

**CORPORATION OF THE
MUNICIPALITY OF BROCKTON
CONSOLIDATED FINANCIAL REPORT
DECEMBER 31, 2013**

CORPORATION OF THE MUNICIPALITY OF BROCKTON

DECEMBER 31, 2013

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GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S 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, 2013, 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 auditor's 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 the Corporation of the Municipality of Brockton as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Licensed Public Accountants
Walkerton, Ontario
July 14, 2014

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	2013	2012
	\$	\$
Financial assets		
Cash (Note 2)	4,822,878	4,456,124
Taxes receivable	1,098,360	893,882
Accounts receivable	657,798	594,213
Long-term investments (Note 4)	2,303,593	2,303,593
Land held for sale	51,247	-
	8,933,876	8,247,812
Liabilities		
Accounts payable and accrued liabilities	1,102,115	768,350
Deferred revenue - obligatory reserve funds (Note 8)	56,471	55,844
Deferred revenue - other (Note 8)	155,570	138,559
Long-term (Note 9)	4,214,669	3,090,581
Employee future benefits (Note 10)	99,630	100,802
Landfill closure and post-closure liability (Note 17)	443,001	282,599
	6,071,456	4,436,735
Net financial assets	2,862,420	3,811,077
Non-financial assets		
Tangible capital assets (Schedule 1 and Note 11)	49,553,520	49,049,020
Prepaid expenses	26,189	26,985
	49,579,709	49,076,005
Accumulated surplus (Note 14)	52,442,129	52,887,082

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 2013	Actual 2013	Actual 2012
	\$	\$	\$
	(Note 12)		
Revenues			
Net municipal taxation (Note 15)	6,716,055	6,940,841	6,437,393
User charges and fees	3,490,478	4,515,014	4,051,020
Government grants	2,455,015	2,722,701	2,672,340
Revenue from other municipalities	228,647	423,873	376,326
Other (Note 13)	751,033	564,760	614,915
	13,641,228	15,167,189	14,151,994
Expenses			
General government	1,540,349	1,702,459	1,709,767
Protection to persons and property	3,566,885	3,641,558	3,650,906
Transportation services	2,330,067	4,107,796	3,940,814
Environmental services	2,685,598	3,432,372	2,474,204
Social and family services	655,158	709,698	617,525
Health services	114,327	114,882	211,564
Recreational and cultural services	1,503,415	1,671,625	1,572,966
Planning and development	213,304	203,951	158,783
	12,609,103	15,584,341	14,336,529
Net revenues (expenses)	1,032,125	(417,152)	(184,535)
Other			
Grants and transfers related to capital			
Government grants	311,057	312,738	337,015
Loss on disposal of tangible capital assets	-	(171,754)	(7,690)
Impairment losses on tangible capital assets	-	(204,738)	-
Investment income	-	35,953	45,313
	311,057	(27,801)	374,638
Annual (deficit) surplus	1,343,182	(444,953)	190,103
Accumulated surplus, beginning of year		52,887,082	52,696,979
Accumulated surplus, end of year (Note 14)		52,442,129	52,887,082

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

	Actual 2013	Actual 2012
	\$	\$
Annual (deficit) surplus	(444,953)	190,103
Acquisition of tangible capital assets	(2,947,323)	(1,471,691)
Amortization of tangible capital assets	2,015,085	1,965,428
Loss on disposal of tangible capital assets	171,754	7,690
Proceeds on disposal of tangible capital assets	-	6,045
Transfer of land held for sale	51,247	-
Change in prepaid expenses	795	9,749
Impairment losses on tangible capital assets	204,738	-
Change in net financial assets	(948,657)	707,324
Net financial assets, beginning of year	3,811,077	3,103,753
Net financial assets, end of year	2,862,420	3,811,077

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

	2013	2012
	\$	\$
Cash flows from (for):		
Operating activities		
Annual (deficit) surplus	(444,953)	190,103
Non-cash items:		
Amortization expense	2,015,085	1,965,428
Loss on disposal of tangible capital assets	171,754	7,690
Impairment losses on tangible capital assets	204,738	-
	1,946,624	2,163,221
Changes in:		
Taxes receivable	(204,478)	(72,843)
Accounts receivable	(63,585)	305,204
Prepaid expenses	795	9,749
Accounts payable and accrued liabilities	333,764	(716)
Tile drain receivable	-	13,824
Employee future benefits	(1,172)	(8,325)
Landfill closure and post-closure liability	160,402	(83,299)
Net change in cash from operations	2,172,350	2,326,815
Capital activities		
Acquisition of tangible capital assets	(2,947,323)	(1,471,691)
Proceeds on disposal of tangible capital assets	-	6,045
Net change in cash from capital	(2,947,323)	(1,465,646)
Financing activities		
Long-term liabilities issued	1,714,300	-
Long term liabilities repaid	(590,211)	(662,050)
Deferred revenue	17,638	28,716
Net change in cash from financing	1,141,727	(633,334)
Net change in cash position	366,754	227,835
Cash, beginning of year	4,456,124	4,228,289
Cash, end of year	4,822,878	4,456,124

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, 2013

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.

1. 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 revenues 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, 2013

1. 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	13.05%
Elmwood Community Centre	50.0%
Hanover/Walkerton Landfill	50.0%
Saugeen Municipal Airport	42.07%
Elmwood Fire Department	40.64%
Saugeen Mobility & Regional Transit (S.M.A.R.T)	20.0%

All interfund assets and liabilities and sources of revenues 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

Net municipal taxation is recognized as revenue when the amounts are levied on the municipality's ratepayers. User charges and fees, revenue from other municipalities 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, 2013

1. 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 PS 3150 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 and furniture	- 5 to 85 years
Water and wastewater infrastructure	- 70 to 80 years
Roads infrastructure	- 7 to 75 years

(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, 2013

1. 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) Pension plan

The municipality offers a pension plan for its full-time employees through the Ontario Municipal Employee Retirement System ("OMERS"). OMERS is a multi-employer, contributory, public sector pension fund established for employees of municipalities, local boards and school boards in Ontario. Participating employers and employees are required to make plan contributions based on participating employees' contributory earnings. The Municipality accounts for its participation in OMERS as a defined benefit plan and recognizes the expense related to this plan as contributions are made.

(k) Land held for sale

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

2. New accounting pronouncements and policies

On January 1, 2013, the municipality adopted the Public Sector Accounting Handbook Section 3410, "Government Transfers". The new standard establishes recognition, measurement, presentation and disclosure standards for transfers from senior levels of government and transfers from the municipality. This section is effective for fiscal years beginning on or after April 1, 2012. The accounting change resulted in no change to accumulated surplus or measurement of assets or liabilities.

On January 1, 2013, the municipality adopted the Public Sector Accounting Handbook Section 3510, "Tax Revenue". The new standard establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in the financial statements. This section is effective for fiscal years beginning on or after April 1, 2012. The accounting change resulted in no change to accumulated surplus or measurement of assets or liabilities.

3. Cash

Cash consists of the following:

	2013	2012
	\$	\$
Unrestricted	4,610,837	4,261,722
Restricted	212,041	194,402
	4,822,878	4,456,124

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2013

4. Long-term investments

	2013	2012
	\$	\$
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 investment is recorded as a portfolio investment at cost. The fair value of these shares is not determinable in the absence of published market quotations.

Dividends received during the year totaled \$71,536 (2012 - \$83,731) 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, 2013 the municipality has borrowed \$NIL (2012 - \$NIL).

6. 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 in 2013 and recorded as a reduction of expenses in net financial assets for services performed in the prior year (2012 - \$115,158 credit).
- (c) Appeals of the current value assessment of properties in the municipality may be in process. The impact on taxation revenue as a result of settlement of these appeals is not determinable at this time. The effect on taxation of the settlement of these appeals will be recorded in the fiscal year in which they can be determined.
- (d) Applications for property tax rebates for vacant commercial and industrial buildings may be in process. The impact on taxation revenue as a result of these rebates is not determinable at this time. The effect on taxation of these rebates will be recorded in the fiscal year in which they can be determined.

7. Trust fund

The trust fund administered by the municipality is for Perpetual Care and amounts to \$189,390 (2012 - \$183,006). 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, 2013

8. Deferred revenue - obligatory reserve funds and other

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 as follows:

	2013	2012
	\$	\$
Obligatory Reserve Fund		
Recreational land	56,471	55,844
Other		
Government grant funding	38,229	14,294
Deposits	52,800	44,143
Other	64,541	80,122
	155,570	138,559
	212,041	194,403

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

	2013	2012
	\$	\$
Balance, beginning of the year	55,844	45,794
Contributions	-	9,474
Interest earned	627	576
	56,471	55,844

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2013

9. Long-term liabilities

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

	2013	2012
	\$	\$
Demand bank loan payable, interest at bank prime rate less .5%, payable \$8,080 monthly principal plus interest	266,633	363,591
Demand bank loan payable, interest at bank prime rate less .5%, payable \$5,208 monthly principal plus interest	1,250,000	-
Demand bank loan payable, interest at bank prime rate less .5%, payable \$5,868 monthly principal plus interest	692,430	762,847
Demand bank loan payable, interest at bank prime rate less .5%, payable \$3,017 monthly principal plus interest	-	33,183
Demand bank loan payable, interest at bank prime rate less .5%, payable \$2,662 monthly principal plus interest	-	29,284
Demand bank loan payable, interest at bank prime rate less .65%, payable \$2,579 monthly principal plus interest	464,300	-
Demand bank loan payable, interest at bank prime rate less .5%, payable \$7,500 monthly principal plus interest	82,500	172,500
Demand bank loan payable, interest at bank prime rate less .5%, payable \$4,167 monthly principal plus interest	100,033	150,033
Demand bank loan payable, interest at bank prime rate less .5%, payable \$5,000 monthly principal plus interest	224,991	284,991
Demand bank loan payable, interest at bank prime rate less .5%, payable \$3,592 monthly principal plus interest	-	45,249
Demand bank loan payable, interest at bank prime rate less .5%, payable \$3,126 monthly principal plus interest	375,151	412,666
Demand bank loan payable, interest at bank prime rate less .5%, payable \$ 7,500 monthly principal and interest	-	20,000
Infrastructure Financing Authority (OMEIFA), interest at 2.95%, semi-annual payments of \$40,631 principal and interest, due July 15, 2024	758,631	816,237
	4,214,669	3,090,581

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2013

9. Long-term liabilities (continued)

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

	\$
2014	550,161
2015	469,424
2016	396,998
2017	311,141
2018	268,075
Thereafter	2,218,870

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.

10. 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 \$11,020 in 2013 (2012 - \$11,852) and are included as an expense on the consolidated statement of operations. The post employment benefit liability was determined using a discount rate of 3% and an annual rate of increase in benefit costs of 4%.

The employees 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.

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The plan has a reported \$8.6 billion actuarial deficit at the end of 2013 (2012 - \$9.9 billion), based on actuarial liabilities of \$73.0 billion (2012 - \$69.3 billion) and actuarial assets of \$64.4 billion (2012 - \$59.4 billion).

The amount contributed to OMERS for the current year was \$216,818 (2012 - \$192,902) for current service.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2013

11. 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 (2012 - \$NIL) 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 (2012 - \$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.

12. Budget amounts

The operating budget approved by Council for 2013 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 2013 budget did not include figures for acquisition nor amortization of tangible capital assets.

13. Other revenues

Other revenues consist of the following:

	2013 Budget	2013 Actual	2012 Actual
		\$	\$
Penalties and interest on taxation	111,200	113,701	110,097
Rents	334,250	337,337	348,610
Investment income	87,683	81,450	92,044
Donations	59,450	14,362	39,159
Sale of publications, mementos, etc	158,450	17,910	25,005
	751,033	564,760	614,915

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2013

14. Accumulated surplus

The accumulated surplus consists of the following:

	2013	2012
	\$	\$
Surplus:		
Invested in tangible capital assets	45,803,150	45,978,439
Land held for sale	51,247	-
General area taxation	120,570	123,466
Walkerton Chamber of Commerce	14,835	27,117
Bradley Community Centre	3,934	437
Cargill & District Community Fund	(29,522)	27,652
Saugeen Municipal Airport	21,291	18,919
Bruce Area Solid Waste Recycling	10,818	-
Elmwood Community Centre	4,398	4,422
Saugeen Mobility & Regional Transit	562	610
Hanover/Walkerton Landfill	-	(50,287)
Unfunded employee future benefits	(99,630)	(100,802)
Unfunded landfill closure and post-closure liability	(443,001)	(40,223)
Total surplus	45,458,652	45,989,750
Reserves set aside for specific purposes by Council		
Current purposes	582,173	644,849
Capital purposes	655,583	389,156
Total reserves	1,237,756	1,034,005
Reserve funds set aside for specific purposes by Council		
Capital purposes	5,745,721	5,863,327
Total accumulated surplus	52,442,129	52,887,082

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2013

15. Net municipal taxation

Net municipal taxation consists of:

	2013	2012
	\$	\$
Taxation revenue	12,761,415	11,967,517
Amount levied and remitted to School Boards	(2,467,258)	(2,412,943)
Amount levied and remitted to the County of Bruce	(3,353,316)	(3,117,181)
Net municipal taxation	6,940,841	6,437,393

16. Commitments

(a) Capital commitments of \$516,820 (2012 - \$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, 2013, on major projects and estimated obligations 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 \$611,000 plus an adjustment for inflation for July 1, 2011 and subsequent years. The agreement expires June 30, 2016.

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

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:

2014	116,006
2015	84,243
2016	73,797
2017	65,704
2018	665

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2013

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 \$5,189,261.

Brant Landfill Site

As at December 31, 2013, 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, 2013, the municipality has recognized in the consolidated financial statements an unfunded liability of \$7,659. This liability represents 36% 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 \$13,480 will be accrued as the remaining capacity of 97,612 cubic meters is utilized, which is expected to be over the next 45 years.

Hanover/Walkerton Landfill Site

As at December 31, 2013, the municipality has recognized in the consolidated financial statements a liability of \$401,715. This represents 50% of the total liability of \$803,430 shared with the Town of Hanover. This represents 100% of the present value of the estimated costs related to the existing phase of the landfill, which will be closed in 2014. The liability is based on a total capacity of 506,000 cubic metres and a discount rate of 2.94%.

The landfill site also contains an unopened expansion phase with a capacity of 411,000 cubic metres, for which no liability has been accrued. This phase commenced operations in January 2014. The balance of the liability of \$8,860,193 will be accrued as the remaining capacity of 411,000 cubic metres is utilized.

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 and future use of the landfill site.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2013

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
	2013	2013	2013	2013	2013	2013
	\$	\$	\$	\$	\$	\$
Financial assets	2,262,678	20,831	535,509	132,479	242,255	140,731
Liabilities	103,583	12,032	928,270	45,557	2,640	175,855
Net financial assets	2,159,095	8,796	(392,761)	86,922	239,615	(35,124)
Non-financial assets	1,651,414	-	4,463,667	755,743	413,414	535,855
Accumulated surplus	3,810,509	8,796	4,070,906	842,665	653,029	500,731
General surplus	82,899	8,796	-	50,609	-	2,812
Unfunded liabilities	-	-	(808,055)	-	-	-
Invested in tangible capital assets	1,651,414	-	4,463,667	755,743	413,414	497,919
Reserves and reserve funds	2,076,196	-	415,294	36,313	239,615	-
	3,810,509	8,796	4,070,906	842,665	653,029	500,731
Revenues	2,392,547	66,586	2,363,898	173,812	235,924	1,151,880
Expenses	2,309,648	66,634	901,165	213,236	205,717	962,709
Annual surplus (deficit)	82,899	(48)	1,462,733	(39,524)	30,207	189,171

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, 2013

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 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. 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 and Saugeen Mobility and Regional Transit.

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 and Bruce Area Solid Waste Recycling.

Social and Family Services

Social and family services are comprised of daycare services, where the municipality provides child care to families in the municipality.

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, 2013

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.

20. Future accounting pronouncements

The CICA has issued Section PS 3450, "Financial Instruments", which establishes recognition, measurement, presentation and disclosure standards relating to financial instruments such as receivables, payables, and equity instruments. The section is effective for governments for fiscal years beginning on or after April 1, 2015; the municipality is required to adopt this section for its fiscal year beginning January 1, 2016. Earlier adoption is allowed. The new standard is not expected to have a material effect on the consolidated financial statements.

The CICA issued Section PS 3041, "Portfolio Investments", which replaces Section PS 3040. The new section establishes recognition, measurement, presentation and disclosure standards relating to investments in organizations that do not form part of the government reporting entity. This section must be implemented upon the adoption of Section PS 3450.

The CICA issued Section PS 1201, "Financial Statement Presentation", which replaces Section 1200. The new section establishes reporting principles and standards for the disclosure of information in government financial statements. This section establishes the requirement of the municipality's financial statements to include a statement of financial position, statement of operations, a statement of remeasurement gains and losses, a statement of change in net debt and a statement of cash flow. This section must be implemented upon the adoption of Section PS 3450.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 1 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2013

	Land	Land Improvements	Buildings and Improvements	Vehicles, Machinery, Equipment and Furniture	Water and Wastewater Infrastructure	Roads Infrastructure	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, beginning of year	4,594,276	530,478	8,477,342	9,214,672	16,040,735	50,038,759	88,896,262
Additions	1,342,307	-	2,175	716,293	441,772	444,776	2,947,323
Disposals	-	-	-	(75,079)	(132,671)	(90,317)	(298,067)
Transfers and impairment losses	(255,985)	-	-	-	-	-	(255,985)
Balance, end of year	5,680,598	530,478	8,479,517	9,855,886	16,349,836	50,393,218	91,289,533
Accumulated amortization							
Balance, beginning of year	65,968	231,553	5,010,786	5,538,028	4,361,634	24,639,273	39,847,242
Amortization	6,897	25,693	179,189	402,165	297,152	1,103,989	2,015,085
Disposals	-	-	-	(66,281)	(35,462)	(24,571)	(126,314)
Balance, end of year	72,865	257,246	5,189,975	5,873,912	4,623,324	25,718,691	41,736,013
Net book value, end of year	5,607,733	273,232	3,289,542	3,981,974	11,726,512	24,674,527	49,553,520

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, 2012

	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	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)
Transfers	-	-	-	-	-	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 3 CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENDITURES ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2013

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Recreation, Cultural, Social and Family Services	Planning and Development	
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Net municipal taxation	6,667,297	-	-	-	-	-	-	6,667,297
Payments in lieu of taxation	273,544	-	-	-	-	-	-	273,544
User charges and fees	220,812	477,483	91,401	3,331,033	8,099	789,643	103,874	5,022,345
Government grants	2,470,897	43,796	-	53,559	-	146,845	7,604	2,722,701
Revenue from other municipalities	46,971	28,717	187,916	-	29,720	130,549	-	423,873
Investment income	81,450	-	-	-	-	-	-	81,450
Other	113,701	14,362	-	-	-	355,247	-	483,310
	9,874,672	564,358	279,317	3,384,592	37,819	1,422,284	111,478	15,674,520
Expenses								
Salaries, wages and benefits	967,826	374,272	932,021	228,715	30,539	1,419,538	74,361	4,027,272
Interest on long-term liabilities	8,737	18,673	25,634	16,685	78	626	27,850	98,283
Materials and supplies	518,532	239,358	1,683,604	986,688	15,723	830,642	32,255	4,306,802
Contracted services	106,868	2,771,467	-	2,244,141	59,118	44,165	-	5,225,759
Rents, financial expenses and external transfers	83,604	138,846	126,536	-	-	-	69,485	418,471
Amortization	16,892	98,942	1,340,001	463,474	9,424	86,352	-	2,015,085
	1,702,459	3,641,558	4,107,796	3,939,703	114,882	2,381,323	203,951	16,091,672
Net revenues (expenses)	8,172,213	(3,077,200)	(3,828,479)	(555,111)	(77,063)	(959,039)	(92,473)	(417,152)

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, 2013

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Recreation, Cultural, Social and Family Services	Planning and Development	
	\$	\$	\$	\$	\$	\$	\$	\$
Other								
Grants and transfers related to capital								
Government grants	-	-	312,738	-	-	-	-	312,738
Loss on disposal of tangible capital assets	-	-	(65,746)	(110,008)	-	4,000	-	(171,754)
Impairment losses on tangible capital assets	(204,738)	-	-	-	-	-	-	(204,738)
Investment income	35,953	-	-	-	-	-	-	35,953
	(168,785)	-	246,992	(110,008)	-	4,000	-	(27,801)
Annual surplus (deficit)	8,003,428	(3,077,200)	(3,581,487)	(665,119)	(77,063)	(955,039)	(92,473)	(444,953)

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, 2012

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Recreation, Cultural, Social and Family Services	Planning and Development	
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Net municipal 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	2,395,851	19,463	1,080,661	20,855	4,051,020
Government grants	2,406,498	44,081	-	66,970	-	114,791	40,000	2,672,340
Revenue from other municipalities	-	-	-	-	180,115	196,211	-	376,326
Investment income	91,544	-	-	-	-	-	500	92,044
Other	148,661	-	7,345	-	18,255	348,610	-	522,871
	9,181,755	429,834	58,123	2,462,821	217,833	1,740,273	61,355	14,151,994
Expenses								
Salaries, wages and benefits	998,556	400,218	1,003,113	212,984	31,569	1,190,828	74,219	3,911,487
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	74,313	3,490,901
Contracted services	144,331	2,756,047	224,515	1,243,571	127,535	43,635	-	4,539,634
Rents, financial expenses and external transfers	78,666	137,854	122,012	-	-	-	-	338,532
Amortization expense	9,442	99,860	1,250,453	461,117	35,384	103,917	5,255	1,965,428
	1,709,767	3,650,906	3,940,814	2,474,204	211,564	2,190,491	158,783	14,336,529
Net revenues (expenses)	7,471,988	(3,221,072)	(3,882,691)	(11,383)	6,269	(450,218)	(97,428)	(184,535)

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, 2012

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Recreation, Cultural, Social and Family 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)	7,517,301	(3,221,072)	(3,589,554)	(11,383)	1,180	(408,941)	(97,428)	190,103

The accompanying notes are an integral part of
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