

**CORPORATION OF THE
MUNICIPALITY OF BROCKTON
CONSOLIDATED FINANCIAL REPORT
DECEMBER 31, 2012**

CORPORATION OF THE MUNICIPALITY OF BROCKTON

DECEMBER 31, 2012

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GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of **Corporation of the Municipality of Brockton:**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Corporation of the Municipality of Brockton, which comprise the statement of financial position as at December 31, 2012, and the statement of operations, statement of change in net financial assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Corporation of the Municipality of Brockton as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Gaviller & Company LLP

Licensed Public Accountants
Walkerton, Ontario
July 15, 2013

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

| | 2012 | 2011 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash (Note 3) | 4,456,124 | 4,228,289 |
| Taxes receivable | 893,882 | 821,040 |
| Accounts receivable | 594,213 | 899,416 |
| Long-term investments (Note 4) | 2,303,593 | 2,303,593 |
| Tile drain receivable | - | 13,824 |
| | 8,247,812 | 8,266,162 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 768,350 | 769,066 |
| Deferred revenue - obligatory reserve funds (Note 6) | 55,844 | 45,794 |
| Deferred revenue - other (Note 6) | 138,559 | 119,893 |
| Long-term (Note 7) | 3,090,581 | 3,752,631 |
| Employee future benefits (Note 8) | 100,802 | 109,127 |
| Landfill closure and post-closure liability (Note 17) | 282,599 | 365,898 |
| | 4,436,735 | 5,162,409 |
| Net financial assets | 3,811,077 | 3,103,753 |
| Non-financial assets | | |
| Tangible capital assets (Schedule 1 and Note 9) | 49,049,020 | 49,556,492 |
| Prepaid expenses | 26,985 | 36,734 |
| | 49,076,005 | 49,593,226 |
| Accumulated surplus (Note 12) | 52,887,082 | 52,696,979 |

Approved _____ Mayor
 _____ Date

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31

| | Budget 2012 | Actual 2012 | Actual 2011 |
|--|-------------------|-------------------|------------------|
| | \$ | \$ | \$ |
| | (Note 10) | | |
| Revenues | | | |
| Net municipal taxation (Note 13) | 6,450,316 | 6,437,393 | 6,026,616 |
| User charges and fees | 3,424,615 | 3,966,172 | 3,784,669 |
| Government grants | 2,610,436 | 2,672,340 | 2,727,141 |
| Revenue from other municipalities | 27,072 | 180,115 | 139,341 |
| Other (Note 11) | 538,802 | 607,556 | 619,066 |
| | 13,051,241 | 13,863,576 | 13,296,833 |
| Expenses | | | |
| General government | 1,505,204 | 1,644,064 | 1,522,418 |
| Protection to persons and property | 3,548,585 | 3,431,106 | 3,348,388 |
| Transportation services | 2,256,108 | 3,716,299 | 3,542,045 |
| Environmental services | 1,624,624 | 2,328,853 | 2,310,194 |
| Social and family services | 596,127 | 617,525 | 548,443 |
| Health services | 110,199 | 367,485 | 296,055 |
| Recreational and cultural services | 1,460,143 | 1,636,335 | 2,041,410 |
| Planning and development | 144,730 | 306,444 | 288,550 |
| | 11,245,720 | 14,048,111 | 13,897,503 |
| Net revenues (expenses) | 1,805,521 | (184,535) | (600,670) |
| Other | | | |
| Grants and transfers related to capital | | | |
| Government grants | 340,557 | 337,015 | 701,055 |
| Gain (Loss) on disposal of tangible capital assets | - | (7,690) | (73,944) |
| Investment income | - | 45,313 | 39,461 |
| | 340,557 | 374,638 | 666,572 |
| Annual surplus | 2,146,078 | 190,103 | 65,902 |
| Accumulated surplus, beginning of year | | 52,696,979 | 52,631,077 |
| Accumulated surplus, end of year (Note 12) | | 52,887,082 | 52,696,979 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31

| | Budget 2012 | Actual 2012 | Actual 2011 |
|--|----------------|--------------------|----------------|
| | \$ | \$ | \$ |
| | (Note 10) | | |
| Annual surplus | 2,146,078 | 190,103 | 65,902 |
| Acquisition of tangible capital assets | - | (1,471,691) | (1,219,148) |
| Amortization of tangible capital assets | - | 1,965,428 | 1,976,326 |
| (Gain)/loss on disposal of tangible capital assets | - | 7,690 | 73,944 |
| Proceeds on disposal of tangible capital assets | - | 6,045 | 4,926 |
| Change in prepaid expenses | - | 9,749 | (15,267) |
| Change in net financial assets | 2,146,078 | 707,324 | 886,683 |
| Net financial assets, beginning of year | | 3,103,753 | 2,217,070 |
| Net financial assets, end of year | | 3,811,077 | 3,103,753 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

| | 2012 | 2011 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Cash flows from (for): | | |
| Operating activities | | |
| Annual surplus | 190,103 | 65,902 |
| Non-cash items: | | |
| Amortization expense | 1,965,428 | 1,976,326 |
| (Gain)/ Loss on disposal of tangible capital assets | 7,690 | 73,944 |
| | 2,163,221 | 2,116,172 |
| Changes in: | | |
| Taxes receivable | (72,843) | 7,428 |
| Accounts receivable | 305,204 | 780,279 |
| Prepaid expenses | 9,749 | (15,267) |
| Accounts payable and accrued liabilities | (716) | (344,063) |
| Tile drain receivable | 13,824 | (13,824) |
| Employee future benefits | (8,325) | (27,357) |
| Landfill closure and post-closure liability | (83,299) | (15,426) |
| Net change in cash from operations | 2,326,815 | 2,487,942 |
| Capital activities | | |
| Acquisition of tangible capital assets | (1,471,691) | (1,219,148) |
| Proceeds on disposal of tangible capital assets | 6,045 | 4,926 |
| Net change in cash from capital | (1,465,646) | (1,214,222) |
| Financing activities | | |
| Long term liabilities repaid | (662,050) | (933,587) |
| Deferred revenue | 28,716 | 35,863 |
| Net change in cash from financing | (633,334) | (897,724) |
| Net change in cash position | 227,835 | 375,996 |
| Cash, beginning of year | 4,228,289 | 3,852,293 |
| Cash and cash equivalents, end of year | 4,456,124 | 4,228,289 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

1. Nature of operations

The Corporation of the Municipality of Brockton ("the Municipality") combines the former town of Walkerton and the townships of Brant and Greenock and is a lower-tier municipality located in the County of Bruce, Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes, such as the Municipal Act, Municipal Affairs Act and related legislation.

2. Summary of significant accounting policies

The consolidated financial statements of the municipality are the representation of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the municipality and the changes thereto. The consolidated statement of financial position includes all the assets and liabilities of the municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position and is the difference between assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Basis of accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses 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.

(b) Deferred revenue

Revenue restricted by legislation, regulation, or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(c) Basis of consolidation

These consolidated financial statements reflect assets, liabilities, revenues and expenses of the municipality. They include the activities of all committees of Council and the following organizations which are accountable to, and owned or controlled by the municipality:

Walkerton Chamber of Commerce
Bradley Community Centre
Cargill & District Community Fund

Excluded are Funds Held in Trust which are administered by the municipality and reported on separately.

A government partnership exists where the municipality has a shared control over the board or entity. The municipality's pro-rata share of assets, liabilities, revenues and expenses are reflected in the consolidated financial statements using the proportionate consolidation method. The municipality's proportionate interest of the following government partnership are reflected in the consolidated financial statements:

| | |
|---|--------|
| Bruce Area Solid Waste Recycling | 12.95% |
| Elmwood Community Centre | 50.0% |
| Hanover/Walkerton Landfill | 50.0% |
| Saugeen Municipal Airport | 42.07% |
| Elmwood Fire Department | 40.75% |
| Saugeen Mobility & Regional Transit (S.M.A.R.T) | 21.7% |

All interfund assets and liabilities and sources of financing and expenses have been eliminated.

(d) County and school boards

The municipality collects taxation revenue on behalf of the school boards and the County of Bruce. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Bruce are not reflected in these financial statements.

(e) Revenue recognition

Tax levies are recognized as revenue when the amounts are levied on the municipality's ratepayers. User fees and other revenues are recognized when related goods or services are provided and collectibility is reasonably assured.

(f) Government grants

Government grants are recognized in the financial statements as revenues in the period in which the events giving rise to the grants occur, providing the grants are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. The municipality's implementation of the Public Sector Handbook PS3150 has required management to make estimates of historical cost, useful lives and amortization of tangible capital assets. In addition, estimates have been made of closure and post closure costs related to landfill sites. Actual results could differ from those estimates.

(h) Non-financial assets

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

(i) 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. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|--|------------------|
| Land improvements | -15 to 40 years |
| Buildings and improvements | - 40 years |
| Vehicles, machinery, equipment, furniture and fixtures | - 5 to 85 years |
| Water and wastewater infrastructure | - 70 to 80 years |
| Roads infrastructure | - 7 to 75years |

(ii) Contribution of tangible capital assets

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

(iii) Leases

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

(iv) Intangible assets

Intangible assets are not recognized as assets in the financial statements.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(i) Segment disclosures

Municipal services have been segmented by grouping activities that have similar service objectives (by function). Revenues that are directly related to the costs of the function have been attributed to each segment.

(j) Employee future benefits

The municipality pays post-employment benefits to eligible employees on retirement. The benefits earned are recognized over the service life of the employees using the projected benefit method and management's best estimate of salary escalation, benefit costs and retirement ages of employees. Defined contribution plan accounting is applied to the municipality's multi-employer defined benefit pension plan.

(k) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

3. Cash

Cash consists of the following:

| | 2012 | 2011 |
|--------------|------------------|------------------|
| | \$ | \$ |
| Unrestricted | 4,261,722 | 4,062,602 |
| Restricted | 194,402 | 165,687 |
| | 4,456,124 | 4,228,289 |

4. Long-term investments

| | 2012 | 2011 |
|---|------------------|-----------|
| | \$ | \$ |
| 1,261 Common shares, Westario Power Holdings Inc. | 2,303,593 | 2,303,593 |

The municipality owns 12.61% of the outstanding common shares of Westario Power Holdings Inc. The shares have no fixed maturity dates and are generally not exposed to interest rate risk. The fair value of these shares is not determinable in the absence of published market quotations.

Dividends received during the year totaled \$99,008 (2011 - \$99,008) and are included in other income.

5. Short-term borrowing

Short term borrowing is due on demand and bears interest at the bank's prime rate less 0.5%. An unsecured short term bank line of credit is available to the municipality up to an amount of \$1,500,000. As at December 31, 2012 the Municipality has borrowed \$NIL (2011 - \$NIL).

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

6. Deferred revenue - obligatory reserve funds

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

The balance of deferred revenue is made up as follows:

| | 2012 | 2011 |
|--------------------------------|----------------|---------|
| | \$ | \$ |
| Obligatory Reserve Fund | | |
| Recreational land | 55,844 | 45,794 |
| Other | | |
| Government grant funding | 14,294 | 14,294 |
| Deposits | 44,143 | 56,143 |
| Other | 80,122 | 49,456 |
| | 138,559 | 119,893 |
| | 194,403 | 165,687 |

The net change during the year for the recreational land obligatory reserve fund is made up as follows:

| | 2012 | 2011 |
|--------------------------------|---------------|--------|
| | \$ | \$ |
| Balance, beginning of the year | 45,794 | 4,683 |
| Contributions | 9,474 | 40,800 |
| Interest earned | 576 | 311 |
| | 55,844 | 45,794 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

7. Long-term liabilities

(a) Net long-term liabilities consist of the following:

| | 2012 | 2011 |
|---|------------------|-----------|
| | \$ | \$ |
| Bank loan payable, interest at bank prime rate less .5%, payable \$8,080 monthly principal plus interest | 363,591 | 460,549 |
| Bank loan payable, interest at bank prime rate less .5%, payable \$5,868 monthly principal plus interest | 762,847 | 833,263 |
| Bank loan payable, interest at bank prime rate less .5%, payable \$3,017 monthly principal plus interest | 33,183 | 69,383 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$2,662 monthly principal plus interest | 29,284 | 61,230 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$7,500 monthly principal plus interest | 172,500 | 262,500 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$4,167 monthly principal plus interest | 150,033 | 200,000 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$5,000 monthly principal plus interest | 284,991 | 344,991 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$3,592 monthly principal plus interest | 45,249 | 88,353 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$3,126 monthly principal plus interest | 412,666 | 450,181 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$ 7,500 monthly principal and interest | 20,000 | 110,000 |
| Infrastructure Financing Authority (OMEIFA), interest at 2.95%, semi-annual payments beginning January 17, 2005 of \$40,631 principal and interest, due July 15, 2024 | 816,237 | 872,181 |
| | 3,090,581 | 3,752,631 |

(b) Principal payments for the next 5 years and thereafter are as follows:

| | \$ |
|------------|-----------|
| 2013 | 588,100 |
| 2014 | 458,853 |
| 2015 | 375,971 |
| 2016 | 303,545 |
| 2017 | 217,688 |
| Thereafter | 1,146,424 |

Long-term liabilities approved after January 1, 1993 have been approved through by-law. 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.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

8. Employee future benefits

The former Police Services Board provided post-employment health and life insurance benefits to eligible retired employees. The Municipality of Brockton's proportionate share of this former joint local board was 46.4%, and as such are responsible for their share of the ongoing benefit payments. Payments for these benefits totaled \$20,610 in 2011 (2010 - \$18,223). The municipality's share of \$9,563 (2010 - \$8,456) is included as an expense on the consolidated statement of operations. The post employment benefit liability was determined using a discount rate of 5% and an annual rate of increase in benefit costs of 6%.

The employees of the Corporation of the Municipality of Brockton participate in the Ontario Municipal Employees Retirement Saving Plan ("OMERS"). Although the plan has a defined retirement benefit for employees, the related obligation of the municipality cannot be identified. The municipality has applied defined contribution plan accounting as it has insufficient information to apply defined benefit plan accounting. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant.

The amount contributed to OMERS for the current year was \$192,902 (2011 - \$157,984) for current service.

9. Tangible capital assets

Schedules 1 and 2 provide information on the tangible capital assets of the municipality by major asset class, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets.

(a) Work in progress

Work in progress with a value of \$NIL (2011 - \$8,477) has not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$NIL (2011 - \$NIL).

(c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and historical treasures

No works of arts nor historical treasures are held by the municipality.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

10. Budget amounts

The operating budget approved by Council for 2012 is reflected on the consolidated statement of operations. The budgets established for capital investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with the current year's actual expenditure amounts. The 2012 budget did not include figures for acquisition nor amortization of tangible capital assets.

11. Other income

Other current fund revenues consist of the following:

| | 2012 Budget | 2012 Actual | 2011 Actual |
|------------------------------------|----------------|----------------|----------------|
| | | \$ | \$ |
| Penalties and interest on taxation | 106,200 | 109,488 | 123,974 |
| Rents | 315,920 | 348,610 | 359,799 |
| Investment income | 73,570 | 92,030 | 106,341 |
| Donations | 10,450 | 39,159 | 22,106 |
| Sale of publication, mementos, etc | 32,612 | 18,255 | 6,834 |
| Other | 50 | 14 | 12 |
| | 538,802 | 607,556 | 619,066 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

12. Accumulated surplus

The accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

| | 2012 | 2011 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Surplus: | | |
| Invested in tangible capital assets | 49,049,020 | 49,556,492 |
| General area taxation | 122,785 | 107,559 |
| Walkerton Chamber of Commerce | 27,117 | 1,468 |
| Bradley Community Centre | 437 | 401 |
| Cargill & District Community Fund | 27,652 | 27,652 |
| Saugeen Municipal Airport | 18,919 | (2,147) |
| Elmwood Community Centre | 4,422 | 2,950 |
| Saugeen Mobility & Regional Transit | 610 | 531 |
| Hanover/Walkerton Landfill | (50,287) | 115,274 |
| Unfunded liabilities | (3,210,925) | (3,788,767) |
| Total surplus | 45,989,750 | 46,021,413 |
| Reserves set aside for specific purposes by Council | | |
| Current purposes | 644,849 | 525,764 |
| Capital purposes | 389,156 | 398,027 |
| Total reserves | 1,034,005 | 923,791 |
| Reserve funds set aside for specific purposes by Council | | |
| Capital purposes | 5,863,327 | 5,751,775 |
| Total reserve funds | 5,863,327 | 5,751,775 |
| Total accumulated surplus | 52,887,082 | 52,696,979 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

13. Net municipal taxation

Net municipal taxation consists of:

| | 2012 | 2011 |
|---|--------------------|-------------|
| | \$ | \$ |
| Taxation revenue | 11,967,517 | 11,446,079 |
| Amount levied and remitted to School Boards | (2,412,943) | (2,387,473) |
| Amount levied and remitted to the County of Bruce | (3,117,181) | (3,031,990) |
| Net municipal taxation | 6,437,393 | 6,026,616 |

14. Commitments

- (a) Capital commitments of \$NIL (2011 - \$NIL) are not reflected in the financial statements. This amount, for which funding is in place, represents uncompleted portions of contracts, as at December 31, 2012, on major projects and estimated obligation under other various agreements.
- (b) The municipality has entered into a yearly renewal operating agreement with Veolia Water Canada Inc. for the operation and maintenance of the Municipality's water and wastewater facilities. Under this agreement Veolia has agreed to operate the facility for a fee of \$474,572 plus an adjustment for inflation for July 1, 2008 and subsequent years.
- (c) The municipality currently leases space for its municipal office under a five year lease ending in October 2017. Annual payments are as follows:

| | |
|------|--------|
| 2013 | 49,155 |
| 2014 | 53,110 |
| 2015 | 55,935 |
| 2016 | 58,760 |
| 2017 | 61,585 |

Annual payments under an operating lease for computer equipment are \$27,283 ending in December 2014.

The minimum annual lease payments for the next five years for all lease commitments are as follows:

| | |
|------|--------|
| 2013 | 40,296 |
| 2014 | 40,608 |
| 2015 | 33,922 |
| 2016 | 16,369 |
| 2017 | 4,056 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

14. Commitments (continued)

- (d) The Town of Hanover and the Municipality of Brockton have obtained approval from the Ministry of Environment to expand the Hanover/Walkerton Landfill Site. Construction of the first phase of the expanded site began in 2012 and expenses incurred to date for the construction and supervision totaled \$173,196. The remaining costs of the construction of the first phase are estimated to total \$1,583,275. No provision for the future costs have been recorded in the financial statements at December 31, 2012.

15. Contingencies

- (a) In the ordinary course of business, various claims and lawsuits are brought against the municipality. It is the opinion of management that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued. No provision has been made for pending expropriations of land beyond the payments already made to affected property owners. Any payment made by the municipality pursuant to claims, lawsuits or expropriations will be charged in the year of settlement.
- (b) Annually, the municipality is unable to estimate its Ontario Provincial Police adjustment. As a result, the expense adjustment is recorded in the year in which it is received. A credit of \$82,525 was received and recorded as a reduction of expenses in net financial assets for services performed in 2010 (2011 - \$115,158 credit).

16. Trust fund

The trust fund administered by the municipality is for Perpetual Care and amounts to \$183,156 (2011 - \$137,087). This has not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

17. Landfill Closure and Post-Closure Liability

Solid waste landfill closure and post-closure care requirements are defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates and ongoing environmental monitoring, site inspection and maintenance. These costs will be incurred as each landfill site stops accepting waste, with the post-closure care expected to continue for an additional 20 years. The total future closure and post-closure care costs are estimated to be \$340,161.

Brant Landfill Site

As at December 31, 2012, the municipality has recognized in the consolidated financial statements an unfunded liability of \$33,627. This liability represents 44% of the present value of the estimated costs and is based on a total capacity of 146,480 cubic meters and a discount rate of 6.00%. The balance of the liability of \$42,428 will be accrued as the remaining capacity of 81,716 cubic meters is utilized, which is expected to be over the next 11 years.

Greenock Landfill Site

As at December 31, 2012, the municipality has recognized in the consolidated financial statements an unfunded liability of \$6,595. This liability represents 35% of the present value of the estimated costs and is based on a total capacity of 153,075 cubic meters and a discount rate of 6.00%. The balance of the liability of \$12,238 will be accrued as the remaining capacity of 99,462 cubic meters is utilized, which is expected to be over the next 48 years.

Hanover/Walkerton Landfill Site

As at December 31, 2012, the municipality has recognized in the consolidated financial statements a liability of \$242,377. This represents 50% of the total liability of \$484,754 shared with the Town of Hanover. This represents 99% of the present value of the estimated costs and is based on a total capacity of 506,000 cubic metres and a discount rate of 4%. The balance of the Municipality's share of the liability of \$2,894 will be accrued as the remaining capacity of 5,982 cubic metres is utilized, which is expected to be over the next year.

Management's estimate for site closure and post-closure care liability is subject to measurement uncertainty. The estimate is based on assumptions contained in engineer's reports as to capacity, site life expectancy and usage. Actual results could differ significantly from these estimates because of the uncertainty related to future cost estimates, future use of the landfill site, etc.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

18. Government Partnerships

The following summarizes the financial position and results of operations of the government partnerships. The Municipality of Brockton's pro-rata share of these amounts has been reported in these financial statements using proportionate consolidation method:

| | Bruce Area Solid Waste Recycling | Elmwood Community Centre | Hanover/ Walkerton Landfill | Saugeen Municipal Airport | Elmwood Fire Department | Saugeen Mobility & Regional Transit |
|---|--|--------------------------------|-----------------------------------|---------------------------------|-------------------------------|--|
| | 2012 | 2012 | 2012 | 2012 | 2012 | 2012 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial assets | 2,099,909 | 20,553 | 477,736 | 97,610 | 216,179 | 110,687 |
| Liabilities | 117,913 | 11,709 | 578,309 | 33,250 | 12,408 | 138,363 |
| Net financial assets | 1,981,996 | 8,844 | (100,573) | 64,360 | 203,771 | (27,676) |
| Non-financial assets | 1,745,614 | - | 2,708,746 | 817,829 | 419,051 | 339,236 |
| Accumulated surplus | 3,727,610 | 8,844 | 2,608,173 | 882,189 | 622,822 | 311,560 |
| General surplus | - | 8,844 | (100,573) | 44,970 | - | 2,812 |
| Invested in tangible capital assets | 1,745,614 | - | 2,708,746 | 801,406 | 417,700 | 308,748 |
| Reserves and reserve funds | 1,981,996 | - | - | 35,813 | 205,122 | - |
| | 3,727,610 | 8,844 | 2,608,173 | 882,189 | 622,822 | 311,560 |
| Revenues | 2,356,281 | 67,012 | 563,919 | 178,071 | 236,918 | 772,134 |
| Expenses | 2,187,803 | 61,117 | 285,423 | 204,816 | 206,833 | 778,630 |
| Annual surplus (deficit) | 168,478 | 5,895 | 278,496 | (26,745) | 30,085 | (6,496) |

The Elmwood Community Centre financial statements do not include adjustments for tangible capital assets. These amounts have been consolidated separately.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

19. Segmented Information

The Municipality of Brockton is a diversified municipal government organization that provides a wide range of services to its citizens such as police, fire, roadways, water, sewer, waste, and recreation and cultural services. Distinguishable functional segments have been separately disclosed in the segmented information. Schedules 3 and 4 provide information on the segmented information of the municipality. The nature of the segments and the activities that they encompass are as follows:

General Government

This segment relates to the revenues and expenses that relate to the operations of the municipality itself and unallocated items that cannot be directly attributed to any specific segment. General administration, council activities and maintenance of municipal buildings are included in the functions of general government.

Protection to Persons and Property

Protection is comprised of police services, fire protection, emergency plan, building inspections, and animal control.

Transportation Services

Transportation is comprised of the municipality's roadways, storm sewers, sidewalks, street lighting, and winter control. It also includes the municipality's proportionate share of the operations of the Saugeen Municipal Airport.

Environmental Services

Environmental is comprised of water and waste water services, where the municipality treats and distributes the municipality's drinking water and ensures that it meets all provincial standards. It also includes the collection and treatment of waste water.

Environmental also consists of providing waste and recycling collection and the municipality's share of the operation of the Hanover/Walkerton joint landfill site.

Health Services

Health services are comprised of support to the medical clinic operations and cemetery.

Recreation and Cultural Services

This service area provides services meant to improve the health and development of the municipality's citizens. The municipality operates and maintains parks, arenas, a swimming pool, and community centres. The municipality also provides library services and recreational programs.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

19. Segmented Information (continued)

Planning and Development

This segment is responsible for planning and zoning including the Official plan for residential and commercial, review of property development plans, and economic development services for the municipality.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of exchange amount. Municipal taxation revenue and the Ontario Municipal Partnership Fund grant is allocated to general government.

20. Future accounting pronouncements

In February 2010, the CICA issued Section PS 3510, "Tax Revenue", which establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements. The section is effective for fiscal years beginning on or after April 1, 2012, earlier adoption is encouraged. The new standard is not expected to have a material effect on the financial statements.

In March 2011, the CICA issued Section PS 3410, "Government Transfers", which establishes recognition, measurement, presentation and disclosure standards relating to amounts received from a government reported in financial statements. The section is effective for fiscal years beginning on or after April 1, 2012, earlier adoption is encouraged. The new standard is not expected to have a material effect on the financial statements.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 1 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2012

| | Land | Land Improvement | Buildings and Improvements | Vehicles, Machinery, Equipment and Furniture | Water and Wastewater Infrastructure | Roads Infrastructure | Work in Progress | Total |
|------------------------------------|------------------|------------------|----------------------------|--|-------------------------------------|----------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | | |
| Balance, beginning of year | 4,033,420 | 530,478 | 8,538,038 | 9,088,074 | 16,016,817 | 49,345,184 | 8,477 | 87,560,488 |
| Additions | 560,856 | - | 433 | 142,317 | 23,918 | 744,167 | - | 1,471,691 |
| Disposals | - | - | (61,129) | (15,719) | - | (59,069) | - | (135,917) |
| Put in Use | - | - | - | - | - | 8,477 | (8,477) | - |
| Balance, end of year | 4,594,276 | 530,478 | 8,477,342 | 9,214,672 | 16,040,735 | 50,038,759 | - | 88,896,262 |
| Accumulated amortization | | | | | | | | |
| Balance, beginning of year | 59,071 | 205,860 | 4,874,752 | 5,140,633 | 4,065,276 | 23,658,404 | - | 38,003,996 |
| Amortization | 6,897 | 25,693 | 197,163 | 401,980 | 296,358 | 1,037,337 | - | 1,965,428 |
| Disposals | - | - | (61,129) | (4,585) | - | (56,468) | - | (122,182) |
| Balance, end of year | 65,968 | 231,553 | 5,010,786 | 5,538,028 | 4,361,634 | 24,639,273 | - | 39,847,242 |
| Net book value, end of year | 4,528,308 | 298,925 | 3,466,556 | 3,676,644 | 11,679,101 | 25,399,486 | - | 49,049,020 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 2 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011

| | Land | Land Improvements | Buildings and Improvements | Vehicles, Machinery, Equipment and Furniture | Water and Wastewater Infrastructure | Roads Infrastructure | Work in Progress | Total |
|------------------------------------|------------------|----------------------|-------------------------------|---|---|-------------------------|---------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | | |
| Balance, beginning of year | 3,821,816 | 486,612 | 8,517,306 | 8,947,647 | 15,961,258 | 49,059,709 | - | 86,794,348 |
| Additions | 211,604 | 75,000 | 20,934 | 312,472 | 81,706 | 508,955 | 8,477 | 1,219,148 |
| Disposals | - | (31,134) | (202) | (172,045) | (26,147) | (223,480) | - | (453,008) |
| Balance, end of year | 4,033,420 | 530,478 | 8,538,038 | 9,088,074 | 16,016,817 | 49,345,184 | 8,477 | 87,560,488 |
| Accumulated amortization | | | | | | | | |
| Balance, beginning of year | 52,184 | 208,544 | 4,676,417 | 4,860,973 | 3,871,657 | 22,732,033 | - | 36,401,808 |
| Amortization | 6,887 | 20,612 | 198,416 | 427,374 | 203,696 | 1,119,341 | - | 1,976,326 |
| Disposals | - | (23,296) | (81) | (147,714) | (10,077) | (192,970) | - | (374,138) |
| Balance, end of year | 59,071 | 205,860 | 4,874,752 | 5,140,633 | 4,065,276 | 23,658,404 | - | 38,003,996 |
| Net book value, end of year | 3,974,349 | 324,618 | 3,663,286 | 3,947,441 | 11,951,541 | 25,686,780 | 8,477 | 49,556,492 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 3 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2012

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|--|------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | | | | | | | | |
| Property taxation | 6,309,056 | - | - | - | - | - | - | 6,309,056 |
| Payments in lieu of taxation | 128,337 | - | - | - | - | - | - | 128,337 |
| User charges and fees | 97,659 | 385,753 | 50,778 | 2,311,003 | 19,463 | 1,080,661 | 20,855 | 3,966,172 |
| Government grants | 2,406,498 | 44,081 | - | 66,970 | - | 114,791 | 40,000 | 2,672,340 |
| Revenue from other municipalities | - | - | - | - | 180,115 | - | - | 180,115 |
| Investment income | 91,530 | - | - | - | - | - | 500 | 92,030 |
| Other | 148,661 | - | - | - | 18,255 | 348,610 | - | 515,526 |
| | 9,181,741 | 429,834 | 50,778 | 2,377,973 | 217,833 | 1,544,062 | 61,355 | 13,863,576 |
| Expenses | | | | | | | | |
| Salaries, wages and benefits | 932,853 | 400,218 | 1,003,113 | 212,984 | 31,569 | 1,254,197 | 148,050 | 3,982,984 |
| Interest on long-term liabilities | 9,592 | 21,400 | 29,344 | 21,776 | 1,721 | 1,718 | 4,996 | 90,547 |
| Materials and supplies | 469,180 | 235,527 | 1,311,377 | 534,756 | 15,355 | 850,393 | 148,143 | 3,564,731 |
| Contracted services | 144,331 | 2,536,247 | - | 1,098,220 | 283,456 | 43,635 | - | 4,105,889 |
| Rents, financial expenses and external transfers | 78,666 | 137,854 | 122,012 | - | - | - | - | 338,532 |
| Amortization | 9,442 | 99,860 | 1,250,453 | 461,117 | 35,384 | 103,917 | 5,255 | 1,965,428 |
| | 1,644,064 | 3,431,106 | 3,716,299 | 2,328,853 | 367,485 | 2,253,860 | 306,444 | 14,048,111 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 3 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2012

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|---|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Other | | | | | | | | |
| Grants and transfers related to capital | | | | | | | | |
| Government grants | - | - | 295,738 | - | - | 41,277 | - | 337,015 |
| Loss on disposal of tangible capital assets | - | - | (2,601) | - | (5,089) | - | - | (7,690) |
| Investment income | 45,313 | - | - | - | - | - | - | 45,313 |
| | 45,313 | - | 293,137 | - | (5,089) | 41,277 | - | 374,638 |
| Annual surplus (deficit) | 7,582,990 | (3,001,272) | (3,372,384) | 49,120 | (154,741) | (668,521) | (245,089) | 190,103 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 4 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2011

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|--|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | | | | | | | | |
| Property taxation | 5,957,918 | - | - | - | - | - | - | 5,957,918 |
| Payments in lieu of taxation | 68,698 | - | - | - | - | - | - | 68,698 |
| User charges and fees | 110,240 | 306,200 | 95,375 | 2,219,345 | 45,709 | 961,651 | 46,149 | 3,784,669 |
| Government grants | 2,488,725 | 44,224 | - | 77,295 | - | 105,945 | 10,952 | 2,727,141 |
| Revenue from other municipalities | - | - | - | - | 139,341 | - | - | 139,341 |
| Investment income | 106,012 | - | - | - | - | - | 329 | 106,341 |
| Other | 123,974 | - | - | - | 7,534 | 381,217 | - | 512,725 |
| | 8,855,567 | 350,424 | 95,375 | 2,296,640 | 192,584 | 1,448,813 | 57,430 | 13,296,833 |
| Expenses | | | | | | | | |
| Salaries, wages and benefits | 907,779 | 413,181 | 867,889 | 196,342 | 31,740 | 1,106,205 | 81,135 | 3,604,271 |
| Interest on long-term liabilities | 10,876 | 25,048 | 33,587 | 27,822 | 5,875 | - | 6,566 | 109,774 |
| Materials and supplies | 257,561 | 121,651 | 1,332,221 | 555,127 | 17,653 | 1,262,930 | 175,744 | 3,722,887 |
| Contracted services | 112,631 | 2,592,291 | - | 1,098,044 | 220,634 | 101,693 | 28,730 | 4,154,023 |
| Rents, financial expenses and external transfers | 107,758 | 104,627 | 110,525 | - | - | 7,312 | - | 330,222 |
| Amortization expense | 26,915 | 116,638 | 1,231,410 | 460,681 | 26,028 | 111,713 | 2,941 | 1,976,326 |
| | 1,423,520 | 3,373,436 | 3,575,632 | 2,338,016 | 301,930 | 2,589,853 | 295,116 | 13,897,503 |
| Net revenues (expenses) | 7,432,047 | (3,023,012) | (3,480,257) | (41,376) | (109,346) | (1,141,040) | (237,686) | (600,670) |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 4 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2011

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|---|------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|----------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Other | | | | | | | | |
| Grants and transfers related to capital | | | | | | | | |
| Government grants | - | - | 295,737 | - | - | 405,318 | - | 701,055 |
| Gain (loss) on disposal of capital assets | - | (19,101) | (30,631) | (16,070) | - | (7,838) | (304) | (73,944) |
| Investment income | 39,461 | - | - | - | - | - | - | 39,461 |
| | 39,461 | (19,101) | 265,106 | (16,070) | - | 397,480 | (304) | 666,572 |
| Annual surplus (deficit) | 7,471,508 | (3,042,113) | (3,215,151) | (57,446) | (109,346) | (743,560) | (237,990) | 65,902 |

The accompanying notes are an integral part of
these financial statements

**CORPORATION OF THE
MUNICIPALITY OF BROCKTON
CONSOLIDATED FINANCIAL REPORT
DECEMBER 31, 2012**

CORPORATION OF THE MUNICIPALITY OF BROCKTON

DECEMBER 31, 2012

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GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of **Corporation of the Municipality of Brockton:**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Corporation of the Municipality of Brockton, which comprise the statement of financial position as at December 31, 2012, and the statement of operations, statement of change in net financial assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Corporation of the Municipality of Brockton as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Gaviller & Company LLP

Licensed Public Accountants
Walkerton, Ontario
July 15, 2013

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

| | 2012 | 2011 |
|---|-------------------|------------|
| | \$ | \$ |
| Financial assets | | |
| Cash (Note 3) | 4,456,124 | 4,228,289 |
| Taxes receivable | 893,882 | 821,040 |
| Accounts receivable | 594,213 | 899,416 |
| Long-term investments (Note 4) | 2,303,593 | 2,303,593 |
| Tile drain receivable | - | 13,824 |
| | 8,247,812 | 8,266,162 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 768,350 | 769,066 |
| Deferred revenue - obligatory reserve funds (Note 6) | 55,844 | 45,794 |
| Deferred revenue - other (Note 6) | 138,559 | 119,893 |
| Long-term (Note 7) | 3,090,581 | 3,752,631 |
| Employee future benefits (Note 8) | 100,802 | 109,127 |
| Landfill closure and post-closure liability (Note 17) | 282,599 | 365,898 |
| | 4,436,735 | 5,162,409 |
| Net financial assets | 3,811,077 | 3,103,753 |
| Non-financial assets | | |
| Tangible capital assets (Schedule 1 and Note 9) | 49,049,020 | 49,556,492 |
| Prepaid expenses | 26,985 | 36,734 |
| | 49,076,005 | 49,593,226 |
| Accumulated surplus (Note 12) | 52,887,082 | 52,696,979 |

Approved _____ Mayor
 _____ Date

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31

| | Budget 2012 | Actual 2012 | Actual 2011 |
|--|-------------------|-------------------|------------------|
| | \$ | \$ | \$ |
| | (Note 10) | | |
| Revenues | | | |
| Net municipal taxation (Note 13) | 6,450,316 | 6,437,393 | 6,026,616 |
| User charges and fees | 3,424,615 | 3,966,172 | 3,784,669 |
| Government grants | 2,610,436 | 2,672,340 | 2,727,141 |
| Revenue from other municipalities | 27,072 | 180,115 | 139,341 |
| Other (Note 11) | 538,802 | 607,556 | 619,066 |
| | 13,051,241 | 13,863,576 | 13,296,833 |
| Expenses | | | |
| General government | 1,505,204 | 1,644,064 | 1,522,418 |
| Protection to persons and property | 3,548,585 | 3,431,106 | 3,348,388 |
| Transportation services | 2,256,108 | 3,716,299 | 3,542,045 |
| Environmental services | 1,624,624 | 2,328,853 | 2,310,194 |
| Social and family services | 596,127 | 617,525 | 548,443 |
| Health services | 110,199 | 367,485 | 296,055 |
| Recreational and cultural services | 1,460,143 | 1,636,335 | 2,041,410 |
| Planning and development | 144,730 | 306,444 | 288,550 |
| | 11,245,720 | 14,048,111 | 13,897,503 |
| Net revenues (expenses) | 1,805,521 | (184,535) | (600,670) |
| Other | | | |
| Grants and transfers related to capital | | | |
| Government grants | 340,557 | 337,015 | 701,055 |
| Gain (Loss) on disposal of tangible capital assets | - | (7,690) | (73,944) |
| Investment income | - | 45,313 | 39,461 |
| | 340,557 | 374,638 | 666,572 |
| Annual surplus | 2,146,078 | 190,103 | 65,902 |
| Accumulated surplus, beginning of year | | 52,696,979 | 52,631,077 |
| Accumulated surplus, end of year (Note 12) | | 52,887,082 | 52,696,979 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31

| | Budget 2012 | Actual 2012 | Actual 2011 |
|--|----------------|--------------------|----------------|
| | \$ | \$ | \$ |
| | (Note 10) | | |
| Annual surplus | 2,146,078 | 190,103 | 65,902 |
| Acquisition of tangible capital assets | - | (1,471,691) | (1,219,148) |
| Amortization of tangible capital assets | - | 1,965,428 | 1,976,326 |
| (Gain)/loss on disposal of tangible capital assets | - | 7,690 | 73,944 |
| Proceeds on disposal of tangible capital assets | - | 6,045 | 4,926 |
| Change in prepaid expenses | - | 9,749 | (15,267) |
| Change in net financial assets | 2,146,078 | 707,324 | 886,683 |
| Net financial assets, beginning of year | | 3,103,753 | 2,217,070 |
| Net financial assets, end of year | | 3,811,077 | 3,103,753 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

| | 2012 | 2011 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Cash flows from (for): | | |
| Operating activities | | |
| Annual surplus | 190,103 | 65,902 |
| Non-cash items: | | |
| Amortization expense | 1,965,428 | 1,976,326 |
| (Gain)/ Loss on disposal of tangible capital assets | 7,690 | 73,944 |
| | 2,163,221 | 2,116,172 |
| Changes in: | | |
| Taxes receivable | (72,843) | 7,428 |
| Accounts receivable | 305,204 | 780,279 |
| Prepaid expenses | 9,749 | (15,267) |
| Accounts payable and accrued liabilities | (716) | (344,063) |
| Tile drain receivable | 13,824 | (13,824) |
| Employee future benefits | (8,325) | (27,357) |
| Landfill closure and post-closure liability | (83,299) | (15,426) |
| Net change in cash from operations | 2,326,815 | 2,487,942 |
| Capital activities | | |
| Acquisition of tangible capital assets | (1,471,691) | (1,219,148) |
| Proceeds on disposal of tangible capital assets | 6,045 | 4,926 |
| Net change in cash from capital | (1,465,646) | (1,214,222) |
| Financing activities | | |
| Long term liabilities repaid | (662,050) | (933,587) |
| Deferred revenue | 28,716 | 35,863 |
| Net change in cash from financing | (633,334) | (897,724) |
| Net change in cash position | 227,835 | 375,996 |
| Cash, beginning of year | 4,228,289 | 3,852,293 |
| Cash and cash equivalents, end of year | 4,456,124 | 4,228,289 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

1. Nature of operations

The Corporation of the Municipality of Brockton ("the Municipality") combines the former town of Walkerton and the townships of Brant and Greenock and is a lower-tier municipality located in the County of Bruce, Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes, such as the Municipal Act, Municipal Affairs Act and related legislation.

2. Summary of significant accounting policies

The consolidated financial statements of the municipality are the representation of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the municipality and the changes thereto. The consolidated statement of financial position includes all the assets and liabilities of the municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position and is the difference between assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Basis of accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses 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.

(b) Deferred revenue

Revenue restricted by legislation, regulation, or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(c) Basis of consolidation

These consolidated financial statements reflect assets, liabilities, revenues and expenses of the municipality. They include the activities of all committees of Council and the following organizations which are accountable to, and owned or controlled by the municipality:

Walkerton Chamber of Commerce
Bradley Community Centre
Cargill & District Community Fund

Excluded are Funds Held in Trust which are administered by the municipality and reported on separately.

A government partnership exists where the municipality has a shared control over the board or entity. The municipality's pro-rata share of assets, liabilities, revenues and expenses are reflected in the consolidated financial statements using the proportionate consolidation method. The municipality's proportionate interest of the following government partnership are reflected in the consolidated financial statements:

| | |
|---|--------|
| Bruce Area Solid Waste Recycling | 12.95% |
| Elmwood Community Centre | 50.0% |
| Hanover/Walkerton Landfill | 50.0% |
| Saugeen Municipal Airport | 42.07% |
| Elmwood Fire Department | 40.75% |
| Saugeen Mobility & Regional Transit (S.M.A.R.T) | 21.7% |

All interfund assets and liabilities and sources of financing and expenses have been eliminated.

(d) County and school boards

The municipality collects taxation revenue on behalf of the school boards and the County of Bruce. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Bruce are not reflected in these financial statements.

(e) Revenue recognition

Tax levies are recognized as revenue when the amounts are levied on the municipality's ratepayers. User fees and other revenues are recognized when related goods or services are provided and collectibility is reasonably assured.

(f) Government grants

Government grants are recognized in the financial statements as revenues in the period in which the events giving rise to the grants occur, providing the grants are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. The municipality's implementation of the Public Sector Handbook PS3150 has required management to make estimates of historical cost, useful lives and amortization of tangible capital assets. In addition, estimates have been made of closure and post closure costs related to landfill sites. Actual results could differ from those estimates.

(h) Non-financial assets

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

(i) 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. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|--|------------------|
| Land improvements | -15 to 40 years |
| Buildings and improvements | - 40 years |
| Vehicles, machinery, equipment, furniture and fixtures | - 5 to 85 years |
| Water and wastewater infrastructure | - 70 to 80 years |
| Roads infrastructure | - 7 to 75years |

(ii) Contribution of tangible capital assets

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

(iii) Leases

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

(iv) Intangible assets

Intangible assets are not recognized as assets in the financial statements.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(i) Segment disclosures

Municipal services have been segmented by grouping activities that have similar service objectives (by function). Revenues that are directly related to the costs of the function have been attributed to each segment.

(j) Employee future benefits

The municipality pays post-employment benefits to eligible employees on retirement. The benefits earned are recognized over the service life of the employees using the projected benefit method and management's best estimate of salary escalation, benefit costs and retirement ages of employees. Defined contribution plan accounting is applied to the municipality's multi-employer defined benefit pension plan.

(k) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

3. Cash

Cash consists of the following:

| | 2012 | 2011 |
|--------------|------------------|-----------|
| | \$ | \$ |
| Unrestricted | 4,261,722 | 4,062,602 |
| Restricted | 194,402 | 165,687 |
| | 4,456,124 | 4,228,289 |

4. Long-term investments

| | 2012 | 2011 |
|---|------------------|-----------|
| | \$ | \$ |
| 1,261 Common shares, Westario Power Holdings Inc. | 2,303,593 | 2,303,593 |

The municipality owns 12.61% of the outstanding common shares of Westario Power Holdings Inc. The shares have no fixed maturity dates and are generally not exposed to interest rate risk. The fair value of these shares is not determinable in the absence of published market quotations.

Dividends received during the year totaled \$99,008 (2011 - \$99,008) and are included in other income.

5. Short-term borrowing

Short term borrowing is due on demand and bears interest at the bank's prime rate less 0.5%. An unsecured short term bank line of credit is available to the municipality up to an amount of \$1,500,000. As at December 31, 2012 the Municipality has borrowed \$NIL (2011 - \$NIL).

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

6. Deferred revenue - obligatory reserve funds

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

The balance of deferred revenue is made up as follows:

| | 2012 | 2011 |
|--------------------------------|----------------|---------|
| | \$ | \$ |
| Obligatory Reserve Fund | | |
| Recreational land | 55,844 | 45,794 |
| Other | | |
| Government grant funding | 14,294 | 14,294 |
| Deposits | 44,143 | 56,143 |
| Other | 80,122 | 49,456 |
| | 138,559 | 119,893 |
| | 194,403 | 165,687 |

The net change during the year for the recreational land obligatory reserve fund is made up as follows:

| | 2012 | 2011 |
|--------------------------------|---------------|--------|
| | \$ | \$ |
| Balance, beginning of the year | 45,794 | 4,683 |
| Contributions | 9,474 | 40,800 |
| Interest earned | 576 | 311 |
| | 55,844 | 45,794 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

7. Long-term liabilities

(a) Net long-term liabilities consist of the following:

| | 2012 | 2011 |
|---|------------------|-----------|
| | \$ | \$ |
| Bank loan payable, interest at bank prime rate less .5%, payable \$8,080 monthly principal plus interest | 363,591 | 460,549 |
| Bank loan payable, interest at bank prime rate less .5%, payable \$5,868 monthly principal plus interest | 762,847 | 833,263 |
| Bank loan payable, interest at bank prime rate less .5%, payable \$3,017 monthly principal plus interest | 33,183 | 69,383 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$2,662 monthly principal plus interest | 29,284 | 61,230 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$7,500 monthly principal plus interest | 172,500 | 262,500 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$4,167 monthly principal plus interest | 150,033 | 200,000 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$5,000 monthly principal plus interest | 284,991 | 344,991 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$3,592 monthly principal plus interest | 45,249 | 88,353 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$3,126 monthly principal plus interest | 412,666 | 450,181 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$ 7,500 monthly principal and interest | 20,000 | 110,000 |
| Infrastructure Financing Authority (OMEIFA), interest at 2.95%, semi-annual payments beginning January 17, 2005 of \$40,631 principal and interest, due July 15, 2024 | 816,237 | 872,181 |
| | 3,090,581 | 3,752,631 |

(b) Principal payments for the next 5 years and thereafter are as follows:

| | \$ |
|------------|-----------|
| 2013 | 588,100 |
| 2014 | 458,853 |
| 2015 | 375,971 |
| 2016 | 303,545 |
| 2017 | 217,688 |
| Thereafter | 1,146,424 |

Long-term liabilities approved after January 1, 1993 have been approved through by-law. 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.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

8. Employee future benefits

The former Police Services Board provided post-employment health and life insurance benefits to eligible retired employees. The Municipality of Brockton's proportionate share of this former joint local board was 46.4%, and as such are responsible for their share of the ongoing benefit payments. Payments for these benefits totaled \$20,610 in 2011 (2010 - \$18,223). The municipality's share of \$9,563 (2010 - \$8,456) is included as an expense on the consolidated statement of operations. The post employment benefit liability was determined using a discount rate of 5% and an annual rate of increase in benefit costs of 6%.

The employees of the Corporation of the Municipality of Brockton participate in the Ontario Municipal Employees Retirement Saving Plan ("OMERS"). Although the plan has a defined retirement benefit for employees, the related obligation of the municipality cannot be identified. The municipality has applied defined contribution plan accounting as it has insufficient information to apply defined benefit plan accounting. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant.

The amount contributed to OMERS for the current year was \$192,902 (2011 - \$157,984) for current service.

9. Tangible capital assets

Schedules 1 and 2 provide information on the tangible capital assets of the municipality by major asset class, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets.

(a) Work in progress

Work in progress with a value of \$NIL (2011 - \$8,477) has not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$NIL (2011 - \$NIL).

(c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and historical treasures

No works of arts nor historical treasures are held by the municipality.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

10. Budget amounts

The operating budget approved by Council for 2012 is reflected on the consolidated statement of operations. The budgets established for capital investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with the current year's actual expenditure amounts. The 2012 budget did not include figures for acquisition nor amortization of tangible capital assets.

11. Other income

Other current fund revenues consist of the following:

| | 2012 Budget | 2012 Actual | 2011 Actual |
|------------------------------------|----------------|----------------|----------------|
| | | \$ | \$ |
| Penalties and interest on taxation | 106,200 | 109,488 | 123,974 |
| Rents | 315,920 | 348,610 | 359,799 |
| Investment income | 73,570 | 92,030 | 106,341 |
| Donations | 10,450 | 39,159 | 22,106 |
| Sale of publication, mementos, etc | 32,612 | 18,255 | 6,834 |
| Other | 50 | 14 | 12 |
| | 538,802 | 607,556 | 619,066 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

12. Accumulated surplus

The accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

| | 2012 | 2011 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Surplus: | | |
| Invested in tangible capital assets | 49,049,020 | 49,556,492 |
| General area taxation | 122,785 | 107,559 |
| Walkerton Chamber of Commerce | 27,117 | 1,468 |
| Bradley Community Centre | 437 | 401 |
| Cargill & District Community Fund | 27,652 | 27,652 |
| Saugeen Municipal Airport | 18,919 | (2,147) |
| Elmwood Community Centre | 4,422 | 2,950 |
| Saugeen Mobility & Regional Transit | 610 | 531 |
| Hanover/Walkerton Landfill | (50,287) | 115,274 |
| Unfunded liabilities | (3,210,925) | (3,788,767) |
| Total surplus | 45,989,750 | 46,021,413 |
| Reserves set aside for specific purposes by Council | | |
| Current purposes | 644,849 | 525,764 |
| Capital purposes | 389,156 | 398,027 |
| Total reserves | 1,034,005 | 923,791 |
| Reserve funds set aside for specific purposes by Council | | |
| Capital purposes | 5,863,327 | 5,751,775 |
| Total reserve funds | 5,863,327 | 5,751,775 |
| Total accumulated surplus | 52,887,082 | 52,696,979 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

13. Net municipal taxation

Net municipal taxation consists of:

| | 2012 | 2011 |
|---|--------------------|-------------|
| | \$ | \$ |
| Taxation revenue | 11,967,517 | 11,446,079 |
| Amount levied and remitted to School Boards | (2,412,943) | (2,387,473) |
| Amount levied and remitted to the County of Bruce | (3,117,181) | (3,031,990) |
| Net municipal taxation | 6,437,393 | 6,026,616 |

14. Commitments

(a) Capital commitments of \$NIL (2011 - \$NIL) are not reflected in the financial statements. This amount, for which funding is in place, represents uncompleted portions of contracts, as at December 31, 2012, on major projects and estimated obligation under other various agreements.

(b) The municipality has entered into a yearly renewal operating agreement with Veolia Water Canada Inc. for the operation and maintenance of the Municipality's water and wastewater facilities. Under this agreement Veolia has agreed to operate the facility for a fee of \$474,572 plus an adjustment for inflation for July 1, 2008 and subsequent years.

(c) The municipality currently leases space for its municipal office under a five year lease ending in October 2017. Annual payments are as follows:

| | |
|------|--------|
| 2013 | 49,155 |
| 2014 | 53,110 |
| 2015 | 55,935 |
| 2016 | 58,760 |
| 2017 | 61,585 |

Annual payments under an operating lease for computer equipment are \$27,283 ending in December 2014.

The minimum annual lease payments for the next five years for all lease commitments are as follows:

| | |
|------|--------|
| 2013 | 40,296 |
| 2014 | 40,608 |
| 2015 | 33,922 |
| 2016 | 16,369 |
| 2017 | 4,056 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

14. Commitments (continued)

- (d) The Town of Hanover and the Municipality of Brockton have obtained approval from the Ministry of Environment to expand the Hanover/Walkerton Landfill Site. Construction of the first phase of the expanded site began in 2012 and expenses incurred to date for the construction and supervision totaled \$173,196. The remaining costs of the construction of the first phase are estimated to total \$1,583,275. No provision for the future costs have been recorded in the financial statements at December 31, 2012.

15. Contingencies

- (a) In the ordinary course of business, various claims and lawsuits are brought against the municipality. It is the opinion of management that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued. No provision has been made for pending expropriations of land beyond the payments already made to affected property owners. Any payment made by the municipality pursuant to claims, lawsuits or expropriations will be charged in the year of settlement.
- (b) Annually, the municipality is unable to estimate its Ontario Provincial Police adjustment. As a result, the expense adjustment is recorded in the year in which it is received. A credit of \$82,525 was received and recorded as a reduction of expenses in net financial assets for services performed in 2010 (2011 - \$115,158 credit).

16. Trust fund

The trust fund administered by the municipality is for Perpetual Care and amounts to \$183,156 (2011 - \$137,087). This has not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

17. Landfill Closure and Post-Closure Liability

Solid waste landfill closure and post-closure care requirements are defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates and ongoing environmental monitoring, site inspection and maintenance. These costs will be incurred as each landfill site stops accepting waste, with the post-closure care expected to continue for an additional 20 years. The total future closure and post-closure care costs are estimated to be \$340,161.

Brant Landfill Site

As at December 31, 2012, the municipality has recognized in the consolidated financial statements an unfunded liability of \$33,627. This liability represents 44% of the present value of the estimated costs and is based on a total capacity of 146,480 cubic meters and a discount rate of 6.00%. The balance of the liability of \$42,428 will be accrued as the remaining capacity of 81,716 cubic meters is utilized, which is expected to be over the next 11 years.

Greenock Landfill Site

As at December 31, 2012, the municipality has recognized in the consolidated financial statements an unfunded liability of \$6,595. This liability represents 35% of the present value of the estimated costs and is based on a total capacity of 153,075 cubic meters and a discount rate of 6.00%. The balance of the liability of \$12,238 will be accrued as the remaining capacity of 99,462 cubic meters is utilized, which is expected to be over the next 48 years.

Hanover/Walkerton Landfill Site

As at December 31, 2012, the municipality has recognized in the consolidated financial statements a liability of \$242,377. This represents 50% of the total liability of \$484,754 shared with the Town of Hanover. This represents 99% of the present value of the estimated costs and is based on a total capacity of 506,000 cubic metres and a discount rate of 4%. The balance of the Municipality's share of the liability of \$2,894 will be accrued as the remaining capacity of 5,982 cubic metres is utilized, which is expected to be over the next year.

Management's estimate for site closure and post-closure care liability is subject to measurement uncertainty. The estimate is based on assumptions contained in engineer's reports as to capacity, site life expectancy and usage. Actual results could differ significantly from these estimates because of the uncertainty related to future cost estimates, future use of the landfill site, etc.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

18. Government Partnerships

The following summarizes the financial position and results of operations of the government partnerships. The Municipality of Brockton's pro-rata share of these amounts has been reported in these financial statements using proportionate consolidation method:

| | Bruce Area Solid Waste Recycling | Elmwood Community Centre | Hanover/ Walkerton Landfill | Saugeen Municipal Airport | Elmwood Fire Department | Saugeen Mobility & Regional Transit |
|---|--|--------------------------------|-----------------------------------|---------------------------------|-------------------------------|--|
| | 2012 | 2012 | 2012 | 2012 | 2012 | 2012 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial assets | 2,099,909 | 20,553 | 477,736 | 97,610 | 216,179 | 110,687 |
| Liabilities | 117,913 | 11,709 | 578,309 | 33,250 | 12,408 | 138,363 |
| Net financial assets | 1,981,996 | 8,844 | (100,573) | 64,360 | 203,771 | (27,676) |
| Non-financial assets | 1,745,614 | - | 2,708,746 | 817,829 | 419,051 | 339,236 |
| Accumulated surplus | 3,727,610 | 8,844 | 2,608,173 | 882,189 | 622,822 | 311,560 |
| General surplus | - | 8,844 | (100,573) | 44,970 | - | 2,812 |
| Invested in tangible capital assets | 1,745,614 | - | 2,708,746 | 801,406 | 417,700 | 308,748 |
| Reserves and reserve funds | 1,981,996 | - | - | 35,813 | 205,122 | - |
| | 3,727,610 | 8,844 | 2,608,173 | 882,189 | 622,822 | 311,560 |
| Revenues | 2,356,281 | 67,012 | 563,919 | 178,071 | 236,918 | 772,134 |
| Expenses | 2,187,803 | 61,117 | 285,423 | 204,816 | 206,833 | 778,630 |
| Annual surplus (deficit) | 168,478 | 5,895 | 278,496 | (26,745) | 30,085 | (6,496) |

The Elmwood Community Centre financial statements do not include adjustments for tangible capital assets. These amounts have been consolidated separately.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

19.Segmented Information

The Municipality of Brockton is a diversified municipal government organization that provides a wide range of services to its citizens such as police, fire, roadways, water, sewer, waste, and recreation and cultural services. Distinguishable functional segments have been separately disclosed in the segmented information. Schedules 3 and 4 provide information on the segmented information of the municipality. The nature of the segments and the activities that they encompass are as follows:

General Government

This segment relates to the revenues and expenses that relate to the operations of the municipality itself and unallocated items that cannot be directly attributed to any specific segment. General administration, council activities and maintenance of municipal buildings are included in the functions of general government.

Protection to Persons and Property

Protection is comprised of police services, fire protection, emergency plan, building inspections, and animal control.

Transportation Services

Transportation is comprised of the municipality's roadways, storm sewers, sidewalks, street lighting, and winter control. It also includes the municipality's proportionate share of the operations of the Saugeen Municipal Airport.

Environmental Services

Environmental is comprised of water and waste water services, where the municipality treats and distributes the municipality's drinking water and ensures that it meets all provincial standards. It also includes the collection and treatment of waste water.

Environmental also consists of providing waste and recycling collection and the municipality's share of the operation of the Hanover/Walkerton joint landfill site.

Health Services

Health services are comprised of support to the medical clinic operations and cemetery.

Recreation and Cultural Services

This service area provides services meant to improve the health and development of the municipality's citizens. The municipality operates and maintains parks, arenas, a swimming pool, and community centres. The municipality also provides library services and recreational programs.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

19. Segmented Information (continued)

Planning and Development

This segment is responsible for planning and zoning including the Official plan for residential and commercial, review of property development plans, and economic development services for the municipality.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of exchange amount. Municipal taxation revenue and the Ontario Municipal Partnership Fund grant is allocated to general government.

20. Future accounting pronouncements

In February 2010, the CICA issued Section PS 3510, “Tax Revenue”, which establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements. The section is effective for fiscal years beginning on or after April 1, 2012, earlier adoption is encouraged. The new standard is not expected to have a material effect on the financial statements.

In March 2011, the CICA issued Section PS 3410, “Government Transfers”, which establishes recognition, measurement, presentation and disclosure standards relating to amounts received from a government reported in financial statements. The section is effective for fiscal years beginning on or after April 1, 2012, earlier adoption is encouraged. The new standard is not expected to have a material effect on the financial statements.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 1 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2012

| | Land | Land Improvement | Buildings and Improvements | Vehicles, Machinery, Equipment and Furniture | Water and Wastewater Infrastructure | Roads Infrastructure | Work in Progress | Total |
|------------------------------------|------------------|------------------|----------------------------|--|-------------------------------------|----------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | | |
| Balance, beginning of year | 4,033,420 | 530,478 | 8,538,038 | 9,088,074 | 16,016,817 | 49,345,184 | 8,477 | 87,560,488 |
| Additions | 560,856 | - | 433 | 142,317 | 23,918 | 744,167 | - | 1,471,691 |
| Disposals | - | - | (61,129) | (15,719) | - | (59,069) | - | (135,917) |
| Put in Use | - | - | - | - | - | 8,477 | (8,477) | - |
| Balance, end of year | 4,594,276 | 530,478 | 8,477,342 | 9,214,672 | 16,040,735 | 50,038,759 | - | 88,896,262 |
| Accumulated amortization | | | | | | | | |
| Balance, beginning of year | 59,071 | 205,860 | 4,874,752 | 5,140,633 | 4,065,276 | 23,658,404 | - | 38,003,996 |
| Amortization | 6,897 | 25,693 | 197,163 | 401,980 | 296,358 | 1,037,337 | - | 1,965,428 |
| Disposals | - | - | (61,129) | (4,585) | - | (56,468) | - | (122,182) |
| Balance, end of year | 65,968 | 231,553 | 5,010,786 | 5,538,028 | 4,361,634 | 24,639,273 | - | 39,847,242 |
| Net book value, end of year | 4,528,308 | 298,925 | 3,466,556 | 3,676,644 | 11,679,101 | 25,399,486 | - | 49,049,020 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 2 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011

| | Land | Land Improvements | Buildings and Improvements | Vehicles, Machinery, Equipment and Furniture | Water and Wastewater Infrastructure | Roads Infrastructure | Work in Progress | Total |
|------------------------------------|------------------|----------------------|-------------------------------|---|---|-------------------------|---------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | | |
| Balance, beginning of year | 3,821,816 | 486,612 | 8,517,306 | 8,947,647 | 15,961,258 | 49,059,709 | - | 86,794,348 |
| Additions | 211,604 | 75,000 | 20,934 | 312,472 | 81,706 | 508,955 | 8,477 | 1,219,148 |
| Disposals | - | (31,134) | (202) | (172,045) | (26,147) | (223,480) | - | (453,008) |
| Balance, end of year | 4,033,420 | 530,478 | 8,538,038 | 9,088,074 | 16,016,817 | 49,345,184 | 8,477 | 87,560,488 |
| Accumulated amortization | | | | | | | | |
| Balance, beginning of year | 52,184 | 208,544 | 4,676,417 | 4,860,973 | 3,871,657 | 22,732,033 | - | 36,401,808 |
| Amortization | 6,887 | 20,612 | 198,416 | 427,374 | 203,696 | 1,119,341 | - | 1,976,326 |
| Disposals | - | (23,296) | (81) | (147,714) | (10,077) | (192,970) | - | (374,138) |
| Balance, end of year | 59,071 | 205,860 | 4,874,752 | 5,140,633 | 4,065,276 | 23,658,404 | - | 38,003,996 |
| Net book value, end of year | 3,974,349 | 324,618 | 3,663,286 | 3,947,441 | 11,951,541 | 25,686,780 | 8,477 | 49,556,492 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 3 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2012

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|--|------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | | | | | | | | |
| Property taxation | 6,309,056 | - | - | - | - | - | - | 6,309,056 |
| Payments in lieu of taxation | 128,337 | - | - | - | - | - | - | 128,337 |
| User charges and fees | 97,659 | 385,753 | 50,778 | 2,311,003 | 19,463 | 1,080,661 | 20,855 | 3,966,172 |
| Government grants | 2,406,498 | 44,081 | - | 66,970 | - | 114,791 | 40,000 | 2,672,340 |
| Revenue from other municipalities | - | - | - | - | 180,115 | - | - | 180,115 |
| Investment income | 91,530 | - | - | - | - | - | 500 | 92,030 |
| Other | 148,661 | - | - | - | 18,255 | 348,610 | - | 515,526 |
| | 9,181,741 | 429,834 | 50,778 | 2,377,973 | 217,833 | 1,544,062 | 61,355 | 13,863,576 |
| Expenses | | | | | | | | |
| Salaries, wages and benefits | 932,853 | 400,218 | 1,003,113 | 212,984 | 31,569 | 1,254,197 | 148,050 | 3,982,984 |
| Interest on long-term liabilities | 9,592 | 21,400 | 29,344 | 21,776 | 1,721 | 1,718 | 4,996 | 90,547 |
| Materials and supplies | 469,180 | 235,527 | 1,311,377 | 534,756 | 15,355 | 850,393 | 148,143 | 3,564,731 |
| Contracted services | 144,331 | 2,536,247 | - | 1,098,220 | 283,456 | 43,635 | - | 4,105,889 |
| Rents, financial expenses and external transfers | 78,666 | 137,854 | 122,012 | - | - | - | - | 338,532 |
| Amortization | 9,442 | 99,860 | 1,250,453 | 461,117 | 35,384 | 103,917 | 5,255 | 1,965,428 |
| | 1,644,064 | 3,431,106 | 3,716,299 | 2,328,853 | 367,485 | 2,253,860 | 306,444 | 14,048,111 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 3 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2012

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|---|------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|---------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Other | | | | | | | | |
| Grants and transfers related to capital | | | | | | | | |
| Government grants | - | - | 295,738 | - | - | 41,277 | - | 337,015 |
| Loss on disposal of tangible capital assets | - | - | (2,601) | - | (5,089) | - | - | (7,690) |
| Investment income | 45,313 | - | - | - | - | - | - | 45,313 |
| | 45,313 | - | 293,137 | - | (5,089) | 41,277 | - | 374,638 |
| Annual surplus (deficit) | 7,582,990 | (3,001,272) | (3,372,384) | 49,120 | (154,741) | (668,521) | (245,089) | 190,103 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 4 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2011

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|--|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | | | | | | | | |
| Property taxation | 5,957,918 | - | - | - | - | - | - | 5,957,918 |
| Payments in lieu of taxation | 68,698 | - | - | - | - | - | - | 68,698 |
| User charges and fees | 110,240 | 306,200 | 95,375 | 2,219,345 | 45,709 | 961,651 | 46,149 | 3,784,669 |
| Government grants | 2,488,725 | 44,224 | - | 77,295 | - | 105,945 | 10,952 | 2,727,141 |
| Revenue from other municipalities | - | - | - | - | 139,341 | - | - | 139,341 |
| Investment income | 106,012 | - | - | - | - | - | 329 | 106,341 |
| Other | 123,974 | - | - | - | 7,534 | 381,217 | - | 512,725 |
| | 8,855,567 | 350,424 | 95,375 | 2,296,640 | 192,584 | 1,448,813 | 57,430 | 13,296,833 |
| Expenses | | | | | | | | |
| Salaries, wages and benefits | 907,779 | 413,181 | 867,889 | 196,342 | 31,740 | 1,106,205 | 81,135 | 3,604,271 |
| Interest on long-term liabilities | 10,876 | 25,048 | 33,587 | 27,822 | 5,875 | - | 6,566 | 109,774 |
| Materials and supplies | 257,561 | 121,651 | 1,332,221 | 555,127 | 17,653 | 1,262,930 | 175,744 | 3,722,887 |
| Contracted services | 112,631 | 2,592,291 | - | 1,098,044 | 220,634 | 101,693 | 28,730 | 4,154,023 |
| Rents, financial expenses and external transfers | 107,758 | 104,627 | 110,525 | - | - | 7,312 | - | 330,222 |
| Amortization expense | 26,915 | 116,638 | 1,231,410 | 460,681 | 26,028 | 111,713 | 2,941 | 1,976,326 |
| | 1,423,520 | 3,373,436 | 3,575,632 | 2,338,016 | 301,930 | 2,589,853 | 295,116 | 13,897,503 |
| Net revenues (expenses) | 7,432,047 | (3,023,012) | (3,480,257) | (41,376) | (109,346) | (1,141,040) | (237,686) | (600,670) |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 4 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2011

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|---|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|---------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Other | | | | | | | | |
| Grants and transfers related to capital | | | | | | | | |
| Government grants | - | - | 295,737 | - | - | 405,318 | - | 701,055 |
| Gain (loss) on disposal of capital assets | - | (19,101) | (30,631) | (16,070) | - | (7,838) | (304) | (73,944) |
| Investment income | 39,461 | - | - | - | - | - | - | 39,461 |
| | 39,461 | (19,101) | 265,106 | (16,070) | - | 397,480 | (304) | 666,572 |
| Annual surplus (deficit) | 7,471,508 | (3,042,113) | (3,215,151) | (57,446) | (109,346) | (743,560) | (237,990) | 65,902 |

The accompanying notes are an integral part of
these financial statements

**CORPORATION OF THE
MUNICIPALITY OF BROCKTON
CONSOLIDATED FINANCIAL REPORT
DECEMBER 31, 2012**

CORPORATION OF THE MUNICIPALITY OF BROCKTON

DECEMBER 31, 2012

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GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of **Corporation of the Municipality of Brockton:**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Corporation of the Municipality of Brockton, which comprise the statement of financial position as at December 31, 2012, and the statement of operations, statement of change in net financial assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Corporation of the Municipality of Brockton as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Gaviller & Company LLP

Licensed Public Accountants
Walkerton, Ontario
July 15, 2013

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

| | 2012 | 2011 |
|---|-------------------|------------|
| | \$ | \$ |
| Financial assets | | |
| Cash (Note 3) | 4,456,124 | 4,228,289 |
| Taxes receivable | 893,882 | 821,040 |
| Accounts receivable | 594,213 | 899,416 |
| Long-term investments (Note 4) | 2,303,593 | 2,303,593 |
| Tile drain receivable | - | 13,824 |
| | 8,247,812 | 8,266,162 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 768,350 | 769,066 |
| Deferred revenue - obligatory reserve funds (Note 6) | 55,844 | 45,794 |
| Deferred revenue - other (Note 6) | 138,559 | 119,893 |
| Long-term (Note 7) | 3,090,581 | 3,752,631 |
| Employee future benefits (Note 8) | 100,802 | 109,127 |
| Landfill closure and post-closure liability (Note 17) | 282,599 | 365,898 |
| | 4,436,735 | 5,162,409 |
| Net financial assets | 3,811,077 | 3,103,753 |
| Non-financial assets | | |
| Tangible capital assets (Schedule 1 and Note 9) | 49,049,020 | 49,556,492 |
| Prepaid expenses | 26,985 | 36,734 |
| | 49,076,005 | 49,593,226 |
| Accumulated surplus (Note 12) | 52,887,082 | 52,696,979 |

Approved _____ Mayor
 _____ Date

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31

| | Budget 2012 | Actual 2012 | Actual 2011 |
|--|-------------------|-------------------|------------------|
| | \$ | \$ | \$ |
| | (Note 10) | | |
| Revenues | | | |
| Net municipal taxation (Note 13) | 6,450,316 | 6,437,393 | 6,026,616 |
| User charges and fees | 3,424,615 | 3,966,172 | 3,784,669 |
| Government grants | 2,610,436 | 2,672,340 | 2,727,141 |
| Revenue from other municipalities | 27,072 | 180,115 | 139,341 |
| Other (Note 11) | 538,802 | 607,556 | 619,066 |
| | 13,051,241 | 13,863,576 | 13,296,833 |
| Expenses | | | |
| General government | 1,505,204 | 1,644,064 | 1,522,418 |
| Protection to persons and property | 3,548,585 | 3,431,106 | 3,348,388 |
| Transportation services | 2,256,108 | 3,716,299 | 3,542,045 |
| Environmental services | 1,624,624 | 2,328,853 | 2,310,194 |
| Social and family services | 596,127 | 617,525 | 548,443 |
| Health services | 110,199 | 367,485 | 296,055 |
| Recreational and cultural services | 1,460,143 | 1,636,335 | 2,041,410 |
| Planning and development | 144,730 | 306,444 | 288,550 |
| | 11,245,720 | 14,048,111 | 13,897,503 |
| Net revenues (expenses) | 1,805,521 | (184,535) | (600,670) |
| Other | | | |
| Grants and transfers related to capital | | | |
| Government grants | 340,557 | 337,015 | 701,055 |
| Gain (Loss) on disposal of tangible capital assets | - | (7,690) | (73,944) |
| Investment income | - | 45,313 | 39,461 |
| | 340,557 | 374,638 | 666,572 |
| Annual surplus | 2,146,078 | 190,103 | 65,902 |
| Accumulated surplus, beginning of year | | 52,696,979 | 52,631,077 |
| Accumulated surplus, end of year (Note 12) | | 52,887,082 | 52,696,979 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31

| | Budget 2012 | Actual 2012 | Actual 2011 |
|--|----------------|--------------------|----------------|
| | \$ | \$ | \$ |
| | (Note 10) | | |
| Annual surplus | 2,146,078 | 190,103 | 65,902 |
| Acquisition of tangible capital assets | - | (1,471,691) | (1,219,148) |
| Amortization of tangible capital assets | - | 1,965,428 | 1,976,326 |
| (Gain)/loss on disposal of tangible capital assets | - | 7,690 | 73,944 |
| Proceeds on disposal of tangible capital assets | - | 6,045 | 4,926 |
| Change in prepaid expenses | - | 9,749 | (15,267) |
| Change in net financial assets | 2,146,078 | 707,324 | 886,683 |
| Net financial assets, beginning of year | | 3,103,753 | 2,217,070 |
| Net financial assets, end of year | | 3,811,077 | 3,103,753 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

| | 2012 | 2011 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Cash flows from (for): | | |
| Operating activities | | |
| Annual surplus | 190,103 | 65,902 |
| Non-cash items: | | |
| Amortization expense | 1,965,428 | 1,976,326 |
| (Gain)/ Loss on disposal of tangible capital assets | 7,690 | 73,944 |
| | 2,163,221 | 2,116,172 |
| Changes in: | | |
| Taxes receivable | (72,843) | 7,428 |
| Accounts receivable | 305,204 | 780,279 |
| Prepaid expenses | 9,749 | (15,267) |
| Accounts payable and accrued liabilities | (716) | (344,063) |
| Tile drain receivable | 13,824 | (13,824) |
| Employee future benefits | (8,325) | (27,357) |
| Landfill closure and post-closure liability | (83,299) | (15,426) |
| Net change in cash from operations | 2,326,815 | 2,487,942 |
| Capital activities | | |
| Acquisition of tangible capital assets | (1,471,691) | (1,219,148) |
| Proceeds on disposal of tangible capital assets | 6,045 | 4,926 |
| Net change in cash from capital | (1,465,646) | (1,214,222) |
| Financing activities | | |
| Long term liabilities repaid | (662,050) | (933,587) |
| Deferred revenue | 28,716 | 35,863 |
| Net change in cash from financing | (633,334) | (897,724) |
| Net change in cash position | 227,835 | 375,996 |
| Cash, beginning of year | 4,228,289 | 3,852,293 |
| Cash and cash equivalents, end of year | 4,456,124 | 4,228,289 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

1. Nature of operations

The Corporation of the Municipality of Brockton ("the Municipality") combines the former town of Walkerton and the townships of Brant and Greenock and is a lower-tier municipality located in the County of Bruce, Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes, such as the Municipal Act, Municipal Affairs Act and related legislation.

2. Summary of significant accounting policies

The consolidated financial statements of the municipality are the representation of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the municipality and the changes thereto. The consolidated statement of financial position includes all the assets and liabilities of the municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position and is the difference between assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Basis of accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses 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.

(b) Deferred revenue

Revenue restricted by legislation, regulation, or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(c) Basis of consolidation

These consolidated financial statements reflect assets, liabilities, revenues and expenses of the municipality. They include the activities of all committees of Council and the following organizations which are accountable to, and owned or controlled by the municipality:

Walkerton Chamber of Commerce
Bradley Community Centre
Cargill & District Community Fund

Excluded are Funds Held in Trust which are administered by the municipality and reported on separately.

A government partnership exists where the municipality has a shared control over the board or entity. The municipality's pro-rata share of assets, liabilities, revenues and expenses are reflected in the consolidated financial statements using the proportionate consolidation method. The municipality's proportionate interest of the following government partnership are reflected in the consolidated financial statements:

| | |
|---|--------|
| Bruce Area Solid Waste Recycling | 12.95% |
| Elmwood Community Centre | 50.0% |
| Hanover/Walkerton Landfill | 50.0% |
| Saugeen Municipal Airport | 42.07% |
| Elmwood Fire Department | 40.75% |
| Saugeen Mobility & Regional Transit (S.M.A.R.T) | 21.7% |

All interfund assets and liabilities and sources of financing and expenses have been eliminated.

(d) County and school boards

The municipality collects taxation revenue on behalf of the school boards and the County of Bruce. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Bruce are not reflected in these financial statements.

(e) Revenue recognition

Tax levies are recognized as revenue when the amounts are levied on the municipality's ratepayers. User fees and other revenues are recognized when related goods or services are provided and collectibility is reasonably assured.

(f) Government grants

Government grants are recognized in the financial statements as revenues in the period in which the events giving rise to the grants occur, providing the grants are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. The municipality's implementation of the Public Sector Handbook PS3150 has required management to make estimates of historical cost, useful lives and amortization of tangible capital assets. In addition, estimates have been made of closure and post closure costs related to landfill sites. Actual results could differ from those estimates.

(h) Non-financial assets

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

(i) 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. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|--|------------------|
| Land improvements | -15 to 40 years |
| Buildings and improvements | - 40 years |
| Vehicles, machinery, equipment, furniture and fixtures | - 5 to 85 years |
| Water and wastewater infrastructure | - 70 to 80 years |
| Roads infrastructure | - 7 to 75years |

(ii) Contribution of tangible capital assets

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

(iii) Leases

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

(iv) Intangible assets

Intangible assets are not recognized as assets in the financial statements.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(i) Segment disclosures

Municipal services have been segmented by grouping activities that have similar service objectives (by function). Revenues that are directly related to the costs of the function have been attributed to each segment.

(j) Employee future benefits

The municipality pays post-employment benefits to eligible employees on retirement. The benefits earned are recognized over the service life of the employees using the projected benefit method and management's best estimate of salary escalation, benefit costs and retirement ages of employees. Defined contribution plan accounting is applied to the municipality's multi-employer defined benefit pension plan.

(k) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

3. Cash

Cash consists of the following:

| | 2012 | 2011 |
|--------------|------------------|-----------|
| | \$ | \$ |
| Unrestricted | 4,261,722 | 4,062,602 |
| Restricted | 194,402 | 165,687 |
| | 4,456,124 | 4,228,289 |

4. Long-term investments

| | 2012 | 2011 |
|---|------------------|-----------|
| | \$ | \$ |
| 1,261 Common shares, Westario Power Holdings Inc. | 2,303,593 | 2,303,593 |

The municipality owns 12.61% of the outstanding common shares of Westario Power Holdings Inc. The shares have no fixed maturity dates and are generally not exposed to interest rate risk. The fair value of these shares is not determinable in the absence of published market quotations.

Dividends received during the year totaled \$99,008 (2011 - \$99,008) and are included in other income.

5. Short-term borrowing

Short term borrowing is due on demand and bears interest at the bank's prime rate less 0.5%. An unsecured short term bank line of credit is available to the municipality up to an amount of \$1,500,000. As at December 31, 2012 the Municipality has borrowed \$NIL (2011 - \$NIL).

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

6. Deferred revenue - obligatory reserve funds

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

The balance of deferred revenue is made up as follows:

| | 2012 | 2011 |
|--------------------------------|----------------|---------|
| | \$ | \$ |
| Obligatory Reserve Fund | | |
| Recreational land | 55,844 | 45,794 |
| Other | | |
| Government grant funding | 14,294 | 14,294 |
| Deposits | 44,143 | 56,143 |
| Other | 80,122 | 49,456 |
| | 138,559 | 119,893 |
| | 194,403 | 165,687 |

The net change during the year for the recreational land obligatory reserve fund is made up as follows:

| | 2012 | 2011 |
|--------------------------------|---------------|--------|
| | \$ | \$ |
| Balance, beginning of the year | 45,794 | 4,683 |
| Contributions | 9,474 | 40,800 |
| Interest earned | 576 | 311 |
| | 55,844 | 45,794 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

7. Long-term liabilities

(a) Net long-term liabilities consist of the following:

| | 2012 | 2011 |
|---|------------------|-----------|
| | \$ | \$ |
| Bank loan payable, interest at bank prime rate less .5%, payable \$8,080 monthly principal plus interest | 363,591 | 460,549 |
| Bank loan payable, interest at bank prime rate less .5%, payable \$5,868 monthly principal plus interest | 762,847 | 833,263 |
| Bank loan payable, interest at bank prime rate less .5%, payable \$3,017 monthly principal plus interest | 33,183 | 69,383 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$2,662 monthly principal plus interest | 29,284 | 61,230 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$7,500 monthly principal plus interest | 172,500 | 262,500 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$4,167 monthly principal plus interest | 150,033 | 200,000 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$5,000 monthly principal plus interest | 284,991 | 344,991 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$3,592 monthly principal plus interest | 45,249 | 88,353 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$3,126 monthly principal plus interest | 412,666 | 450,181 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$ 7,500 monthly principal and interest | 20,000 | 110,000 |
| Infrastructure Financing Authority (OMEIFA), interest at 2.95%, semi-annual payments beginning January 17, 2005 of \$40,631 principal and interest, due July 15, 2024 | 816,237 | 872,181 |
| | 3,090,581 | 3,752,631 |

(b) Principal payments for the next 5 years and thereafter are as follows:

| | \$ |
|------------|-----------|
| 2013 | 588,100 |
| 2014 | 458,853 |
| 2015 | 375,971 |
| 2016 | 303,545 |
| 2017 | 217,688 |
| Thereafter | 1,146,424 |

Long-term liabilities approved after January 1, 1993 have been approved through by-law. 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.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

8. Employee future benefits

The former Police Services Board provided post-employment health and life insurance benefits to eligible retired employees. The Municipality of Brockton's proportionate share of this former joint local board was 46.4%, and as such are responsible for their share of the ongoing benefit payments. Payments for these benefits totaled \$20,610 in 2011 (2010 - \$18,223). The municipality's share of \$9,563 (2010 - \$8,456) is included as an expense on the consolidated statement of operations. The post employment benefit liability was determined using a discount rate of 5% and an annual rate of increase in benefit costs of 6%.

The employees of the Corporation of the Municipality of Brockton participate in the Ontario Municipal Employees Retirement Saving Plan ("OMERS"). Although the plan has a defined retirement benefit for employees, the related obligation of the municipality cannot be identified. The municipality has applied defined contribution plan accounting as it has insufficient information to apply defined benefit plan accounting. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant.

The amount contributed to OMERS for the current year was \$192,902 (2011 - \$157,984) for current service.

9. Tangible capital assets

Schedules 1 and 2 provide information on the tangible capital assets of the municipality by major asset class, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets.

(a) Work in progress

Work in progress with a value of \$NIL (2011 - \$8,477) has not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$NIL (2011 - \$NIL).

(c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and historical treasures

No works of arts nor historical treasures are held by the municipality.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

10. Budget amounts

The operating budget approved by Council for 2012 is reflected on the consolidated statement of operations. The budgets established for capital investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with the current year's actual expenditure amounts. The 2012 budget did not include figures for acquisition nor amortization of tangible capital assets.

11. Other income

Other current fund revenues consist of the following:

| | 2012 Budget | 2012 Actual | 2011 Actual |
|------------------------------------|----------------|----------------|----------------|
| | | \$ | \$ |
| Penalties and interest on taxation | 106,200 | 109,488 | 123,974 |
| Rents | 315,920 | 348,610 | 359,799 |
| Investment income | 73,570 | 92,030 | 106,341 |
| Donations | 10,450 | 39,159 | 22,106 |
| Sale of publication, mementos, etc | 32,612 | 18,255 | 6,834 |
| Other | 50 | 14 | 12 |
| | 538,802 | 607,556 | 619,066 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

12. Accumulated surplus

The accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

| | 2012 | 2011 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Surplus: | | |
| Invested in tangible capital assets | 49,049,020 | 49,556,492 |
| General area taxation | 122,785 | 107,559 |
| Walkerton Chamber of Commerce | 27,117 | 1,468 |
| Bradley Community Centre | 437 | 401 |
| Cargill & District Community Fund | 27,652 | 27,652 |
| Saugeen Municipal Airport | 18,919 | (2,147) |
| Elmwood Community Centre | 4,422 | 2,950 |
| Saugeen Mobility & Regional Transit | 610 | 531 |
| Hanover/Walkerton Landfill | (50,287) | 115,274 |
| Unfunded liabilities | (3,210,925) | (3,788,767) |
| Total surplus | 45,989,750 | 46,021,413 |
| Reserves set aside for specific purposes by Council | | |
| Current purposes | 644,849 | 525,764 |
| Capital purposes | 389,156 | 398,027 |
| Total reserves | 1,034,005 | 923,791 |
| Reserve funds set aside for specific purposes by Council | | |
| Capital purposes | 5,863,327 | 5,751,775 |
| Total reserve funds | 5,863,327 | 5,751,775 |
| Total accumulated surplus | 52,887,082 | 52,696,979 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

13. Net municipal taxation

Net municipal taxation consists of:

| | 2012 | 2011 |
|---|--------------------|-------------|
| | \$ | \$ |
| Taxation revenue | 11,967,517 | 11,446,079 |
| Amount levied and remitted to School Boards | (2,412,943) | (2,387,473) |
| Amount levied and remitted to the County of Bruce | (3,117,181) | (3,031,990) |
| Net municipal taxation | 6,437,393 | 6,026,616 |

14. Commitments

(a) Capital commitments of \$NIL (2011 - \$NIL) are not reflected in the financial statements. This amount, for which funding is in place, represents uncompleted portions of contracts, as at December 31, 2012, on major projects and estimated obligation under other various agreements.

(b) The municipality has entered into a yearly renewal operating agreement with Veolia Water Canada Inc. for the operation and maintenance of the Municipality's water and wastewater facilities. Under this agreement Veolia has agreed to operate the facility for a fee of \$474,572 plus an adjustment for inflation for July 1, 2008 and subsequent years.

(c) The municipality currently leases space for its municipal office under a five year lease ending in October 2017. Annual payments are as follows:

| | |
|------|--------|
| 2013 | 49,155 |
| 2014 | 53,110 |
| 2015 | 55,935 |
| 2016 | 58,760 |
| 2017 | 61,585 |

Annual payments under an operating lease for computer equipment are \$27,283 ending in December 2014.

The minimum annual lease payments for the next five years for all lease commitments are as follows:

| | |
|------|--------|
| 2013 | 40,296 |
| 2014 | 40,608 |
| 2015 | 33,922 |
| 2016 | 16,369 |
| 2017 | 4,056 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

14. Commitments (continued)

- (d) The Town of Hanover and the Municipality of Brockton have obtained approval from the Ministry of Environment to expand the Hanover/Walkerton Landfill Site. Construction of the first phase of the expanded site began in 2012 and expenses incurred to date for the construction and supervision totaled \$173,196. The remaining costs of the construction of the first phase are estimated to total \$1,583,275. No provision for the future costs have been recorded in the financial statements at December 31, 2012.

15. Contingencies

- (a) In the ordinary course of business, various claims and lawsuits are brought against the municipality. It is the opinion of management that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued. No provision has been made for pending expropriations of land beyond the payments already made to affected property owners. Any payment made by the municipality pursuant to claims, lawsuits or expropriations will be charged in the year of settlement.
- (b) Annually, the municipality is unable to estimate its Ontario Provincial Police adjustment. As a result, the expense adjustment is recorded in the year in which it is received. A credit of \$82,525 was received and recorded as a reduction of expenses in net financial assets for services performed in 2010 (2011 - \$115,158 credit).

16. Trust fund

The trust fund administered by the municipality is for Perpetual Care and amounts to \$183,156 (2011 - \$137,087). This has not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

17. Landfill Closure and Post-Closure Liability

Solid waste landfill closure and post-closure care requirements are defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates and ongoing environmental monitoring, site inspection and maintenance. These costs will be incurred as each landfill site stops accepting waste, with the post-closure care expected to continue for an additional 20 years. The total future closure and post-closure care costs are estimated to be \$340,161.

Brant Landfill Site

As at December 31, 2012, the municipality has recognized in the consolidated financial statements an unfunded liability of \$33,627. This liability represents 44% of the present value of the estimated costs and is based on a total capacity of 146,480 cubic meters and a discount rate of 6.00%. The balance of the liability of \$42,428 will be accrued as the remaining capacity of 81,716 cubic meters is utilized, which is expected to be over the next 11 years.

Greenock Landfill Site

As at December 31, 2012, the municipality has recognized in the consolidated financial statements an unfunded liability of \$6,595. This liability represents 35% of the present value of the estimated costs and is based on a total capacity of 153,075 cubic meters and a discount rate of 6.00%. The balance of the liability of \$12,238 will be accrued as the remaining capacity of 99,462 cubic meters is utilized, which is expected to be over the next 48 years.

Hanover/Walkerton Landfill Site

As at December 31, 2012, the municipality has recognized in the consolidated financial statements a liability of \$242,377. This represents 50% of the total liability of \$484,754 shared with the Town of Hanover. This represents 99% of the present value of the estimated costs and is based on a total capacity of 506,000 cubic metres and a discount rate of 4%. The balance of the Municipality's share of the liability of \$2,894 will be accrued as the remaining capacity of 5,982 cubic metres is utilized, which is expected to be over the next year.

Management's estimate for site closure and post-closure care liability is subject to measurement uncertainty. The estimate is based on assumptions contained in engineer's reports as to capacity, site life expectancy and usage. Actual results could differ significantly from these estimates because of the uncertainty related to future cost estimates, future use of the landfill site, etc.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

18. Government Partnerships

The following summarizes the financial position and results of operations of the government partnerships. The Municipality of Brockton's pro-rata share of these amounts has been reported in these financial statements using proportionate consolidation method:

| | Bruce Area Solid Waste Recycling | Elmwood Community Centre | Hanover/ Walkerton Landfill | Saugen Municipal Airport | Elmwood Fire Department | Saugen Mobility & Regional Transit |
|---|--|--------------------------------|-----------------------------------|--------------------------------|-------------------------------|---|
| | 2012 | 2012 | 2012 | 2012 | 2012 | 2012 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial assets | 2,099,909 | 20,553 | 477,736 | 97,610 | 216,179 | 110,687 |
| Liabilities | 117,913 | 11,709 | 578,309 | 33,250 | 12,408 | 138,363 |
| Net financial assets | 1,981,996 | 8,844 | (100,573) | 64,360 | 203,771 | (27,676) |
| Non-financial assets | 1,745,614 | - | 2,708,746 | 817,829 | 419,051 | 339,236 |
| Accumulated surplus | 3,727,610 | 8,844 | 2,608,173 | 882,189 | 622,822 | 311,560 |
| General surplus | - | 8,844 | (100,573) | 44,970 | - | 2,812 |
| Invested in tangible capital assets | 1,745,614 | - | 2,708,746 | 801,406 | 417,700 | 308,748 |
| Reserves and reserve funds | 1,981,996 | - | - | 35,813 | 205,122 | - |
| | 3,727,610 | 8,844 | 2,608,173 | 882,189 | 622,822 | 311,560 |
| Revenues | 2,356,281 | 67,012 | 563,919 | 178,071 | 236,918 | 772,134 |
| Expenses | 2,187,803 | 61,117 | 285,423 | 204,816 | 206,833 | 778,630 |
| Annual surplus (deficit) | 168,478 | 5,895 | 278,496 | (26,745) | 30,085 | (6,496) |

The Elmwood Community Centre financial statements do not include adjustments for tangible capital assets. These amounts have been consolidated separately.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

19.Segmented Information

The Municipality of Brockton is a diversified municipal government organization that provides a wide range of services to its citizens such as police, fire, roadways, water, sewer, waste, and recreation and cultural services. Distinguishable functional segments have been separately disclosed in the segmented information. Schedules 3 and 4 provide information on the segmented information of the municipality. The nature of the segments and the activities that they encompass are as follows:

General Government

This segment relates to the revenues and expenses that relate to the operations of the municipality itself and unallocated items that cannot be directly attributed to any specific segment. General administration, council activities and maintenance of municipal buildings are included in the functions of general government.

Protection to Persons and Property

Protection is comprised of police services, fire protection, emergency plan, building inspections, and animal control.

Transportation Services

Transportation is comprised of the municipality's roadways, storm sewers, sidewalks, street lighting, and winter control. It also includes the municipality's proportionate share of the operations of the Saugeen Municipal Airport.

Environmental Services

Environmental is comprised of water and waste water services, where the municipality treats and distributes the municipality's drinking water and ensures that it meets all provincial standards. It also includes the collection and treatment of waste water.

Environmental also consists of providing waste and recycling collection and the municipality's share of the operation of the Hanover/Walkerton joint landfill site.

Health Services

Health services are comprised of support to the medical clinic operations and cemetery.

Recreation and Cultural Services

This service area provides services meant to improve the health and development of the municipality's citizens. The municipality operates and maintains parks, arenas, a swimming pool, and community centres. The municipality also provides library services and recreational programs.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

19. Segmented Information (continued)

Planning and Development

This segment is responsible for planning and zoning including the Official plan for residential and commercial, review of property development plans, and economic development services for the municipality.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of exchange amount. Municipal taxation revenue and the Ontario Municipal Partnership Fund grant is allocated to general government.

20. Future accounting pronouncements

In February 2010, the CICA issued Section PS 3510, "Tax Revenue", which establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements. The section is effective for fiscal years beginning on or after April 1, 2012, earlier adoption is encouraged. The new standard is not expected to have a material effect on the financial statements.

In March 2011, the CICA issued Section PS 3410, "Government Transfers", which establishes recognition, measurement, presentation and disclosure standards relating to amounts received from a government reported in financial statements. The section is effective for fiscal years beginning on or after April 1, 2012, earlier adoption is encouraged. The new standard is not expected to have a material effect on the financial statements.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 1 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2012

| | Land | Land Improvement | Buildings and Improvements | Vehicles, Machinery, Equipment and Furniture | Water and Wastewater Infrastructure | Roads Infrastructure | Work in Progress | Total |
|------------------------------------|------------------|---------------------|-------------------------------|---|---|-------------------------|---------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | | |
| Balance, beginning of year | 4,033,420 | 530,478 | 8,538,038 | 9,088,074 | 16,016,817 | 49,345,184 | 8,477 | 87,560,488 |
| Additions | 560,856 | - | 433 | 142,317 | 23,918 | 744,167 | - | 1,471,691 |
| Disposals | - | - | (61,129) | (15,719) | - | (59,069) | - | (135,917) |
| Put in Use | - | - | - | - | - | 8,477 | (8,477) | - |
| Balance, end of year | 4,594,276 | 530,478 | 8,477,342 | 9,214,672 | 16,040,735 | 50,038,759 | - | 88,896,262 |
| Accumulated amortization | | | | | | | | |
| Balance, beginning of year | 59,071 | 205,860 | 4,874,752 | 5,140,633 | 4,065,276 | 23,658,404 | - | 38,003,996 |
| Amortization | 6,897 | 25,693 | 197,163 | 401,980 | 296,358 | 1,037,337 | - | 1,965,428 |
| Disposals | - | - | (61,129) | (4,585) | - | (56,468) | - | (122,182) |
| Balance, end of year | 65,968 | 231,553 | 5,010,786 | 5,538,028 | 4,361,634 | 24,639,273 | - | 39,847,242 |
| Net book value, end of year | 4,528,308 | 298,925 | 3,466,556 | 3,676,644 | 11,679,101 | 25,399,486 | - | 49,049,020 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 2 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011

| | Land | Land Improvements | Buildings and Improvements | Vehicles, Machinery, Equipment and Furniture | Water and Wastewater Infrastructure | Roads Infrastructure | Work in Progress | Total |
|------------------------------------|------------------|----------------------|-------------------------------|---|---|-------------------------|---------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | | |
| Balance, beginning of year | 3,821,816 | 486,612 | 8,517,306 | 8,947,647 | 15,961,258 | 49,059,709 | - | 86,794,348 |
| Additions | 211,604 | 75,000 | 20,934 | 312,472 | 81,706 | 508,955 | 8,477 | 1,219,148 |
| Disposals | - | (31,134) | (202) | (172,045) | (26,147) | (223,480) | - | (453,008) |
| Balance, end of year | 4,033,420 | 530,478 | 8,538,038 | 9,088,074 | 16,016,817 | 49,345,184 | 8,477 | 87,560,488 |
| Accumulated amortization | | | | | | | | |
| Balance, beginning of year | 52,184 | 208,544 | 4,676,417 | 4,860,973 | 3,871,657 | 22,732,033 | - | 36,401,808 |
| Amortization | 6,887 | 20,612 | 198,416 | 427,374 | 203,696 | 1,119,341 | - | 1,976,326 |
| Disposals | - | (23,296) | (81) | (147,714) | (10,077) | (192,970) | - | (374,138) |
| Balance, end of year | 59,071 | 205,860 | 4,874,752 | 5,140,633 | 4,065,276 | 23,658,404 | - | 38,003,996 |
| Net book value, end of year | 3,974,349 | 324,618 | 3,663,286 | 3,947,441 | 11,951,541 | 25,686,780 | 8,477 | 49,556,492 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 3 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2012

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | \$ |
|--|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | | | | | | | | |
| Property taxation | 6,309,056 | - | - | - | - | - | - | 6,309,056 |
| Payments in lieu of taxation | 128,337 | - | - | - | - | - | - | 128,337 |
| User charges and fees | 97,659 | 385,753 | 50,778 | 2,311,003 | 19,463 | 1,080,661 | 20,855 | 3,966,172 |
| Government grants | 2,406,498 | 44,081 | - | 66,970 | - | 114,791 | 40,000 | 2,672,340 |
| Revenue from other municipalities | - | - | - | - | 180,115 | - | - | 180,115 |
| Investment income | 91,530 | - | - | - | - | - | 500 | 92,030 |
| Other | 148,661 | - | - | - | 18,255 | 348,610 | - | 515,526 |
| | 9,181,741 | 429,834 | 50,778 | 2,377,973 | 217,833 | 1,544,062 | 61,355 | 13,863,576 |
| Expenses | | | | | | | | |
| Salaries, wages and benefits | 932,853 | 400,218 | 1,003,113 | 212,984 | 31,569 | 1,254,197 | 148,050 | 3,982,984 |
| Interest on long-term liabilities | 9,592 | 21,400 | 29,344 | 21,776 | 1,721 | 1,718 | 4,996 | 90,547 |
| Materials and supplies | 469,180 | 235,527 | 1,311,377 | 534,756 | 15,355 | 850,393 | 148,143 | 3,564,731 |
| Contracted services | 144,331 | 2,536,247 | - | 1,098,220 | 283,456 | 43,635 | - | 4,105,889 |
| Rents, financial expenses and external transfers | 78,666 | 137,854 | 122,012 | - | - | - | - | 338,532 |
| Amortization | 9,442 | 99,860 | 1,250,453 | 461,117 | 35,384 | 103,917 | 5,255 | 1,965,428 |
| | 1,644,064 | 3,431,106 | 3,716,299 | 2,328,853 | 367,485 | 2,253,860 | 306,444 | 14,048,111 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 3 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2012

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|---|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Other | | | | | | | | |
| Grants and transfers related to capital | | | | | | | | |
| Government grants | - | - | 295,738 | - | - | 41,277 | - | 337,015 |
| Loss on disposal of tangible capital assets | - | - | (2,601) | - | (5,089) | - | - | (7,690) |
| Investment income | 45,313 | - | - | - | - | - | - | 45,313 |
| | 45,313 | - | 293,137 | - | (5,089) | 41,277 | - | 374,638 |
| Annual surplus (deficit) | 7,582,990 | (3,001,272) | (3,372,384) | 49,120 | (154,741) | (668,521) | (245,089) | 190,103 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 4 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2011

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|--|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | | | | | | | | |
| Property taxation | 5,957,918 | - | - | - | - | - | - | 5,957,918 |
| Payments in lieu of taxation | 68,698 | - | - | - | - | - | - | 68,698 |
| User charges and fees | 110,240 | 306,200 | 95,375 | 2,219,345 | 45,709 | 961,651 | 46,149 | 3,784,669 |
| Government grants | 2,488,725 | 44,224 | - | 77,295 | - | 105,945 | 10,952 | 2,727,141 |
| Revenue from other municipalities | - | - | - | - | 139,341 | - | - | 139,341 |
| Investment income | 106,012 | - | - | - | - | - | 329 | 106,341 |
| Other | 123,974 | - | - | - | 7,534 | 381,217 | - | 512,725 |
| | 8,855,567 | 350,424 | 95,375 | 2,296,640 | 192,584 | 1,448,813 | 57,430 | 13,296,833 |
| Expenses | | | | | | | | |
| Salaries, wages and benefits | 907,779 | 413,181 | 867,889 | 196,342 | 31,740 | 1,106,205 | 81,135 | 3,604,271 |
| Interest on long-term liabilities | 10,876 | 25,048 | 33,587 | 27,822 | 5,875 | - | 6,566 | 109,774 |
| Materials and supplies | 257,561 | 121,651 | 1,332,221 | 555,127 | 17,653 | 1,262,930 | 175,744 | 3,722,887 |
| Contracted services | 112,631 | 2,592,291 | - | 1,098,044 | 220,634 | 101,693 | 28,730 | 4,154,023 |
| Rents, financial expenses and external transfers | 107,758 | 104,627 | 110,525 | - | - | 7,312 | - | 330,222 |
| Amortization expense | 26,915 | 116,638 | 1,231,410 | 460,681 | 26,028 | 111,713 | 2,941 | 1,976,326 |
| | 1,423,520 | 3,373,436 | 3,575,632 | 2,338,016 | 301,930 | 2,589,853 | 295,116 | 13,897,503 |
| Net revenues (expenses) | 7,432,047 | (3,023,012) | (3,480,257) | (41,376) | (109,346) | (1,141,040) | (237,686) | (600,670) |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 4 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2011

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|---|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|---------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Other | | | | | | | | |
| Grants and transfers related to capital | | | | | | | | |
| Government grants | - | - | 295,737 | - | - | 405,318 | - | 701,055 |
| Gain (loss) on disposal of capital assets | - | (19,101) | (30,631) | (16,070) | - | (7,838) | (304) | (73,944) |
| Investment income | 39,461 | - | - | - | - | - | - | 39,461 |
| | 39,461 | (19,101) | 265,106 | (16,070) | - | 397,480 | (304) | 666,572 |
| Annual surplus (deficit) | 7,471,508 | (3,042,113) | (3,215,151) | (57,446) | (109,346) | (743,560) | (237,990) | 65,902 |

The accompanying notes are an integral part of
these financial statements

**CORPORATION OF THE
MUNICIPALITY OF BROCKTON
CONSOLIDATED FINANCIAL REPORT
DECEMBER 31, 2012**

CORPORATION OF THE MUNICIPALITY OF BROCKTON

DECEMBER 31, 2012

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GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of **Corporation of the Municipality of Brockton:**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Corporation of the Municipality of Brockton, which comprise the statement of financial position as at December 31, 2012, and the statement of operations, statement of change in net financial assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Corporation of the Municipality of Brockton as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Gaviller & Company LLP

Licensed Public Accountants
Walkerton, Ontario
July 15, 2013

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

| | 2012 | 2011 |
|---|-------------------|------------|
| | \$ | \$ |
| Financial assets | | |
| Cash (Note 3) | 4,456,124 | 4,228,289 |
| Taxes receivable | 893,882 | 821,040 |
| Accounts receivable | 594,213 | 899,416 |
| Long-term investments (Note 4) | 2,303,593 | 2,303,593 |
| Tile drain receivable | - | 13,824 |
| | 8,247,812 | 8,266,162 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 768,350 | 769,066 |
| Deferred revenue - obligatory reserve funds (Note 6) | 55,844 | 45,794 |
| Deferred revenue - other (Note 6) | 138,559 | 119,893 |
| Long-term (Note 7) | 3,090,581 | 3,752,631 |
| Employee future benefits (Note 8) | 100,802 | 109,127 |
| Landfill closure and post-closure liability (Note 17) | 282,599 | 365,898 |
| | 4,436,735 | 5,162,409 |
| Net financial assets | 3,811,077 | 3,103,753 |
| Non-financial assets | | |
| Tangible capital assets (Schedule 1 and Note 9) | 49,049,020 | 49,556,492 |
| Prepaid expenses | 26,985 | 36,734 |
| | 49,076,005 | 49,593,226 |
| Accumulated surplus (Note 12) | 52,887,082 | 52,696,979 |

Approved _____ Mayor
 _____ Date

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31

| | Budget 2012 | Actual 2012 | Actual 2011 |
|--|-------------------|-------------------|------------------|
| | \$ | \$ | \$ |
| | (Note 10) | | |
| Revenues | | | |
| Net municipal taxation (Note 13) | 6,450,316 | 6,437,393 | 6,026,616 |
| User charges and fees | 3,424,615 | 3,966,172 | 3,784,669 |
| Government grants | 2,610,436 | 2,672,340 | 2,727,141 |
| Revenue from other municipalities | 27,072 | 180,115 | 139,341 |
| Other (Note 11) | 538,802 | 607,556 | 619,066 |
| | 13,051,241 | 13,863,576 | 13,296,833 |
| Expenses | | | |
| General government | 1,505,204 | 1,644,064 | 1,522,418 |
| Protection to persons and property | 3,548,585 | 3,431,106 | 3,348,388 |
| Transportation services | 2,256,108 | 3,716,299 | 3,542,045 |
| Environmental services | 1,624,624 | 2,328,853 | 2,310,194 |
| Social and family services | 596,127 | 617,525 | 548,443 |
| Health services | 110,199 | 367,485 | 296,055 |
| Recreational and cultural services | 1,460,143 | 1,636,335 | 2,041,410 |
| Planning and development | 144,730 | 306,444 | 288,550 |
| | 11,245,720 | 14,048,111 | 13,897,503 |
| Net revenues (expenses) | 1,805,521 | (184,535) | (600,670) |
| Other | | | |
| Grants and transfers related to capital | | | |
| Government grants | 340,557 | 337,015 | 701,055 |
| Gain (Loss) on disposal of tangible capital assets | - | (7,690) | (73,944) |
| Investment income | - | 45,313 | 39,461 |
| | 340,557 | 374,638 | 666,572 |
| Annual surplus | 2,146,078 | 190,103 | 65,902 |
| Accumulated surplus, beginning of year | | 52,696,979 | 52,631,077 |
| Accumulated surplus, end of year (Note 12) | | 52,887,082 | 52,696,979 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31

| | Budget 2012 | Actual 2012 | Actual 2011 |
|--|----------------|--------------------|----------------|
| | \$ | \$ | \$ |
| | (Note 10) | | |
| Annual surplus | 2,146,078 | 190,103 | 65,902 |
| Acquisition of tangible capital assets | - | (1,471,691) | (1,219,148) |
| Amortization of tangible capital assets | - | 1,965,428 | 1,976,326 |
| (Gain)/loss on disposal of tangible capital assets | - | 7,690 | 73,944 |
| Proceeds on disposal of tangible capital assets | - | 6,045 | 4,926 |
| Change in prepaid expenses | - | 9,749 | (15,267) |
| Change in net financial assets | 2,146,078 | 707,324 | 886,683 |
| Net financial assets, beginning of year | | 3,103,753 | 2,217,070 |
| Net financial assets, end of year | | 3,811,077 | 3,103,753 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

| | 2012 | 2011 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Cash flows from (for): | | |
| Operating activities | | |
| Annual surplus | 190,103 | 65,902 |
| Non-cash items: | | |
| Amortization expense | 1,965,428 | 1,976,326 |
| (Gain)/ Loss on disposal of tangible capital assets | 7,690 | 73,944 |
| | 2,163,221 | 2,116,172 |
| Changes in: | | |
| Taxes receivable | (72,843) | 7,428 |
| Accounts receivable | 305,204 | 780,279 |
| Prepaid expenses | 9,749 | (15,267) |
| Accounts payable and accrued liabilities | (716) | (344,063) |
| Tile drain receivable | 13,824 | (13,824) |
| Employee future benefits | (8,325) | (27,357) |
| Landfill closure and post-closure liability | (83,299) | (15,426) |
| Net change in cash from operations | 2,326,815 | 2,487,942 |
| Capital activities | | |
| Acquisition of tangible capital assets | (1,471,691) | (1,219,148) |
| Proceeds on disposal of tangible capital assets | 6,045 | 4,926 |
| Net change in cash from capital | (1,465,646) | (1,214,222) |
| Financing activities | | |
| Long term liabilities repaid | (662,050) | (933,587) |
| Deferred revenue | 28,716 | 35,863 |
| Net change in cash from financing | (633,334) | (897,724) |
| Net change in cash position | 227,835 | 375,996 |
| Cash, beginning of year | 4,228,289 | 3,852,293 |
| Cash and cash equivalents, end of year | 4,456,124 | 4,228,289 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

1. Nature of operations

The Corporation of the Municipality of Brockton ("the Municipality") combines the former town of Walkerton and the townships of Brant and Greenock and is a lower-tier municipality located in the County of Bruce, Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes, such as the Municipal Act, Municipal Affairs Act and related legislation.

2. Summary of significant accounting policies

The consolidated financial statements of the municipality are the representation of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the municipality and the changes thereto. The consolidated statement of financial position includes all the assets and liabilities of the municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position and is the difference between assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Basis of accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses 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.

(b) Deferred revenue

Revenue restricted by legislation, regulation, or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(c) Basis of consolidation

These consolidated financial statements reflect assets, liabilities, revenues and expenses of the municipality. They include the activities of all committees of Council and the following organizations which are accountable to, and owned or controlled by the municipality:

Walkerton Chamber of Commerce
Bradley Community Centre
Cargill & District Community Fund

Excluded are Funds Held in Trust which are administered by the municipality and reported on separately.

A government partnership exists where the municipality has a shared control over the board or entity. The municipality's pro-rata share of assets, liabilities, revenues and expenses are reflected in the consolidated financial statements using the proportionate consolidation method. The municipality's proportionate interest of the following government partnership are reflected in the consolidated financial statements:

| | |
|---|--------|
| Bruce Area Solid Waste Recycling | 12.95% |
| Elmwood Community Centre | 50.0% |
| Hanover/Walkerton Landfill | 50.0% |
| Saugeen Municipal Airport | 42.07% |
| Elmwood Fire Department | 40.75% |
| Saugeen Mobility & Regional Transit (S.M.A.R.T) | 21.7% |

All interfund assets and liabilities and sources of financing and expenses have been eliminated.

(d) County and school boards

The municipality collects taxation revenue on behalf of the school boards and the County of Bruce. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Bruce are not reflected in these financial statements.

(e) Revenue recognition

Tax levies are recognized as revenue when the amounts are levied on the municipality's ratepayers. User fees and other revenues are recognized when related goods or services are provided and collectibility is reasonably assured.

(f) Government grants

Government grants are recognized in the financial statements as revenues in the period in which the events giving rise to the grants occur, providing the grants are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. The municipality's implementation of the Public Sector Handbook PS3150 has required management to make estimates of historical cost, useful lives and amortization of tangible capital assets. In addition, estimates have been made of closure and post closure costs related to landfill sites. Actual results could differ from those estimates.

(h) Non-financial assets

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

(i) 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. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|--|------------------|
| Land improvements | -15 to 40 years |
| Buildings and improvements | - 40 years |
| Vehicles, machinery, equipment, furniture and fixtures | - 5 to 85 years |
| Water and wastewater infrastructure | - 70 to 80 years |
| Roads infrastructure | - 7 to 75years |

(ii) Contribution of tangible capital assets

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

(iii) Leases

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

(iv) Intangible assets

Intangible assets are not recognized as assets in the financial statements.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(i) Segment disclosures

Municipal services have been segmented by grouping activities that have similar service objectives (by function). Revenues that are directly related to the costs of the function have been attributed to each segment.

(j) Employee future benefits

The municipality pays post-employment benefits to eligible employees on retirement. The benefits earned are recognized over the service life of the employees using the projected benefit method and management's best estimate of salary escalation, benefit costs and retirement ages of employees. Defined contribution plan accounting is applied to the municipality's multi-employer defined benefit pension plan.

(k) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

3. Cash

Cash consists of the following:

| | 2012 | 2011 |
|--------------|------------------|-----------|
| | \$ | \$ |
| Unrestricted | 4,261,722 | 4,062,602 |
| Restricted | 194,402 | 165,687 |
| | 4,456,124 | 4,228,289 |

4. Long-term investments

| | 2012 | 2011 |
|---|------------------|-----------|
| | \$ | \$ |
| 1,261 Common shares, Westario Power Holdings Inc. | 2,303,593 | 2,303,593 |

The municipality owns 12.61% of the outstanding common shares of Westario Power Holdings Inc. The shares have no fixed maturity dates and are generally not exposed to interest rate risk. The fair value of these shares is not determinable in the absence of published market quotations.

Dividends received during the year totaled \$99,008 (2011 - \$99,008) and are included in other income.

5. Short-term borrowing

Short term borrowing is due on demand and bears interest at the bank's prime rate less 0.5%. An unsecured short term bank line of credit is available to the municipality up to an amount of \$1,500,000. As at December 31, 2012 the Municipality has borrowed \$NIL (2011 - \$NIL).

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

6. Deferred revenue - obligatory reserve funds

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

The balance of deferred revenue is made up as follows:

| | 2012 | 2011 |
|--------------------------------|----------------|---------|
| | \$ | \$ |
| Obligatory Reserve Fund | | |
| Recreational land | 55,844 | 45,794 |
| Other | | |
| Government grant funding | 14,294 | 14,294 |
| Deposits | 44,143 | 56,143 |
| Other | 80,122 | 49,456 |
| | 138,559 | 119,893 |
| | 194,403 | 165,687 |

The net change during the year for the recreational land obligatory reserve fund is made up as follows:

| | 2012 | 2011 |
|--------------------------------|---------------|--------|
| | \$ | \$ |
| Balance, beginning of the year | 45,794 | 4,683 |
| Contributions | 9,474 | 40,800 |
| Interest earned | 576 | 311 |
| | 55,844 | 45,794 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

7. Long-term liabilities

(a) Net long-term liabilities consist of the following:

| | 2012 | 2011 |
|---|------------------|-----------|
| | \$ | \$ |
| Bank loan payable, interest at bank prime rate less .5%, payable \$8,080 monthly principal plus interest | 363,591 | 460,549 |
| Bank loan payable, interest at bank prime rate less .5%, payable \$5,868 monthly principal plus interest | 762,847 | 833,263 |
| Bank loan payable, interest at bank prime rate less .5%, payable \$3,017 monthly principal plus interest | 33,183 | 69,383 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$2,662 monthly principal plus interest | 29,284 | 61,230 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$7,500 monthly principal plus interest | 172,500 | 262,500 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$4,167 monthly principal plus interest | 150,033 | 200,000 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$5,000 monthly principal plus interest | 284,991 | 344,991 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$3,592 monthly principal plus interest | 45,249 | 88,353 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$3,126 monthly principal plus interest | 412,666 | 450,181 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$ 7,500 monthly principal and interest | 20,000 | 110,000 |
| Infrastructure Financing Authority (OMEIFA), interest at 2.95%, semi-annual payments beginning January 17, 2005 of \$40,631 principal and interest, due July 15, 2024 | 816,237 | 872,181 |
| | 3,090,581 | 3,752,631 |

(b) Principal payments for the next 5 years and thereafter are as follows:

| | \$ |
|------------|-----------|
| 2013 | 588,100 |
| 2014 | 458,853 |
| 2015 | 375,971 |
| 2016 | 303,545 |
| 2017 | 217,688 |
| Thereafter | 1,146,424 |

Long-term liabilities approved after January 1, 1993 have been approved through by-law. 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.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

8. Employee future benefits

The former Police Services Board provided post-employment health and life insurance benefits to eligible retired employees. The Municipality of Brockton's proportionate share of this former joint local board was 46.4%, and as such are responsible for their share of the ongoing benefit payments. Payments for these benefits totaled \$20,610 in 2011 (2010 - \$18,223). The municipality's share of \$9,563 (2010 - \$8,456) is included as an expense on the consolidated statement of operations. The post employment benefit liability was determined using a discount rate of 5% and an annual rate of increase in benefit costs of 6%.

The employees of the Corporation of the Municipality of Brockton participate in the Ontario Municipal Employees Retirement Saving Plan ("OMERS"). Although the plan has a defined retirement benefit for employees, the related obligation of the municipality cannot be identified. The municipality has applied defined contribution plan accounting as it has insufficient information to apply defined benefit plan accounting. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant.

The amount contributed to OMERS for the current year was \$192,902 (2011 - \$157,984) for current service.

9. Tangible capital assets

Schedules 1 and 2 provide information on the tangible capital assets of the municipality by major asset class, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets.

(a) Work in progress

Work in progress with a value of \$NIL (2011 - \$8,477) has not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$NIL (2011 - \$NIL).

(c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and historical treasures

No works of arts nor historical treasures are held by the municipality.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

10. Budget amounts

The operating budget approved by Council for 2012 is reflected on the consolidated statement of operations. The budgets established for capital investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with the current year's actual expenditure amounts. The 2012 budget did not include figures for acquisition nor amortization of tangible capital assets.

11. Other income

Other current fund revenues consist of the following:

| | 2012 Budget | 2012 Actual | 2011 Actual |
|------------------------------------|----------------|----------------|----------------|
| | | \$ | \$ |
| Penalties and interest on taxation | 106,200 | 109,488 | 123,974 |
| Rents | 315,920 | 348,610 | 359,799 |
| Investment income | 73,570 | 92,030 | 106,341 |
| Donations | 10,450 | 39,159 | 22,106 |
| Sale of publication, mementos, etc | 32,612 | 18,255 | 6,834 |
| Other | 50 | 14 | 12 |
| | 538,802 | 607,556 | 619,066 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

12. Accumulated surplus

The accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

| | 2012 | 2011 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Surplus: | | |
| Invested in tangible capital assets | 49,049,020 | 49,556,492 |
| General area taxation | 122,785 | 107,559 |
| Walkerton Chamber of Commerce | 27,117 | 1,468 |
| Bradley Community Centre | 437 | 401 |
| Cargill & District Community Fund | 27,652 | 27,652 |
| Saugeen Municipal Airport | 18,919 | (2,147) |
| Elmwood Community Centre | 4,422 | 2,950 |
| Saugeen Mobility & Regional Transit | 610 | 531 |
| Hanover/Walkerton Landfill | (50,287) | 115,274 |
| Unfunded liabilities | (3,210,925) | (3,788,767) |
| Total surplus | 45,989,750 | 46,021,413 |
| Reserves set aside for specific purposes by Council | | |
| Current purposes | 644,849 | 525,764 |
| Capital purposes | 389,156 | 398,027 |
| Total reserves | 1,034,005 | 923,791 |
| Reserve funds set aside for specific purposes by Council | | |
| Capital purposes | 5,863,327 | 5,751,775 |
| Total reserve funds | 5,863,327 | 5,751,775 |
| Total accumulated surplus | 52,887,082 | 52,696,979 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

13. Net municipal taxation

Net municipal taxation consists of:

| | 2012 | 2011 |
|---|--------------------|-------------|
| | \$ | \$ |
| Taxation revenue | 11,967,517 | 11,446,079 |
| Amount levied and remitted to School Boards | (2,412,943) | (2,387,473) |
| Amount levied and remitted to the County of Bruce | (3,117,181) | (3,031,990) |
| Net municipal taxation | 6,437,393 | 6,026,616 |

14. Commitments

- (a) Capital commitments of \$NIL (2011 - \$NIL) are not reflected in the financial statements. This amount, for which funding is in place, represents uncompleted portions of contracts, as at December 31, 2012, on major projects and estimated obligation under other various agreements.
- (b) The municipality has entered into a yearly renewal operating agreement with Veolia Water Canada Inc. for the operation and maintenance of the Municipality's water and wastewater facilities. Under this agreement Veolia has agreed to operate the facility for a fee of \$474,572 plus an adjustment for inflation for July 1, 2008 and subsequent years.
- (c) The municipality currently leases space for its municipal office under a five year lease ending in October 2017. Annual payments are as follows:

| | |
|------|--------|
| 2013 | 49,155 |
| 2014 | 53,110 |
| 2015 | 55,935 |
| 2016 | 58,760 |
| 2017 | 61,585 |

Annual payments under an operating lease for computer equipment are \$27,283 ending in December 2014.

The minimum annual lease payments for the next five years for all lease commitments are as follows:

| | |
|------|--------|
| 2013 | 40,296 |
| 2014 | 40,608 |
| 2015 | 33,922 |
| 2016 | 16,369 |
| 2017 | 4,056 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

14. Commitments (continued)

- (d) The Town of Hanover and the Municipality of Brockton have obtained approval from the Ministry of Environment to expand the Hanover/Walkerton Landfill Site. Construction of the first phase of the expanded site began in 2012 and expenses incurred to date for the construction and supervision totaled \$173,196. The remaining costs of the construction of the first phase are estimated to total \$1,583,275. No provision for the future costs have been recorded in the financial statements at December 31, 2012.

15. Contingencies

- (a) In the ordinary course of business, various claims and lawsuits are brought against the municipality. It is the opinion of management that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued. No provision has been made for pending expropriations of land beyond the payments already made to affected property owners. Any payment made by the municipality pursuant to claims, lawsuits or expropriations will be charged in the year of settlement.
- (b) Annually, the municipality is unable to estimate its Ontario Provincial Police adjustment. As a result, the expense adjustment is recorded in the year in which it is received. A credit of \$82,525 was received and recorded as a reduction of expenses in net financial assets for services performed in 2010 (2011 - \$115,158 credit).

16. Trust fund

The trust fund administered by the municipality is for Perpetual Care and amounts to \$183,156 (2011 - \$137,087). This has not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

17. Landfill Closure and Post-Closure Liability

Solid waste landfill closure and post-closure care requirements are defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates and ongoing environmental monitoring, site inspection and maintenance. These costs will be incurred as each landfill site stops accepting waste, with the post-closure care expected to continue for an additional 20 years. The total future closure and post-closure care costs are estimated to be \$340,161.

Brant Landfill Site

As at December 31, 2012, the municipality has recognized in the consolidated financial statements an unfunded liability of \$33,627. This liability represents 44% of the present value of the estimated costs and is based on a total capacity of 146,480 cubic meters and a discount rate of 6.00%. The balance of the liability of \$42,428 will be accrued as the remaining capacity of 81,716 cubic meters is utilized, which is expected to be over the next 11 years.

Greenock Landfill Site

As at December 31, 2012, the municipality has recognized in the consolidated financial statements an unfunded liability of \$6,595. This liability represents 35% of the present value of the estimated costs and is based on a total capacity of 153,075 cubic meters and a discount rate of 6.00%. The balance of the liability of \$12,238 will be accrued as the remaining capacity of 99,462 cubic meters is utilized, which is expected to be over the next 48 years.

Hanover/Walkerton Landfill Site

As at December 31, 2012, the municipality has recognized in the consolidated financial statements a liability of \$242,377. This represents 50% of the total liability of \$484,754 shared with the Town of Hanover. This represents 99% of the present value of the estimated costs and is based on a total capacity of 506,000 cubic metres and a discount rate of 4%. The balance of the Municipality's share of the liability of \$2,894 will be accrued as the remaining capacity of 5,982 cubic metres is utilized, which is expected to be over the next year.

Management's estimate for site closure and post-closure care liability is subject to measurement uncertainty. The estimate is based on assumptions contained in engineer's reports as to capacity, site life expectancy and usage. Actual results could differ significantly from these estimates because of the uncertainty related to future cost estimates, future use of the landfill site, etc.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

18. Government Partnerships

The following summarizes the financial position and results of operations of the government partnerships. The Municipality of Brockton's pro-rata share of these amounts has been reported in these financial statements using proportionate consolidation method:

| | Bruce Area Solid Waste Recycling | Elmwood Community Centre | Hanover/ Walkerton Landfill | Saugeen Municipal Airport | Elmwood Fire Department | Saugeen Mobility & Regional Transit |
|---|--|--------------------------------|-----------------------------------|---------------------------------|-------------------------------|--|
| | 2012 | 2012 | 2012 | 2012 | 2012 | 2012 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial assets | 2,099,909 | 20,553 | 477,736 | 97,610 | 216,179 | 110,687 |
| Liabilities | 117,913 | 11,709 | 578,309 | 33,250 | 12,408 | 138,363 |
| Net financial assets | 1,981,996 | 8,844 | (100,573) | 64,360 | 203,771 | (27,676) |
| Non-financial assets | 1,745,614 | - | 2,708,746 | 817,829 | 419,051 | 339,236 |
| Accumulated surplus | 3,727,610 | 8,844 | 2,608,173 | 882,189 | 622,822 | 311,560 |
| General surplus | - | 8,844 | (100,573) | 44,970 | - | 2,812 |
| Invested in tangible capital assets | 1,745,614 | - | 2,708,746 | 801,406 | 417,700 | 308,748 |
| Reserves and reserve funds | 1,981,996 | - | - | 35,813 | 205,122 | - |
| | 3,727,610 | 8,844 | 2,608,173 | 882,189 | 622,822 | 311,560 |
| Revenues | 2,356,281 | 67,012 | 563,919 | 178,071 | 236,918 | 772,134 |
| Expenses | 2,187,803 | 61,117 | 285,423 | 204,816 | 206,833 | 778,630 |
| Annual surplus (deficit) | 168,478 | 5,895 | 278,496 | (26,745) | 30,085 | (6,496) |

The Elmwood Community Centre financial statements do not include adjustments for tangible capital assets. These amounts have been consolidated separately.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

19. Segmented Information

The Municipality of Brockton is a diversified municipal government organization that provides a wide range of services to its citizens such as police, fire, roadways, water, sewer, waste, and recreation and cultural services. Distinguishable functional segments have been separately disclosed in the segmented information. Schedules 3 and 4 provide information on the segmented information of the municipality. The nature of the segments and the activities that they encompass are as follows:

General Government

This segment relates to the revenues and expenses that relate to the operations of the municipality itself and unallocated items that cannot be directly attributed to any specific segment. General administration, council activities and maintenance of municipal buildings are included in the functions of general government.

Protection to Persons and Property

Protection is comprised of police services, fire protection, emergency plan, building inspections, and animal control.

Transportation Services

Transportation is comprised of the municipality's roadways, storm sewers, sidewalks, street lighting, and winter control. It also includes the municipality's proportionate share of the operations of the Saugeen Municipal Airport.

Environmental Services

Environmental is comprised of water and waste water services, where the municipality treats and distributes the municipality's drinking water and ensures that it meets all provincial standards. It also includes the collection and treatment of waste water.

Environmental also consists of providing waste and recycling collection and the municipality's share of the operation of the Hanover/Walkerton joint landfill site.

Health Services

Health services are comprised of support to the medical clinic operations and cemetery.

Recreation and Cultural Services

This service area provides services meant to improve the health and development of the municipality's citizens. The municipality operates and maintains parks, arenas, a swimming pool, and community centres. The municipality also provides library services and recreational programs.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

19. Segmented Information (continued)

Planning and Development

This segment is responsible for planning and zoning including the Official plan for residential and commercial, review of property development plans, and economic development services for the municipality.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of exchange amount. Municipal taxation revenue and the Ontario Municipal Partnership Fund grant is allocated to general government.

20. Future accounting pronouncements

In February 2010, the CICA issued Section PS 3510, "Tax Revenue", which establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements. The section is effective for fiscal years beginning on or after April 1, 2012, earlier adoption is encouraged. The new standard is not expected to have a material effect on the financial statements.

In March 2011, the CICA issued Section PS 3410, "Government Transfers", which establishes recognition, measurement, presentation and disclosure standards relating to amounts received from a government reported in financial statements. The section is effective for fiscal years beginning on or after April 1, 2012, earlier adoption is encouraged. The new standard is not expected to have a material effect on the financial statements.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 1 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2012

| | Land | Land Improvement | Buildings and Improvements | Vehicles, Machinery, Equipment and Furniture | Water and Wastewater Infrastructure | Roads Infrastructure | Work in Progress | Total |
|------------------------------------|------------------|------------------|----------------------------|--|-------------------------------------|----------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | | |
| Balance, beginning of year | 4,033,420 | 530,478 | 8,538,038 | 9,088,074 | 16,016,817 | 49,345,184 | 8,477 | 87,560,488 |
| Additions | 560,856 | - | 433 | 142,317 | 23,918 | 744,167 | - | 1,471,691 |
| Disposals | - | - | (61,129) | (15,719) | - | (59,069) | - | (135,917) |
| Put in Use | - | - | - | - | - | 8,477 | (8,477) | - |
| Balance, end of year | 4,594,276 | 530,478 | 8,477,342 | 9,214,672 | 16,040,735 | 50,038,759 | - | 88,896,262 |
| Accumulated amortization | | | | | | | | |
| Balance, beginning of year | 59,071 | 205,860 | 4,874,752 | 5,140,633 | 4,065,276 | 23,658,404 | - | 38,003,996 |
| Amortization | 6,897 | 25,693 | 197,163 | 401,980 | 296,358 | 1,037,337 | - | 1,965,428 |
| Disposals | - | - | (61,129) | (4,585) | - | (56,468) | - | (122,182) |
| Balance, end of year | 65,968 | 231,553 | 5,010,786 | 5,538,028 | 4,361,634 | 24,639,273 | - | 39,847,242 |
| Net book value, end of year | 4,528,308 | 298,925 | 3,466,556 | 3,676,644 | 11,679,101 | 25,399,486 | - | 49,049,020 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 2 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011

| | Land | Land Improvements | Buildings and Improvements | Vehicles, Machinery, Equipment and Furniture | Water and Wastewater Infrastructure | Roads Infrastructure | Work in Progress | Total |
|------------------------------------|------------------|----------------------|-------------------------------|---|---|-------------------------|---------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | | |
| Balance, beginning of year | 3,821,816 | 486,612 | 8,517,306 | 8,947,647 | 15,961,258 | 49,059,709 | - | 86,794,348 |
| Additions | 211,604 | 75,000 | 20,934 | 312,472 | 81,706 | 508,955 | 8,477 | 1,219,148 |
| Disposals | - | (31,134) | (202) | (172,045) | (26,147) | (223,480) | - | (453,008) |
| Balance, end of year | 4,033,420 | 530,478 | 8,538,038 | 9,088,074 | 16,016,817 | 49,345,184 | 8,477 | 87,560,488 |
| Accumulated amortization | | | | | | | | |
| Balance, beginning of year | 52,184 | 208,544 | 4,676,417 | 4,860,973 | 3,871,657 | 22,732,033 | - | 36,401,808 |
| Amortization | 6,887 | 20,612 | 198,416 | 427,374 | 203,696 | 1,119,341 | - | 1,976,326 |
| Disposals | - | (23,296) | (81) | (147,714) | (10,077) | (192,970) | - | (374,138) |
| Balance, end of year | 59,071 | 205,860 | 4,874,752 | 5,140,633 | 4,065,276 | 23,658,404 | - | 38,003,996 |
| Net book value, end of year | 3,974,349 | 324,618 | 3,663,286 | 3,947,441 | 11,951,541 | 25,686,780 | 8,477 | 49,556,492 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 3 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2012

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|--|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | | | | | | | | |
| Property taxation | 6,309,056 | - | - | - | - | - | - | 6,309,056 |
| Payments in lieu of taxation | 128,337 | - | - | - | - | - | - | 128,337 |
| User charges and fees | 97,659 | 385,753 | 50,778 | 2,311,003 | 19,463 | 1,080,661 | 20,855 | 3,966,172 |
| Government grants | 2,406,498 | 44,081 | - | 66,970 | - | 114,791 | 40,000 | 2,672,340 |
| Revenue from other municipalities | - | - | - | - | 180,115 | - | - | 180,115 |
| Investment income | 91,530 | - | - | - | - | - | 500 | 92,030 |
| Other | 148,661 | - | - | - | 18,255 | 348,610 | - | 515,526 |
| | 9,181,741 | 429,834 | 50,778 | 2,377,973 | 217,833 | 1,544,062 | 61,355 | 13,863,576 |
| Expenses | | | | | | | | |
| Salaries, wages and benefits | 932,853 | 400,218 | 1,003,113 | 212,984 | 31,569 | 1,254,197 | 148,050 | 3,982,984 |
| Interest on long-term liabilities | 9,592 | 21,400 | 29,344 | 21,776 | 1,721 | 1,718 | 4,996 | 90,547 |
| Materials and supplies | 469,180 | 235,527 | 1,311,377 | 534,756 | 15,355 | 850,393 | 148,143 | 3,564,731 |
| Contracted services | 144,331 | 2,536,247 | - | 1,098,220 | 283,456 | 43,635 | - | 4,105,889 |
| Rents, financial expenses and external transfers | 78,666 | 137,854 | 122,012 | - | - | - | - | 338,532 |
| Amortization | 9,442 | 99,860 | 1,250,453 | 461,117 | 35,384 | 103,917 | 5,255 | 1,965,428 |
| | 1,644,064 | 3,431,106 | 3,716,299 | 2,328,853 | 367,485 | 2,253,860 | 306,444 | 14,048,111 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 3 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2012

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|---|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Other | | | | | | | | |
| Grants and transfers related to capital | | | | | | | | |
| Government grants | - | - | 295,738 | - | - | 41,277 | - | 337,015 |
| Loss on disposal of tangible capital assets | - | - | (2,601) | - | (5,089) | - | - | (7,690) |
| Investment income | 45,313 | - | - | - | - | - | - | 45,313 |
| | 45,313 | - | 293,137 | - | (5,089) | 41,277 | - | 374,638 |
| Annual surplus (deficit) | 7,582,990 | (3,001,272) | (3,372,384) | 49,120 | (154,741) | (668,521) | (245,089) | 190,103 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 4 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2011

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|--|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | | | | | | | | |
| Property taxation | 5,957,918 | - | - | - | - | - | - | 5,957,918 |
| Payments in lieu of taxation | 68,698 | - | - | - | - | - | - | 68,698 |
| User charges and fees | 110,240 | 306,200 | 95,375 | 2,219,345 | 45,709 | 961,651 | 46,149 | 3,784,669 |
| Government grants | 2,488,725 | 44,224 | - | 77,295 | - | 105,945 | 10,952 | 2,727,141 |
| Revenue from other municipalities | - | - | - | - | 139,341 | - | - | 139,341 |
| Investment income | 106,012 | - | - | - | - | - | 329 | 106,341 |
| Other | 123,974 | - | - | - | 7,534 | 381,217 | - | 512,725 |
| | 8,855,567 | 350,424 | 95,375 | 2,296,640 | 192,584 | 1,448,813 | 57,430 | 13,296,833 |
| Expenses | | | | | | | | |
| Salaries, wages and benefits | 907,779 | 413,181 | 867,889 | 196,342 | 31,740 | 1,106,205 | 81,135 | 3,604,271 |
| Interest on long-term liabilities | 10,876 | 25,048 | 33,587 | 27,822 | 5,875 | - | 6,566 | 109,774 |
| Materials and supplies | 257,561 | 121,651 | 1,332,221 | 555,127 | 17,653 | 1,262,930 | 175,744 | 3,722,887 |
| Contracted services | 112,631 | 2,592,291 | - | 1,098,044 | 220,634 | 101,693 | 28,730 | 4,154,023 |
| Rents, financial expenses and external transfers | 107,758 | 104,627 | 110,525 | - | - | 7,312 | - | 330,222 |
| Amortization expense | 26,915 | 116,638 | 1,231,410 | 460,681 | 26,028 | 111,713 | 2,941 | 1,976,326 |
| | 1,423,520 | 3,373,436 | 3,575,632 | 2,338,016 | 301,930 | 2,589,853 | 295,116 | 13,897,503 |
| Net revenues (expenses) | 7,432,047 | (3,023,012) | (3,480,257) | (41,376) | (109,346) | (1,141,040) | (237,686) | (600,670) |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 4 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2011

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|---|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|---------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Other | | | | | | | | |
| Grants and transfers related to capital | | | | | | | | |
| Government grants | - | - | 295,737 | - | - | 405,318 | - | 701,055 |
| Gain (loss) on disposal of capital assets | - | (19,101) | (30,631) | (16,070) | - | (7,838) | (304) | (73,944) |
| Investment income | 39,461 | - | - | - | - | - | - | 39,461 |
| | 39,461 | (19,101) | 265,106 | (16,070) | - | 397,480 | (304) | 666,572 |
| Annual surplus (deficit) | 7,471,508 | (3,042,113) | (3,215,151) | (57,446) | (109,346) | (743,560) | (237,990) | 65,902 |

The accompanying notes are an integral part of
these financial statements

**CORPORATION OF THE
MUNICIPALITY OF BROCKTON**

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2012

CORPORATION OF THE MUNICIPALITY OF BROCKTON

DECEMBER 31, 2012

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GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of **Corporation of the Municipality of Brockton:**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Corporation of the Municipality of Brockton, which comprise the statement of financial position as at December 31, 2012, and the statement of operations, statement of change in net financial assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Corporation of the Municipality of Brockton as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Gaviller & Company LLP

Licensed Public Accountants
Walkerton, Ontario
July 15, 2013

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

| | 2012 | 2011 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash (Note 3) | 4,456,124 | 4,228,289 |
| Taxes receivable | 893,882 | 821,040 |
| Accounts receivable | 594,213 | 899,416 |
| Long-term investments (Note 4) | 2,303,593 | 2,303,593 |
| Tile drain receivable | - | 13,824 |
| | 8,247,812 | 8,266,162 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 768,350 | 769,066 |
| Deferred revenue - obligatory reserve funds (Note 6) | 55,844 | 45,794 |
| Deferred revenue - other (Note 6) | 138,559 | 119,893 |
| Long-term (Note 7) | 3,090,581 | 3,752,631 |
| Employee future benefits (Note 8) | 100,802 | 109,127 |
| Landfill closure and post-closure liability (Note 17) | 282,599 | 365,898 |
| | 4,436,735 | 5,162,409 |
| Net financial assets | 3,811,077 | 3,103,753 |
| Non-financial assets | | |
| Tangible capital assets (Schedule 1 and Note 9) | 49,049,020 | 49,556,492 |
| Prepaid expenses | 26,985 | 36,734 |
| | 49,076,005 | 49,593,226 |
| Accumulated surplus (Note 12) | 52,887,082 | 52,696,979 |

Approved _____ Mayor
 _____ Date

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31

| | Budget 2012 | Actual 2012 | Actual 2011 |
|--|-------------------|-------------------|------------------|
| | \$ | \$ | \$ |
| | (Note 10) | | |
| Revenues | | | |
| Net municipal taxation (Note 13) | 6,450,316 | 6,437,393 | 6,026,616 |
| User charges and fees | 3,424,615 | 3,966,172 | 3,784,669 |
| Government grants | 2,610,436 | 2,672,340 | 2,727,141 |
| Revenue from other municipalities | 27,072 | 180,115 | 139,341 |
| Other (Note 11) | 538,802 | 607,556 | 619,066 |
| | 13,051,241 | 13,863,576 | 13,296,833 |
| Expenses | | | |
| General government | 1,505,204 | 1,644,064 | 1,522,418 |
| Protection to persons and property | 3,548,585 | 3,431,106 | 3,348,388 |
| Transportation services | 2,256,108 | 3,716,299 | 3,542,045 |
| Environmental services | 1,624,624 | 2,328,853 | 2,310,194 |
| Social and family services | 596,127 | 617,525 | 548,443 |
| Health services | 110,199 | 367,485 | 296,055 |
| Recreational and cultural services | 1,460,143 | 1,636,335 | 2,041,410 |
| Planning and development | 144,730 | 306,444 | 288,550 |
| | 11,245,720 | 14,048,111 | 13,897,503 |
| Net revenues (expenses) | 1,805,521 | (184,535) | (600,670) |
| Other | | | |
| Grants and transfers related to capital | | | |
| Government grants | 340,557 | 337,015 | 701,055 |
| Gain (Loss) on disposal of tangible capital assets | - | (7,690) | (73,944) |
| Investment income | - | 45,313 | 39,461 |
| | 340,557 | 374,638 | 666,572 |
| Annual surplus | 2,146,078 | 190,103 | 65,902 |
| Accumulated surplus, beginning of year | | 52,696,979 | 52,631,077 |
| Accumulated surplus, end of year (Note 12) | | 52,887,082 | 52,696,979 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31

| | Budget 2012 | Actual 2012 | Actual 2011 |
|--|----------------|--------------------|----------------|
| | \$ | \$ | \$ |
| | (Note 10) | | |
| Annual surplus | 2,146,078 | 190,103 | 65,902 |
| Acquisition of tangible capital assets | - | (1,471,691) | (1,219,148) |
| Amortization of tangible capital assets | - | 1,965,428 | 1,976,326 |
| (Gain)/loss on disposal of tangible capital assets | - | 7,690 | 73,944 |
| Proceeds on disposal of tangible capital assets | - | 6,045 | 4,926 |
| Change in prepaid expenses | - | 9,749 | (15,267) |
| Change in net financial assets | 2,146,078 | 707,324 | 886,683 |
| Net financial assets, beginning of year | | 3,103,753 | 2,217,070 |
| Net financial assets, end of year | | 3,811,077 | 3,103,753 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

| | 2012 | 2011 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Cash flows from (for): | | |
| Operating activities | | |
| Annual surplus | 190,103 | 65,902 |
| Non-cash items: | | |
| Amortization expense | 1,965,428 | 1,976,326 |
| (Gain)/ Loss on disposal of tangible capital assets | 7,690 | 73,944 |
| | 2,163,221 | 2,116,172 |
| Changes in: | | |
| Taxes receivable | (72,843) | 7,428 |
| Accounts receivable | 305,204 | 780,279 |
| Prepaid expenses | 9,749 | (15,267) |
| Accounts payable and accrued liabilities | (716) | (344,063) |
| Tile drain receivable | 13,824 | (13,824) |
| Employee future benefits | (8,325) | (27,357) |
| Landfill closure and post-closure liability | (83,299) | (15,426) |
| Net change in cash from operations | 2,326,815 | 2,487,942 |
| Capital activities | | |
| Acquisition of tangible capital assets | (1,471,691) | (1,219,148) |
| Proceeds on disposal of tangible capital assets | 6,045 | 4,926 |
| Net change in cash from capital | (1,465,646) | (1,214,222) |
| Financing activities | | |
| Long term liabilities repaid | (662,050) | (933,587) |
| Deferred revenue | 28,716 | 35,863 |
| Net change in cash from financing | (633,334) | (897,724) |
| Net change in cash position | 227,835 | 375,996 |
| Cash, beginning of year | 4,228,289 | 3,852,293 |
| Cash and cash equivalents, end of year | 4,456,124 | 4,228,289 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

1. Nature of operations

The Corporation of the Municipality of Brockton ("the Municipality") combines the former town of Walkerton and the townships of Brant and Greenock and is a lower-tier municipality located in the County of Bruce, Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes, such as the Municipal Act, Municipal Affairs Act and related legislation.

2. Summary of significant accounting policies

The consolidated financial statements of the municipality are the representation of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the municipality and the changes thereto. The consolidated statement of financial position includes all the assets and liabilities of the municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position and is the difference between assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Basis of accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses 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.

(b) Deferred revenue

Revenue restricted by legislation, regulation, or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(c) Basis of consolidation

These consolidated financial statements reflect assets, liabilities, revenues and expenses of the municipality. They include the activities of all committees of Council and the following organizations which are accountable to, and owned or controlled by the municipality:

Walkerton Chamber of Commerce
Bradley Community Centre
Cargill & District Community Fund

Excluded are Funds Held in Trust which are administered by the municipality and reported on separately.

A government partnership exists where the municipality has a shared control over the board or entity. The municipality's pro-rata share of assets, liabilities, revenues and expenses are reflected in the consolidated financial statements using the proportionate consolidation method. The municipality's proportionate interest of the following government partnership are reflected in the consolidated financial statements:

| | |
|---|--------|
| Bruce Area Solid Waste Recycling | 12.95% |
| Elmwood Community Centre | 50.0% |
| Hanover/Walkerton Landfill | 50.0% |
| Saugeen Municipal Airport | 42.07% |
| Elmwood Fire Department | 40.75% |
| Saugeen Mobility & Regional Transit (S.M.A.R.T) | 21.7% |

All interfund assets and liabilities and sources of financing and expenses have been eliminated.

(d) County and school boards

The municipality collects taxation revenue on behalf of the school boards and the County of Bruce. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Bruce are not reflected in these financial statements.

(e) Revenue recognition

Tax levies are recognized as revenue when the amounts are levied on the municipality's ratepayers. User fees and other revenues are recognized when related goods or services are provided and collectibility is reasonably assured.

(f) Government grants

Government grants are recognized in the financial statements as revenues in the period in which the events giving rise to the grants occur, providing the grants are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. The municipality's implementation of the Public Sector Handbook PS3150 has required management to make estimates of historical cost, useful lives and amortization of tangible capital assets. In addition, estimates have been made of closure and post closure costs related to landfill sites. Actual results could differ from those estimates.

(h) Non-financial assets

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

(i) 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. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|--|------------------|
| Land improvements | -15 to 40 years |
| Buildings and improvements | - 40 years |
| Vehicles, machinery, equipment, furniture and fixtures | - 5 to 85 years |
| Water and wastewater infrastructure | - 70 to 80 years |
| Roads infrastructure | - 7 to 75years |

(ii) Contribution of tangible capital assets

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

(iii) Leases

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

(iv) Intangible assets

Intangible assets are not recognized as assets in the financial statements.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

2. Summary of significant accounting policies (continued)

(i) Segment disclosures

Municipal services have been segmented by grouping activities that have similar service objectives (by function). Revenues that are directly related to the costs of the function have been attributed to each segment.

(j) Employee future benefits

The municipality pays post-employment benefits to eligible employees on retirement. The benefits earned are recognized over the service life of the employees using the projected benefit method and management's best estimate of salary escalation, benefit costs and retirement ages of employees. Defined contribution plan accounting is applied to the municipality's multi-employer defined benefit pension plan.

(k) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

3. Cash

Cash consists of the following:

| | 2012 | 2011 |
|--------------|------------------|-----------|
| | \$ | \$ |
| Unrestricted | 4,261,722 | 4,062,602 |
| Restricted | 194,402 | 165,687 |
| | 4,456,124 | 4,228,289 |

4. Long-term investments

| | 2012 | 2011 |
|---|------------------|-----------|
| | \$ | \$ |
| 1,261 Common shares, Westario Power Holdings Inc. | 2,303,593 | 2,303,593 |

The municipality owns 12.61% of the outstanding common shares of Westario Power Holdings Inc. The shares have no fixed maturity dates and are generally not exposed to interest rate risk. The fair value of these shares is not determinable in the absence of published market quotations.

Dividends received during the year totaled \$99,008 (2011 - \$99,008) and are included in other income.

5. Short-term borrowing

Short term borrowing is due on demand and bears interest at the bank's prime rate less 0.5%. An unsecured short term bank line of credit is available to the municipality up to an amount of \$1,500,000. As at December 31, 2012 the Municipality has borrowed \$NIL (2011 - \$NIL).

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

6. Deferred revenue - obligatory reserve funds

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

The balance of deferred revenue is made up as follows:

| | 2012 | 2011 |
|--------------------------------|----------------|---------|
| | \$ | \$ |
| Obligatory Reserve Fund | | |
| Recreational land | 55,844 | 45,794 |
| Other | | |
| Government grant funding | 14,294 | 14,294 |
| Deposits | 44,143 | 56,143 |
| Other | 80,122 | 49,456 |
| | 138,559 | 119,893 |
| | 194,403 | 165,687 |

The net change during the year for the recreational land obligatory reserve fund is made up as follows:

| | 2012 | 2011 |
|--------------------------------|---------------|--------|
| | \$ | \$ |
| Balance, beginning of the year | 45,794 | 4,683 |
| Contributions | 9,474 | 40,800 |
| Interest earned | 576 | 311 |
| | 55,844 | 45,794 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

7. Long-term liabilities

(a) Net long-term liabilities consist of the following:

| | 2012 | 2011 |
|---|------------------|-----------|
| | \$ | \$ |
| Bank loan payable, interest at bank prime rate less .5%, payable \$8,080 monthly principal plus interest | 363,591 | 460,549 |
| Bank loan payable, interest at bank prime rate less .5%, payable \$5,868 monthly principal plus interest | 762,847 | 833,263 |
| Bank loan payable, interest at bank prime rate less .5%, payable \$3,017 monthly principal plus interest | 33,183 | 69,383 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$2,662 monthly principal plus interest | 29,284 | 61,230 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$7,500 monthly principal plus interest | 172,500 | 262,500 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$4,167 monthly principal plus interest | 150,033 | 200,000 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$5,000 monthly principal plus interest | 284,991 | 344,991 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$3,592 monthly principal plus interest | 45,249 | 88,353 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$3,126 monthly principal plus interest | 412,666 | 450,181 |
| Demand bank loan payable, interest at bank prime rate less .5%, payable \$ 7,500 monthly principal and interest | 20,000 | 110,000 |
| Infrastructure Financing Authority (OMEIFA), interest at 2.95%, semi-annual payments beginning January 17, 2005 of \$40,631 principal and interest, due July 15, 2024 | 816,237 | 872,181 |
| | 3,090,581 | 3,752,631 |

(b) Principal payments for the next 5 years and thereafter are as follows:

| | \$ |
|------------|-----------|
| 2013 | 588,100 |
| 2014 | 458,853 |
| 2015 | 375,971 |
| 2016 | 303,545 |
| 2017 | 217,688 |
| Thereafter | 1,146,424 |

Long-term liabilities approved after January 1, 1993 have been approved through by-law. 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.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

8. Employee future benefits

The former Police Services Board provided post-employment health and life insurance benefits to eligible retired employees. The Municipality of Brockton's proportionate share of this former joint local board was 46.4%, and as such are responsible for their share of the ongoing benefit payments. Payments for these benefits totaled \$20,610 in 2011 (2010 - \$18,223). The municipality's share of \$9,563 (2010 - \$8,456) is included as an expense on the consolidated statement of operations. The post employment benefit liability was determined using a discount rate of 5% and an annual rate of increase in benefit costs of 6%.

The employees of the Corporation of the Municipality of Brockton participate in the Ontario Municipal Employees Retirement Saving Plan ("OMERS"). Although the plan has a defined retirement benefit for employees, the related obligation of the municipality cannot be identified. The municipality has applied defined contribution plan accounting as it has insufficient information to apply defined benefit plan accounting. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant.

The amount contributed to OMERS for the current year was \$192,902 (2011 - \$157,984) for current service.

9. Tangible capital assets

Schedules 1 and 2 provide information on the tangible capital assets of the municipality by major asset class, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets.

(a) Work in progress

Work in progress with a value of \$NIL (2011 - \$8,477) has not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$NIL (2011 - \$NIL).

(c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and historical treasures

No works of arts nor historical treasures are held by the municipality.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

10. Budget amounts

The operating budget approved by Council for 2012 is reflected on the consolidated statement of operations. The budgets established for capital investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with the current year's actual expenditure amounts. The 2012 budget did not include figures for acquisition nor amortization of tangible capital assets.

11. Other income

Other current fund revenues consist of the following:

| | 2012 Budget | 2012 Actual | 2011 Actual |
|------------------------------------|----------------|----------------|----------------|
| | | \$ | \$ |
| Penalties and interest on taxation | 106,200 | 109,488 | 123,974 |
| Rents | 315,920 | 348,610 | 359,799 |
| Investment income | 73,570 | 92,030 | 106,341 |
| Donations | 10,450 | 39,159 | 22,106 |
| Sale of publication, mementos, etc | 32,612 | 18,255 | 6,834 |
| Other | 50 | 14 | 12 |
| | 538,802 | 607,556 | 619,066 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

12. Accumulated surplus

The accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

| | 2012 | 2011 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Surplus: | | |
| Invested in tangible capital assets | 49,049,020 | 49,556,492 |
| General area taxation | 122,785 | 107,559 |
| Walkerton Chamber of Commerce | 27,117 | 1,468 |
| Bradley Community Centre | 437 | 401 |
| Cargill & District Community Fund | 27,652 | 27,652 |
| Saugeen Municipal Airport | 18,919 | (2,147) |
| Elmwood Community Centre | 4,422 | 2,950 |
| Saugeen Mobility & Regional Transit | 610 | 531 |
| Hanover/Walkerton Landfill | (50,287) | 115,274 |
| Unfunded liabilities | (3,210,925) | (3,788,767) |
| Total surplus | 45,989,750 | 46,021,413 |
| Reserves set aside for specific purposes by Council | | |
| Current purposes | 644,849 | 525,764 |
| Capital purposes | 389,156 | 398,027 |
| Total reserves | 1,034,005 | 923,791 |
| Reserve funds set aside for specific purposes by Council | | |
| Capital purposes | 5,863,327 | 5,751,775 |
| Total reserve funds | 5,863,327 | 5,751,775 |
| Total accumulated surplus | 52,887,082 | 52,696,979 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

13. Net municipal taxation

Net municipal taxation consists of:

| | 2012 | 2011 |
|---|--------------------|-------------|
| | \$ | \$ |
| Taxation revenue | 11,967,517 | 11,446,079 |
| Amount levied and remitted to School Boards | (2,412,943) | (2,387,473) |
| Amount levied and remitted to the County of Bruce | (3,117,181) | (3,031,990) |
| Net municipal taxation | 6,437,393 | 6,026,616 |

14. Commitments

- (a) Capital commitments of \$NIL (2011 - \$NIL) are not reflected in the financial statements. This amount, for which funding is in place, represents uncompleted portions of contracts, as at December 31, 2012, on major projects and estimated obligation under other various agreements.
- (b) The municipality has entered into a yearly renewal operating agreement with Veolia Water Canada Inc. for the operation and maintenance of the Municipality's water and wastewater facilities. Under this agreement Veolia has agreed to operate the facility for a fee of \$474,572 plus an adjustment for inflation for July 1, 2008 and subsequent years.
- (c) The municipality currently leases space for its municipal office under a five year lease ending in October 2017. Annual payments are as follows:

| | |
|------|--------|
| 2013 | 49,155 |
| 2014 | 53,110 |
| 2015 | 55,935 |
| 2016 | 58,760 |
| 2017 | 61,585 |

Annual payments under an operating lease for computer equipment are \$27,283 ending in December 2014.

The minimum annual lease payments for the next five years for all lease commitments are as follows:

| | |
|------|--------|
| 2013 | 40,296 |
| 2014 | 40,608 |
| 2015 | 33,922 |
| 2016 | 16,369 |
| 2017 | 4,056 |

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

14. Commitments (continued)

- (d) The Town of Hanover and the Municipality of Brockton have obtained approval from the Ministry of Environment to expand the Hanover/Walkerton Landfill Site. Construction of the first phase of the expanded site began in 2012 and expenses incurred to date for the construction and supervision totaled \$173,196. The remaining costs of the construction of the first phase are estimated to total \$1,583,275. No provision for the future costs have been recorded in the financial statements at December 31, 2012.

15. Contingencies

- (a) In the ordinary course of business, various claims and lawsuits are brought against the municipality. It is the opinion of management that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued. No provision has been made for pending expropriations of land beyond the payments already made to affected property owners. Any payment made by the municipality pursuant to claims, lawsuits or expropriations will be charged in the year of settlement.
- (b) Annually, the municipality is unable to estimate its Ontario Provincial Police adjustment. As a result, the expense adjustment is recorded in the year in which it is received. A credit of \$82,525 was received and recorded as a reduction of expenses in net financial assets for services performed in 2010 (2011 - \$115,158 credit).

16. Trust fund

The trust fund administered by the municipality is for Perpetual Care and amounts to \$183,156 (2011 - \$137,087). This has not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

17. Landfill Closure and Post-Closure Liability

Solid waste landfill closure and post-closure care requirements are defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates and ongoing environmental monitoring, site inspection and maintenance. These costs will be incurred as each landfill site stops accepting waste, with the post-closure care expected to continue for an additional 20 years. The total future closure and post-closure care costs are estimated to be \$340,161.

Brant Landfill Site

As at December 31, 2012, the municipality has recognized in the consolidated financial statements an unfunded liability of \$33,627. This liability represents 44% of the present value of the estimated costs and is based on a total capacity of 146,480 cubic meters and a discount rate of 6.00%. The balance of the liability of \$42,428 will be accrued as the remaining capacity of 81,716 cubic meters is utilized, which is expected to be over the next 11 years.

Greenock Landfill Site

As at December 31, 2012, the municipality has recognized in the consolidated financial statements an unfunded liability of \$6,595. This liability represents 35% of the present value of the estimated costs and is based on a total capacity of 153,075 cubic meters and a discount rate of 6.00%. The balance of the liability of \$12,238 will be accrued as the remaining capacity of 99,462 cubic meters is utilized, which is expected to be over the next 48 years.

Hanover/Walkerton Landfill Site

As at December 31, 2012, the municipality has recognized in the consolidated financial statements a liability of \$242,377. This represents 50% of the total liability of \$484,754 shared with the Town of Hanover. This represents 99% of the present value of the estimated costs and is based on a total capacity of 506,000 cubic metres and a discount rate of 4%. The balance of the Municipality's share of the liability of \$2,894 will be accrued as the remaining capacity of 5,982 cubic metres is utilized, which is expected to be over the next year.

Management's estimate for site closure and post-closure care liability is subject to measurement uncertainty. The estimate is based on assumptions contained in engineer's reports as to capacity, site life expectancy and usage. Actual results could differ significantly from these estimates because of the uncertainty related to future cost estimates, future use of the landfill site, etc.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

18. Government Partnerships

The following summarizes the financial position and results of operations of the government partnerships. The Municipality of Brockton's pro-rata share of these amounts has been reported in these financial statements using proportionate consolidation method:

| | Bruce Area Solid Waste Recycling | Elmwood Community Centre | Hanover/ Walkerton Landfill | Saugen Municipal Airport | Elmwood Fire Department | Saugen Mobility & Regional Transit |
|---|--|--------------------------------|-----------------------------------|--------------------------------|-------------------------------|---|
| | 2012 | 2012 | 2012 | 2012 | 2012 | 2012 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial assets | 2,099,909 | 20,553 | 477,736 | 97,610 | 216,179 | 110,687 |
| Liabilities | 117,913 | 11,709 | 578,309 | 33,250 | 12,408 | 138,363 |
| Net financial assets | 1,981,996 | 8,844 | (100,573) | 64,360 | 203,771 | (27,676) |
| Non-financial assets | 1,745,614 | - | 2,708,746 | 817,829 | 419,051 | 339,236 |
| Accumulated surplus | 3,727,610 | 8,844 | 2,608,173 | 882,189 | 622,822 | 311,560 |
| General surplus | - | 8,844 | (100,573) | 44,970 | - | 2,812 |
| Invested in tangible capital assets | 1,745,614 | - | 2,708,746 | 801,406 | 417,700 | 308,748 |
| Reserves and reserve funds | 1,981,996 | - | - | 35,813 | 205,122 | - |
| | 3,727,610 | 8,844 | 2,608,173 | 882,189 | 622,822 | 311,560 |
| Revenues | 2,356,281 | 67,012 | 563,919 | 178,071 | 236,918 | 772,134 |
| Expenses | 2,187,803 | 61,117 | 285,423 | 204,816 | 206,833 | 778,630 |
| Annual surplus (deficit) | 168,478 | 5,895 | 278,496 | (26,745) | 30,085 | (6,496) |

The Elmwood Community Centre financial statements do not include adjustments for tangible capital assets. These amounts have been consolidated separately.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

19.Segmented Information

The Municipality of Brockton is a diversified municipal government organization that provides a wide range of services to its citizens such as police, fire, roadways, water, sewer, waste, and recreation and cultural services. Distinguishable functional segments have been separately disclosed in the segmented information. Schedules 3 and 4 provide information on the segmented information of the municipality. The nature of the segments and the activities that they encompass are as follows:

General Government

This segment relates to the revenues and expenses that relate to the operations of the municipality itself and unallocated items that cannot be directly attributed to any specific segment. General administration, council activities and maintenance of municipal buildings are included in the functions of general government.

Protection to Persons and Property

Protection is comprised of police services, fire protection, emergency plan, building inspections, and animal control.

Transportation Services

Transportation is comprised of the municipality's roadways, storm sewers, sidewalks, street lighting, and winter control. It also includes the municipality's proportionate share of the operations of the Saugeen Municipal Airport.

Environmental Services

Environmental is comprised of water and waste water services, where the municipality treats and distributes the municipality's drinking water and ensures that it meets all provincial standards. It also includes the collection and treatment of waste water.

Environmental also consists of providing waste and recycling collection and the municipality's share of the operation of the Hanover/Walkerton joint landfill site.

Health Services

Health services are comprised of support to the medical clinic operations and cemetery.

Recreation and Cultural Services

This service area provides services meant to improve the health and development of the municipality's citizens. The municipality operates and maintains parks, arenas, a swimming pool, and community centres. The municipality also provides library services and recreational programs.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

19. Segmented Information (continued)

Planning and Development

This segment is responsible for planning and zoning including the Official plan for residential and commercial, review of property development plans, and economic development services for the municipality.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of exchange amount. Municipal taxation revenue and the Ontario Municipal Partnership Fund grant is allocated to general government.

20. Future accounting pronouncements

In February 2010, the CICA issued Section PS 3510, "Tax Revenue", which establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements. The section is effective for fiscal years beginning on or after April 1, 2012, earlier adoption is encouraged. The new standard is not expected to have a material effect on the financial statements.

In March 2011, the CICA issued Section PS 3410, "Government Transfers", which establishes recognition, measurement, presentation and disclosure standards relating to amounts received from a government reported in financial statements. The section is effective for fiscal years beginning on or after April 1, 2012, earlier adoption is encouraged. The new standard is not expected to have a material effect on the financial statements.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 1 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2012

| | Land | Land Improvement | Buildings and Improvements | Vehicles, Machinery, Equipment and Furniture | Water and Wastewater Infrastructure | Roads Infrastructure | Work in Progress | Total |
|------------------------------------|------------------|------------------|----------------------------|--|-------------------------------------|----------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | | |
| Balance, beginning of year | 4,033,420 | 530,478 | 8,538,038 | 9,088,074 | 16,016,817 | 49,345,184 | 8,477 | 87,560,488 |
| Additions | 560,856 | - | 433 | 142,317 | 23,918 | 744,167 | - | 1,471,691 |
| Disposals | - | - | (61,129) | (15,719) | - | (59,069) | - | (135,917) |
| Put in Use | - | - | - | - | - | 8,477 | (8,477) | - |
| Balance, end of year | 4,594,276 | 530,478 | 8,477,342 | 9,214,672 | 16,040,735 | 50,038,759 | - | 88,896,262 |
| Accumulated amortization | | | | | | | | |
| Balance, beginning of year | 59,071 | 205,860 | 4,874,752 | 5,140,633 | 4,065,276 | 23,658,404 | - | 38,003,996 |
| Amortization | 6,897 | 25,693 | 197,163 | 401,980 | 296,358 | 1,037,337 | - | 1,965,428 |
| Disposals | - | - | (61,129) | (4,585) | - | (56,468) | - | (122,182) |
| Balance, end of year | 65,968 | 231,553 | 5,010,786 | 5,538,028 | 4,361,634 | 24,639,273 | - | 39,847,242 |
| Net book value, end of year | 4,528,308 | 298,925 | 3,466,556 | 3,676,644 | 11,679,101 | 25,399,486 | - | 49,049,020 |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 2 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011

| | Land | Land Improvements | Buildings and Improvements | Vehicles, Machinery, Equipment and Furniture | Water and Wastewater Infrastructure | Roads Infrastructure | Work in Progress | Total |
|------------------------------------|------------------|----------------------|-------------------------------|---|---|-------------------------|---------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | | |
| Balance, beginning of year | 3,821,816 | 486,612 | 8,517,306 | 8,947,647 | 15,961,258 | 49,059,709 | - | 86,794,348 |
| Additions | 211,604 | 75,000 | 20,934 | 312,472 | 81,706 | 508,955 | 8,477 | 1,219,148 |
| Disposals | - | (31,134) | (202) | (172,045) | (26,147) | (223,480) | - | (453,008) |
| Balance, end of year | 4,033,420 | 530,478 | 8,538,038 | 9,088,074 | 16,016,817 | 49,345,184 | 8,477 | 87,560,488 |
| Accumulated amortization | | | | | | | | |
| Balance, beginning of year | 52,184 | 208,544 | 4,676,417 | 4,860,973 | 3,871,657 | 22,732,033 | - | 36,401,808 |
| Amortization | 6,887 | 20,612 | 198,416 | 427,374 | 203,696 | 1,119,341 | - | 1,976,326 |
| Disposals | - | (23,296) | (81) | (147,714) | (10,077) | (192,970) | - | (374,138) |
| Balance, end of year | 59,071 | 205,860 | 4,874,752 | 5,140,633 | 4,065,276 | 23,658,404 | - | 38,003,996 |
| Net book value, end of year | 3,974,349 | 324,618 | 3,663,286 | 3,947,441 | 11,951,541 | 25,686,780 | 8,477 | 49,556,492 |

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these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 3 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2012

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|--|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | | | | | | | | |
| Property taxation | 6,309,056 | - | - | - | - | - | - | 6,309,056 |
| Payments in lieu of taxation | 128,337 | - | - | - | - | - | - | 128,337 |
| User charges and fees | 97,659 | 385,753 | 50,778 | 2,311,003 | 19,463 | 1,080,661 | 20,855 | 3,966,172 |
| Government grants | 2,406,498 | 44,081 | - | 66,970 | - | 114,791 | 40,000 | 2,672,340 |
| Revenue from other municipalities | - | - | - | - | 180,115 | - | - | 180,115 |
| Investment income | 91,530 | - | - | - | - | - | 500 | 92,030 |
| Other | 148,661 | - | - | - | 18,255 | 348,610 | - | 515,526 |
| | 9,181,741 | 429,834 | 50,778 | 2,377,973 | 217,833 | 1,544,062 | 61,355 | 13,863,576 |
| Expenses | | | | | | | | |
| Salaries, wages and benefits | 932,853 | 400,218 | 1,003,113 | 212,984 | 31,569 | 1,254,197 | 148,050 | 3,982,984 |
| Interest on long-term liabilities | 9,592 | 21,400 | 29,344 | 21,776 | 1,721 | 1,718 | 4,996 | 90,547 |
| Materials and supplies | 469,180 | 235,527 | 1,311,377 | 534,756 | 15,355 | 850,393 | 148,143 | 3,564,731 |
| Contracted services | 144,331 | 2,536,247 | - | 1,098,220 | 283,456 | 43,635 | - | 4,105,889 |
| Rents, financial expenses and external transfers | 78,666 | 137,854 | 122,012 | - | - | - | - | 338,532 |
| Amortization | 9,442 | 99,860 | 1,250,453 | 461,117 | 35,384 | 103,917 | 5,255 | 1,965,428 |
| | 1,644,064 | 3,431,106 | 3,716,299 | 2,328,853 | 367,485 | 2,253,860 | 306,444 | 14,048,111 |

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these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 3 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2012

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|---|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Other | | | | | | | | |
| Grants and transfers related to capital | | | | | | | | |
| Government grants | - | - | 295,738 | - | - | 41,277 | - | 337,015 |
| Loss on disposal of tangible capital assets | - | - | (2,601) | - | (5,089) | - | - | (7,690) |
| Investment income | 45,313 | - | - | - | - | - | - | 45,313 |
| | 45,313 | - | 293,137 | - | (5,089) | 41,277 | - | 374,638 |
| Annual surplus (deficit) | 7,582,990 | (3,001,272) | (3,372,384) | 49,120 | (154,741) | (668,521) | (245,089) | 190,103 |

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these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 4 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2011

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|--|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | | | | | | | | |
| Property taxation | 5,957,918 | - | - | - | - | - | - | 5,957,918 |
| Payments in lieu of taxation | 68,698 | - | - | - | - | - | - | 68,698 |
| User charges and fees | 110,240 | 306,200 | 95,375 | 2,219,345 | 45,709 | 961,651 | 46,149 | 3,784,669 |
| Government grants | 2,488,725 | 44,224 | - | 77,295 | - | 105,945 | 10,952 | 2,727,141 |
| Revenue from other municipalities | - | - | - | - | 139,341 | - | - | 139,341 |
| Investment income | 106,012 | - | - | - | - | - | 329 | 106,341 |
| Other | 123,974 | - | - | - | 7,534 | 381,217 | - | 512,725 |
| | 8,855,567 | 350,424 | 95,375 | 2,296,640 | 192,584 | 1,448,813 | 57,430 | 13,296,833 |
| Expenses | | | | | | | | |
| Salaries, wages and benefits | 907,779 | 413,181 | 867,889 | 196,342 | 31,740 | 1,106,205 | 81,135 | 3,604,271 |
| Interest on long-term liabilities | 10,876 | 25,048 | 33,587 | 27,822 | 5,875 | - | 6,566 | 109,774 |
| Materials and supplies | 257,561 | 121,651 | 1,332,221 | 555,127 | 17,653 | 1,262,930 | 175,744 | 3,722,887 |
| Contracted services | 112,631 | 2,592,291 | - | 1,098,044 | 220,634 | 101,693 | 28,730 | 4,154,023 |
| Rents, financial expenses and external transfers | 107,758 | 104,627 | 110,525 | - | - | 7,312 | - | 330,222 |
| Amortization expense | 26,915 | 116,638 | 1,231,410 | 460,681 | 26,028 | 111,713 | 2,941 | 1,976,326 |
| | 1,423,520 | 3,373,436 | 3,575,632 | 2,338,016 | 301,930 | 2,589,853 | 295,116 | 13,897,503 |
| Net revenues (expenses) | 7,432,047 | (3,023,012) | (3,480,257) | (41,376) | (109,346) | (1,141,040) | (237,686) | (600,670) |

The accompanying notes are an integral part of
these financial statements

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 4 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2011

| | Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Recreational, Social and Cultural Services | Planning and Development | |
|---|------------------|--|----------------------------|---------------------------|--------------------|--|-----------------------------|---------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Other | | | | | | | | |
| Grants and transfers related to capital | | | | | | | | |
| Government grants | - | - | 295,737 | - | - | 405,318 | - | 701,055 |
| Gain (loss) on disposal of capital assets | - | (19,101) | (30,631) | (16,070) | - | (7,838) | (304) | (73,944) |
| Investment income | 39,461 | - | - | - | - | - | - | 39,461 |
| | 39,461 | (19,101) | 265,106 | (16,070) | - | 397,480 | (304) | 666,572 |
| Annual surplus (deficit) | 7,471,508 | (3,042,113) | (3,215,151) | (57,446) | (109,346) | (743,560) | (237,990) | 65,902 |

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