplies

Inventories held for consumption are recorded at the lower of cost or replacement value.

2. INVESTMENTS AND TRUST FUNDS

	2025	2024
	\$	\$
BMO term investments	39,668	46,108

Cash and cash equivalents and investments include Trust funds administered by the Municipality amounting to \$228,497 (2024 - \$222,103) 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.

CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025
NOTES TO THE FINANCIAL STATEMENTS

3. TAXES RECEIVABLE

As at December 31, the balances are as follows:

	2025	2024
	\$	\$
Taxes receivable	519,797	448,421
Penalties and interest	72,742	52,681
Allowance for doubtful accounts	(17,500)	(17,500)
	<u>575,039</u>	<u>483,602</u>

4. LOANS RECEIVABLE

The Municipality has the following loan receivables:

The Municipality has self financed ratepayers capital drainage projects in amount of \$175,876 (2024 – \$181,537) payable over five years, maturing between 2026 and 2030 bearing interest at a rate of 6.00%.

The Municipality has self financed ratepayers capital tile drainage projects in amount of \$154,137 (2024 – \$177,764) payable over ten years, maturing between 2026 and 2034 bearing interest at a rate of 6.00%.

Loans in the amount of \$7,807 (2024 – \$11,147) to residents of Shiloh/River Street for sanitary lateral connections payable over five to ten years, maturing between 2026 and 2027 bearing interest at rates ranging from 2.59% to 6.00%

Loans in the amount of \$20,428 (2024 – \$24,954) to residents of Inwood for sanitary lateral connections payable over twenty years, maturing 2029 and bearing interest at a rate of 5.00%.

Loans in the amount of \$17,778 (2024 - \$17,778) to the ratepayers for installing various waterlines and sanitary connections. These have no terms of repayment and will be collected on future connections.

2026	86,335
2027	82,982
2028	65,764
2029	37,729
2030	28,343
Thereafter	74,873
	<u>376,026</u>

5. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF LAMBTON

During 2025, requisitions were made by the County of Lambton and School Boards requiring the Municipality to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	School Boards \$	County \$	2025 Total \$
Property taxes	1,149,852	2,191,815	3,341,667
Amounts requisitioned and remitted	(1,149,852)	(2,191,815)	(3,341,667)
Balance, end of year	-	-	-

These amounts have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

6. INVESTMENT IN BLUEWATER POWER CORPORATION

In recognition of the requirements of Bill 35 (The Energy Competition Act, 1998) the Municipality through Alvinston Electricity Holdings Inc. (holding company), along with the City of Sarnia, Township of Warwick, Village of Oil Springs and Town of Petrolia passed in the year 2000 transfer by-laws that transferred, effective October 31, 2000, all their hydro assets and liabilities to Bluewater Power Distribution Corporation. Upon determination of the fair value of assets and liabilities transferred, each municipality received a promissory note from Bluewater Power Distribution Corporation and shares of Bluewater Power Corporation, which owns 100% of Bluewater Power Distribution Corporation, equal to the percentage of the fair market value of assets and liabilities each municipality contributed compared to the total fair market value of the assets and liabilities contributed by the municipalities.

The fair market value of the assets and liabilities contributed by the Municipality of Brooke-Alvinston was determined to be 0.72% of the fair market value of all of the assets and liabilities contributed by all of the six participating municipalities.

For its contribution the Municipality took back a promissory note from Bluewater Power Distribution Corporation bearing interest at 7.25% and Alvinston Electricity Holdings Inc., wholly owned by the Municipality was incorporated to hold the Municipality's investment in 0.72% of the common shares of Bluewater Power Corporation. This investment in 0.72% of the common shares of Bluewater Power Corporation was valued at \$129,831.

Commencing May 1, 2009, the interest rate payable on the promissory note increased from 7.25% to 7.62%, the deemed debt cost allowed by the Ontario Energy Board and on May 1, 2013 the increase rate declined to 6.39%. In May 2016 the rate was adjusted to 6.73%. In May 2018 the rate was adjusted to 6.98%. In May 2023 the rate was adjusted to 7.93%.

The financial statements of Bluewater Power Corporation were prepared in accordance with International Financial Reporting Standards (IFRS).

The investment in Bluewater Power Corporation is reported on the modified equity basis.

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6. INVESTMENT IN BLUEWATER POWER CORPORATION (continued)

The investment is comprised of the following:

	2025	2024
	\$	\$
Promissory note	139,981	139,981
Alvinston Electricity Holdings Inc. common shares	129,831	129,831
Share of net income since acquisition, net of dividends received	433,615	393,581
	703,427	663,393
Continuity of Investment		
Balance, beginning of year	663,393	644,046
Share of net income for the year	56,732	35,506
Dividends received during the year	(16,698)	(16,159)
Net increase in equity during the year	40,034	19,347
Balance, end of year	703,427	663,393

The promissory note is due from Bluewater Power Distribution Corporation is unsecured, subordinated and due eighteen months following demand for payment. During 2025, the Municipality received \$11,100 (2024 - \$11,100) of interest income on the promissory note.

Due to the ownership of Bluewater Power Corporation, the Municipality would be responsible for their related commitments and contingencies. These can be found within the standalone financial statements of Bluewater Power Corporation.

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6. INVESTMENT IN BLUEWATER POWER CORPORATION (continued)

The following is the financial information presented by Bluewater Power Corporation:

Consolidated Statement of Financial Position

	2025	2024
	\$	\$
Assets		
Current assets	51,988,103	46,452,761
Property, Plant and equipment	114,359,460	106,756,018
Other assets	6,047,187	6,631,029
Total assets	172,394,750	159,839,808
Regulatory balances	7,196,123	5,877,024
Total assets and regulatory balances	179,590,873	165,716,832
Liabilities		
Current liabilities	33,434,379	27,019,759
Non-current liabilities	64,013,392	63,309,409
	97,447,771	90,329,168
Equity		
Share Capital	18,032,105	18,032,105
Retained Earnings	59,392,507	55,017,910
Accumulated other comprehensive gain (loss)	831,710	(353,880)
Total Equity	78,256,322	72,696,135
Total liabilities and equity	175,704,093	163,025,303
Regulatory balances	3,886,780	2,691,529
Total liabilities , Equity and Regulatory balances	179,590,873	165,716,832

Consolidated Statements of Comprehensive Income

	2025	2024
	\$	\$
Revenue	160,851,811	153,689,070
Operating expenditures	151,248,883	144,469,594
Income tax expense	2,734,000	2,339,000
Net income for the year	6,868,928	6,880,476
Net movement in regulatory balances, net of tax	(175,152)	(2,195,342)
Other comprehensive income (loss) for the year	1,185,590	246,252
Total comprehensive income	7,879,366	4,931,386

CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON
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7. MUNICIPAL DEBT

The balance of municipal debt reported on the statement of financial position is comprised of the following loans and debentures:

	2025	2024
	\$	\$
Infrastructure Ontario, Inwood storm sewer debenture repayable in blended semi-annual installments of \$31,126 including interest at a fixed rate of 2.52%, due December 2026	66,984	132,311
Infrastructure Ontario, Inwood storm sewer system serial debenture repayable in blended semi-annual principal installments of \$17,775, plus interest at a fixed rate of 4.54%, due March 2030	159,975	195,525
Infrastructure Ontario, Alvinston sewer upgrades serial debenture repayable in blended semi-annual principal installments of \$2,475 plus interest at a fixed rate of 4.54%, due March 2030	22,275	27,225
Infrastructure Ontario, Shiloh Line rehabilitation, serial debenture, repayable in blended semi-annual principal installments of \$32,500, plus interest at a fixed rate of 2.06%, due March 2031	390,000	455,000
Infrastructure Ontario, waterline debenture, repayable in blended semi-annual principal installments of \$19,659, including interest at a fixed rate of 2.54%, maturing 2026-2035	345,297	375,272
	984,531	1,185,333
To Finance Municipal Services:		
OPIC sewer (Inwood Connections) serial debenture, repayable in semi-annual principal payments of \$2,250 plus interest at a fixed rate of 4.54%, maturing 2030	20,250	24,750
Tile drain loans, repayable in various blended annual payments including interest at fixed rates of 6.00%, maturing 2026-2034	154,137	177,764
	174,387	202,514
Total Municipal Debt	1,158,918	1,387,848

7. MUNICIPAL DEBT (continued)

Principal repayments are as follows:

2026	230,814
2027	159,968
2028	161,881
2029	160,619
2030	140,014
2031 to 2035	<u>305,622</u>
	<u>\$ 1,158,918</u>

The total interest charges for the year for municipal debt which is reported on the “Statement of Operations and Accumulated Surplus” was \$42,692 (2024 - \$45,416). During the year, \$Nil (2024 - \$100,000) of new loans were incurred.

The Municipality has an operating loan facility with \$2,000,000 available, of which none has been drawn on during the year.

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

8. DEFERRED REVENUE

The deferred revenue is comprised of the following:

	2025	2024
	\$	\$
Federal - Canada Community-Building Fund (CCBF)	79,098	618
Ontario Community Infrastructure Fund (OCIF)	727,832	342,208
Other deferred revenues	368,924	293,090
	1,175,854	635,917

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

	2025	2024
	\$	\$
Balance, beginning of year	635,917	864,218
Deferred revenue received	547,537	494,061
Transfer to operations	(7,600)	(722,362)
	1,175,854	635,917

9. TANGIBLE CAPITAL ASSETS

Assets under construction

Assets under construction having a value of \$27,535 (2024 - \$6,399) have not been amortized. Amortization of these asset will commence when the asset is put into service.

Works of art and historical treasures:

The Municipality manages and controls art and historical 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 (2024 - \$Nil).

CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON
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10. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus/(deficit) and reserves as follows:

	2025	2024
	\$	\$
Surplus		
Tangible capital assets - net book value	25,907,460	25,444,675
Investment in Bluewater Power Corporation	703,427	663,393
General Surplus	276,468	319,256
Alvinston special area	55,088	34,502
Inwood special area	21,839	19,917
Water operations	(239,182)	(246,968)
Sewer operations deficit	(117,072)	(121,646)
Inwood sewer operations	(176,980)	(171,903)
Canada Day committee	14,624	10,845
Cemetery	94,132	102,896
	26,539,804	26,054,967
Unfunded		
Long-term debt used to finance tangible capital assets	(984,531)	(1,185,333)
Surplus	25,555,273	24,869,634
Reserves set aside for specific purposes by Council:		
Working Capital	1,345,000	1,345,000
Capital reserve	395,000	610,000
Special area	40,000	35,000
Fire	8,000	-
Budget Surplus Reserve	433,400	612,294
Total Reserves	2,221,400	2,602,294
Reserve Funds		
Water	324,200	291,320
Alvinston Sewer	113,779	68,591
Inwood Sewer	14,751	36,144
Alvinston general	89,478	98,800
Total Reserve Funds	542,208	494,855
	28,318,881	27,966,783

11. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The employer amount contributed to OMERS for 2025 was \$94,187 (2024 - \$89,572).

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2025. At that time the plan reported a \$1.32 billion actuarial deficit (2024 - \$2.91 billion actuarial deficit), based on actuarial liabilities of \$149.58 billion (2024 - \$140.77 billion) and actuarial assets of \$145.24 billion (2024 - \$138.17 billion). Ongoing adequacy of the current contribution rates will need to be monitored as declines in the financial markets may lead to increased future funding requirements

12. 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, 2025, 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.

13. COMMITMENTS

OPP Contract

The Municipality has entered into a service agreement with the Ontario Provincial Police for the provision of policing services. The 2026 annual cost will be \$441,062; subsequent years' amounts are to be determined on an annual basis based on estimated salary and benefit costs.

OCWA Contract

The Municipality has entered into a service agreement with the Ontario Clean Water Agency for the provision of water and wastewater services. The 2026 annual cost will be \$242,859; subsequent years' amounts are to be determined on an annual basis.

Brook-Alvinston Inwood Community Centre - Rink Slab Replacement

The Municipality has contracted for the construction project related to the Brooke-Alvinston Inwood Community Centre Rink Slab Replacement in the amount of \$1,098,300 excluding HST. This project is expected to commence 2026, with completion in 2027.

14. BUDGET FIGURES

The unaudited budget data presented in these financial statements is based upon the 2025 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.

	2025 Budget Amount
Budgeted surplus for the year	-
Adjustments to budgeted surplus:	
Debt principal repayments	205,302
Capital expenditures	2,021,000
Net reserve transfers	(1,066,762)
Amortization	(1,171,753)
	(12,213)

15. EXPENSE BY OBJECT

	Budget 2025 \$	Actual 2025 \$	Actual 2024 \$
Salaries and benefits	1,542,795	1,553,640	1,526,072
Materials and Services	1,686,500	1,461,393	1,379,032
Contracted Services	2,460,240	2,289,871	1,779,089
Interest expense	39,525	42,692	45,416
Other	15,905	20,645	16,400
Amortization (no explicit provision in budget)	-	1,171,753	1,119,521
	5,744,965	6,539,994	5,865,530

16. 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 in the segmented information.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation and payment-in-lieu, OMPF Grant, net income of government business enterprise and shared other revenue consisting of penalty and interest on taxes, investment income, have been allocated to those segments that are funded by these amounts based on the net surplus for the year.

The nature of those 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 cemetery operations.

16. SEGMENTED INFORMATION (continued)

Recreation and Cultural Services

This service provides services to improve health and development of the Municipality inhabitants. This is accomplished by the Municipality operating and maintaining an arena, splash pad, parks and ball parks, a bicycle park and providing 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, drainage, and commercial and residential development.

17. FINANCIAL INSTRUMENTS AND RISKS

Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant risks. There have been no changes in the Municipality's risk exposures from the prior year.

Credit risk

The Municipality is exposed to credit risk through its cash, taxes receivable and accounts receivable. There is a possibility of non-collection of its accounts receivable. The majority of the Municipality's receivables are from rate payers and government entities. The Municipality mitigates its exposure to credit loss by placing its cash with major financial institutions.

Accounts receivable credit risk is resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions.

The Municipality manages its credit risk by limiting the amount of days aged in accounts receivable before appropriate action is taken.

The Municipality's maximum exposure to credit risk at the financial statement date is the carrying value of accounts receivable and other accounts receivable as presented on the statement of financial position.

CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON
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NOTES TO THE FINANCIAL STATEMENTS

17. FINANCIAL INSTRUMENTS AND RISKS (continued)

At year end, the amounts outstanding for the Municipality's accounts receivable are as follows:

2025					
	Current	31-60 days	61-90 days	91-120 days	Total
Taxes receivable	323,959	-	-	251,080	575,039
Accounts receivable	649,616	36,726	67,277	297,161	1,050,780
Loans receivable	86,335	-	-	289,691	376,026
Total	1,059,910	36,726	67,277	837,933	2,001,846

2024					
	Current	31-60 days	61-90 days	91-120 days	Total
Taxes receivable	248,474	-	-	235,128	483,602
Accounts receivable	467,784	34,868	43,327	224,736	770,715
Loans receivable	125,256	-	-	287,925	413,181
Total	841,514	34,868	43,327	747,789	1,667,498

Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its obligations as they become due. The Municipality is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and deferred revenue. The Municipality manages this risk by establishing budgets and funding plans to fund its expenses and debt repayments. The Municipality also maintains certain credit facilities, which can be drawn upon as needed.

The following tables sets out the expected maturities (representing undiscounted contractual cash-flow of financial liabilities):

2025				
	Within 1 year	1-5 years	Over 5 years	Total
Accounts payable and accrued liabilities	537,641	-	-	537,641
Municipal debt	230,814	622,482	305,622	1,158,918
Total	768,455	622,482	305,622	1,696,559

2024				
	Within 1 year	1-5 years	Over 5 years	Total
Accounts payable and accrued liabilities	558,987	-	-	558,987
Municipal debt	228,930	853,296	305,622	1,387,848
Total	787,917	853,296	305,622	1,946,835

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2025

	Land \$	Land Improvements \$	Buildings \$	Equipment \$	Vehicles \$	Infrastructure \$	Assets Under Construction \$	Totals \$
COST								
Balance, beginning of year	\$ 129,786	\$ 1,085,274	\$ 6,897,865	\$ 5,878,262	\$ 2,481,886	\$ 34,080,798	\$ 6,399	\$ 50,560,269
Add: additions during the year	-	-	86,643	1,013,313	-	529,095	21,136	1,650,187
Less: disposals during the year	-	-	-	280,210	-	81,999	-	362,209
Balance, end of year	\$ 129,786	\$ 1,085,274	\$ 6,984,507	\$ 6,611,366	\$ 2,481,886	\$ 34,527,894	\$ 27,535	\$ 51,848,247
ACCUMULATED AMORTIZATION								
Balance, beginning of year	\$ -	\$ 531,656	\$ 3,450,599	\$ 3,663,411	\$ 1,094,453	\$ 16,375,474	\$ -	\$ 25,115,593
Add: amortization for the year	-	23,783	142,223	246,695	130,683	628,369	-	1,171,753
Less: disposals during the year	-	-	-	269,829	-	76,730	-	346,559
Balance, end of year	\$ -	\$ 555,439	\$ 3,592,822	\$ 3,640,277	\$ 1,225,136	\$ 16,927,113	\$ -	\$ 25,940,787
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 129,786	529,835	3,391,685	2,971,089	1,256,750	17,600,781	27,535	\$ 25,907,460

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 30, 2024

	Land \$	Land Improvements \$	Buildings \$	Equipment \$	Vehicles \$	Infrastructure \$	Assets Under Construction \$	Totals \$
COST								
Balance, beginning of year	\$ 129,786	\$ 1,019,843	\$ 6,856,484	\$ 5,346,854	\$ 2,499,920	\$ 32,739,179	\$ 630,975	\$ 49,223,041
Add: additions during the year	-	65,430	41,381	717,747	364,436	1,341,619	1,266,088	3,796,701
Less: disposals during the year	-	-	-	186,339	382,469	-	1,890,665	2,459,473
Balance, end of year	\$ 129,786	\$ 1,085,273	\$ 6,897,865	\$ 5,878,262	\$ 2,481,887	\$ 34,080,798	\$ 6,399	\$ 50,560,270
ACCUMULATED AMORTIZATION								
Balance, beginning of year	\$ -	\$ 506,284	\$ 3,304,306	\$ 3,487,859	\$ 1,338,424	\$ 15,763,781	\$ -	\$ 24,400,655
Add: amortization for the year	-	25,372	146,294	212,664	123,498	611,693	-	1,119,521
Less: disposals during the year	-	-	-	37,113	367,469	-	-	404,582
Balance, end of year	\$ -	\$ 531,656	\$ 3,450,600	\$ 3,663,410	\$ 1,094,453	\$ 16,375,475	\$ -	\$ 25,115,594
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 129,786	\$ 553,617	\$ 3,447,265	\$ 2,214,852	\$ 1,387,434	\$ 17,705,323	\$ 6,399	\$ 25,444,675

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2025

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenue								
Property taxation	3,955,036	-	-	-	-	-	-	3,955,036
Fees and user charges	88,193	70,826	6,544	743,519	31,146	374,386	358,627	1,673,241
Fees and user charges other municipalities	-	89,422	-	-	-	-	75,588	165,010
Grants	397,700	-	-	-	-	64,779	158,228	620,707
Other	243,056	16,227	33,478	3,281	32,800	50,296	58,925	438,063
Bluewater Power	40,035	-	-	-	-	-	-	40,035
Total revenues	4,724,020	176,475	40,022	746,800	63,946	489,461	651,368	6,892,092
Expenses								
Salaries and benefits	437,652	194,957	472,405	33,500	38,340	375,090	1,696	1,553,640
Materials and supplies	134,719	113,998	470,767	338,942	21,534	339,223	42,210	1,461,393
Contracted services	36,833	520,033	752,575	366,287	-	12,705	601,438	2,289,871
Interest on long term debt	-	-	9,036	22,990	-	-	10,666	42,692
Amortization	21,897	122,652	634,851	236,542	3,154	144,734	7,923	1,171,753
Other	1,830	2,284	-	655	5,750	3,798	6,328	20,645
Total expenses	632,931	953,924	2,339,634	998,916	68,778	875,550	670,261	6,539,994
Net surplus/(deficit)	4,091,089	(777,449)	(2,299,612)	(252,116)	(4,832)	(386,089)	(18,893)	352,098

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2024

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenue								
Taxation	3,573,859	-	-	58,256	-	-	-	3,632,115
Fees and user charges	16,622	32,911	5,914	708,139	20,795	295,279	279,549	1,359,209
Fees and user charges other municipalities	-	78,567	-	-	-	-	14,160	92,727
Grants	397,700	-	675,785	-	-	8,000	109,898	1,191,383
Other	257,404	13,725	27,993	3,485	29,857	131,600	69,506	533,570
Bluewater Power	19,347	-	-	-	-	-	-	19,347
Total revenues	4,264,932	125,203	709,692	769,880	50,652	434,879	473,113	6,828,351
Expenses								
Salaries and benefits	450,020	172,924	467,047	33,000	41,991	360,163	927	1,526,072
Materials and supplies	138,678	114,499	460,208	258,920	13,373	334,307	59,047	1,379,032
Contracted services	28,321	492,004	492,260	354,905	-	10,106	401,493	1,779,089
Interest on long term debt	-	-	10,404	27,432	-	-	7,580	45,416
Amortization	20,151	110,790	594,368	249,498	3,481	134,329	6,904	1,119,521
Other	1,700	2,284	-	655	5,750	2,342	3,669	16,400
Total expenses	638,870	892,501	2,024,287	924,410	64,595	841,247	479,620	5,865,530
Net surplus/(deficit)	3,626,062	(767,298)	(1,314,595)	(154,530)	(13,943)	(406,368)	(6,507)	962,821

The accompanying notes and schedules are an integral part of these consolidated financial statements