

**CORPORATION OF THE
MUNICIPALITY OF BROCKTON**

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2018

DRAFT FOR DISCUSSION

Reviewed with and approved by:

Date _____

CORPORATION OF THE MUNICIPALITY OF BROCKTON

DECEMBER 31, 2018

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CORPORATION OF THE MUNICIPALITY OF BROCKTON

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL REPORT

The accompanying consolidated financial statements of the Corporation of the Municipality of Brockton (the "Municipality") are the responsibility of the Municipality's management and have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 1 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded (in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada), and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management. Council meets with management and the external auditor to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Baker Tilly SGB LLP, independent external auditor appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Chief Administrative Officer/Clerk
September 10, 2018

Chief Financial Officer
September 10, 2018

COLLINS BARROW SGB LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of the Corporation of the Municipality of Brockton (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2018, and its consolidated results of operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

COLLINS BARROW SGB LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT CONTINUED

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



BAKER TILLY SGB LLP
LICENSED PUBLIC ACCOUNTANTS
Walkerton, Ontario
September 10, 2018

CORPORATION OF THE MUNICIPALITY OF BROCKTON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	2018	2017
	\$	\$ Restated (Note 21)
Financial assets		
Cash (Note 2)	7,305,230	6,498,833
Taxes receivable	730,058	626,197
Accounts receivable	1,317,511	985,596
Long-term investments (Note 3)	2,303,593	2,303,593
Land held for sale	22,678	-
Long-term receivable (Note 4)	88,626	98,647
	11,767,696	10,512,866
Liabilities		
Short-term borrowing (Note 7)		-
Accounts payable and accruals	1,002,873	945,757
Deferred revenue - obligatory reserve funds (Note 5)	998,840	715,152
Deferred revenue - other (Note 5)	206,696	219,170
Loans payable (Note 6)	6,465,648	5,839,561
Employee future benefits (Note 8)	131,575	136,997
Landfill closure and post-closure liability (Note 10)	467,118	440,157
	9,272,750	8,296,794
Net financial assets	2,494,946	2,216,072
Non-financial assets		
Tangible capital assets (Schedule 1, 2 and Note 11)	51,545,625	51,438,743
Prepaid expenses	69,251	29,824
	51,614,876	51,468,567
Accumulated surplus (Note 12)	54,109,822	53,684,639

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 2018	Actual 2018	Actual 2017
	\$	\$	\$
	(Note 13)		Restated (Note 21)
Revenues			
Net property taxation (Note 14)	8,220,525	8,321,033	7,864,008
User charges and fees	5,400,841	5,492,619	5,251,909
Government transfers	1,942,510	2,081,018	2,231,814
Revenue from other municipalities	210,221	576,085	580,784
Other (Note 15)	606,536	727,708	693,678
	16,380,633	17,198,463	16,622,193
Expenses			
General government	1,759,774	2,161,050	1,765,566
Protection services	3,013,802	3,307,721	3,391,226
Transportation services	2,638,176	4,670,289	4,030,395
Environmental services	2,206,468	3,350,055	3,141,370
Social and family services	1,199,142	1,313,497	1,239,555
Health services	162,512	310,967	164,927
Recreation and cultural services	1,597,955	1,876,610	1,793,234
Planning and development	1,370,703	475,916	808,215
	13,948,532	17,466,105	16,334,488
Net revenues	2,432,101	(267,642)	287,705
Other			
Grants and transfers related to capital			
Government transfers	506,789	609,325	172,378
Loss on disposal of tangible capital assets	-	(198,583)	(134,466)
Donations	-	190,887	167,307
Investment income	-	91,196	40,571
	506,789	692,825	245,790
Annual surplus	2,938,890	425,183	533,495
Accumulated surplus, beginning of year		53,684,639	53,151,144
Accumulated surplus, end of year (Note 12)		54,109,822	53,684,639

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 2018	Actual 2018	Actual 2017
		\$	\$
			Restated (Note 21)
Annual surplus	2,938,890	425,183	533,495
Acquisition of tangible capital assets	(3,637,660)	(2,485,092)	(2,403,830)
Amortization of tangible capital assets	-	2,172,320	2,184,477
Loss on disposal of tangible capital assets	-	198,583	134,466
Proceeds on disposal of tangible capital assets	-	7,307	1,950
Change in prepaid expenses	-	(37,778)	(2,364)
Change in net financial assets	(698,770)	280,523	448,194
Net financial assets, beginning of year		2,216,072	1,767,878
Net financial assets, end of year		2,496,595	2,216,072

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

	2018	2017
	\$	\$ Restated (Note 21)
Cash flows from (for):		
Operating activities		
Annual surplus	425,183	533,495
Non-cash items:		
Amortization of tangible capital assets	2,172,320	2,184,477
Loss on disposal of tangible capital assets	198,583	134,466
Employee future benefits	(5,422)	38,566
Landfill closure and post-closure liability	26,961	36,730
	2,817,625	2,927,734
Changes in:		
Taxes receivable	(103,861)	173,624
Accounts receivable	(331,915)	396,864
Prepaid expenses	(37,778)	(2,364)
Accounts payable and accruals	55,466	(368,967)
Land held for sale	(22,678)	33,142
Net change in cash from operations	2,376,859	3,160,033
Capital activities		
Acquisition of tangible capital assets	(2,485,092)	(2,403,830)
Proceeds on disposal of tangible capital assets	7,307	1,950
Net change in cash from capital	(2,477,785)	(2,401,880)
Investing activities		
Long-term receivable	10,021	9,753
Financing activities		
Loans payable issued	1,362,882	937,118
Loans payable repaid	(736,794)	(1,092,932)
Change in deferred revenue	271,214	198,754
Net change in cash from financing	897,302	42,940
Net change in cash position	806,397	810,846
Cash, beginning of year	6,498,833	5,687,987
Cash, end of year	7,305,230	6,498,833

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, 2018

Nature of operations

The Corporation of the Municipality of Brockton ("the Municipality") 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 Chartered Professional Accountants of Canada.

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 of 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 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 BIA
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 in the following government partnerships are reflected in the consolidated financial statements:

Bruce Area Solid Waste Recycling	12.94%
Elmwood Community Centre	50.00%
Hanover/Walkerton Landfill	50.00%
Saugeen Municipal Airport	42.07%
Elmwood Fire Department	42.61%
Saugeen Mobility & Regional Transit (S.M.A.R.T)	11.70%

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

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

1. Summary of significant accounting policies (continued)

(b) 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.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on deposit, short-term deposits with a maturity of less than three months at acquisition and temporary bank overdrafts which form an integral part of the Municipality's cash management.

(d) 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.

(e) 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
Leasehold improvements	- 10 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) Contributed 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.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

1. Summary of significant accounting policies (continued)

(iv) Intangible assets

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

(f) Revenue recognition

User charges and fees and other revenues are recognized when related goods or services are provided and collectibility is reasonably assured.

Investment income is recognized in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balance and is recognized in the period in which eligible expenditures are made.

Donations, sale of goods, revenue from other municipalities and rents are recognized on an accrual basis.

(g) Taxation and related revenues

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

Assessments and the related property taxes are subject to appeal. Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of allowance for anticipated uncollectable amounts.

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

(h) 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 consolidated financial statements.

(i) Government transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Conditional government transfer revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional transfer revenue is recognized when monies are receivable. Government transfers for acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

1. Summary of significant accounting policies (continued)

(j) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Management has made 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 (Note 10) and employee future benefits (Note 8). Actual results could differ from those estimates.

(k) 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 contribution plan and recognizes the expense related to this plan as contributions are made, even though OMERS is itself a defined benefit plan.

(l) Employee future benefits

Employee future benefits other than pension provided by the Municipality include medical, dental and life insurance benefits. These plans provide benefits to employees when they are no longer providing active service. Employee future benefit expense is recognized in the period in which the employees render services on an accrual basis.

The accrued benefit obligations and the current service costs are calculated using the projected benefit method, prorated on service, and based on assumptions that reflect management's best estimates. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gains or losses over 10% of the accrued benefit obligation is amortized to expense over the average remaining service period of active employees to full eligibility.

(m) Landfill site closure and post-closure care

Landfill site closure and post-closure care costs are recognized over the operating life of the landfill, based on capacity used. The liability is recorded at its discounted value, based on the average long-term borrowing rate at the municipality.

(n) 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.

(o) Long-term investments

The investment is recorded as a portfolio investment at cost.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

2. Cash

Cash consists of the following:

	2018	2017
	\$	\$
Unrestricted	6,099,694	5,564,511
Restricted (Note 5)	1,205,536	934,322
	7,305,230	6,498,833

Restricted cash relates to obligatory reserve funds and other deferred revenue as described in Note 5 below.

3. Long-term investments

	2018	2017
	\$	\$
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 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 \$56,740 (2017 - \$75,653) and are included in investment income.

4. Long-term receivable

The Municipality loaned the Saugeen Municipal Airport \$110,000 in October 2016. The loan bears interest at prime less 0.5% and requires monthly payments of principal and interest of \$1,048. The loan is due October 2026. The balance outstanding at the end of the year is \$88,626 (2017 - \$98,647).

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

5. Deferred revenue - obligatory reserve funds and other

A requirement of the public sector accounting principles of the Chartered Professional Accountants of Canada 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:

	2018	2017
	\$	\$
Obligatory Reserve Fund		
Recreational land	91,816	73,450
Community well being	43,234	128,246
Federal gas tax	817,454	513,456
Main street revitalization	46,336	-
	998,840	715,152
Other		
Government grant funding	2,752	19,848
Deposits	27,035	43,400
Other	176,909	155,922
	206,696	219,170
	1,205,536	934,322

The net change during the year in the obligatory reserve funds is as follows:

	2018	2017
	\$	\$
Balance, beginning of the year	715,152	494,961
Revenue recognized	(87,000)	(78,849)
Contributions	363,533	291,840
Interest earned	7,155	7,200
Balance, end of year	998,840	715,152

The net change during the year for the other deferred revenue is as follows:

	2018	2017
	\$	\$
Balance, beginning of year	219,170	239,098
Restricted funds received	138,270	32,130
Revenue recognized	(150,744)	(52,058)
Balance, end of year	206,696	219,170

CORPORATION OF THE MUNICIPALITY OF BROCKTON

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2018**

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CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

6. Loans payable

(a) Loans payable consist of the following:

	2018	2017
	\$	\$
Demand bank loan payable, interest at bank prime rate less .5%, payable \$5,208 monthly principal plus interest	937,500	1,000,000
Demand bank loan payable, interest at bank prime rate less .5%, payable \$5,868 monthly principal plus interest	340,346	410,763
Demand bank loan payable, interest at bank prime rate less .5%, payable \$2,579 monthly principal plus interest	309,811	340,698
Demand bank loan payable, interest at bank prime rate less .5%, payable \$5,371 monthly principal plus interest	358,570	656,790
Demand bank loan payable, interest at bank prime rate less .5%, payable \$3,126 monthly principal plus interest	187,576	225,091
Demand bank loan payable, interest at bank prime rate less .5%, payable \$5,375 monthly principal plus interest	387,000	451,500
Demand bank loan payable, interest at bank prime rate less .5%, payable \$1,048 monthly principal and interest	88,626	98,647
Demand bank loan payable, interest at bank prime rate less .5%, payable \$7,823 monthly principal and interest	1,057,408	1,122,968
Demand bank loan payable, interest at bank prime rate less .5%, payable \$7,291 monthly principal and interest	1,200,000	937,118
Demand bank loan payable, interest at bank prime rate less .5%, payable \$4,354 monthly principal and interest	427,233	-
Demand bank loan payable, interest at bank prime rate less .5%, payable \$2,981 monthly principal and interest	400,000	-
Demand bank loan payable, interest at bank prime rate less .5%, payable \$1,863 monthly principal and interest	250,000	-
Ontario Municipal Economic Infrastructure Financing Authority (OMEIFA), interest at 2.95%, semi-annual payments of \$40,631 principal and interest, due July 15, 2024	443,882	510,571
Saugeen Municipal Airport loan, interest at prime plus 0.25%, payable \$722 monthly plus interest, due on demand	40,411	43,983
Saugeen Municipal Airport loan, interest at prime plus 0.5%, payable \$1,048 monthly plus interest, due on demand	37,285	41,432
	6,465,648	5,839,561

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

6. Loans payable (continued)

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

	Principal	Interest
	\$	\$
2019	596,064	217,364
2020	604,573	197,307
2021	613,261	173,846
2022	622,239	156,547
2023	619,776	135,723
Thereafter	3,409,735	936,203

Loans payable approved after January 1, 1993 have been approved through by-law. The annual principal and interest payments required to service these loans are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs. Total interest charges on loans payable for the year reported on the consolidated statement of operations are \$148,478 (2017 - 115,951).

7. Short-term borrowing

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, 2018 the balance was \$NIL (2017 - \$NIL).

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 \$1,336 in 2018 (2017 - \$8,547) 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%.

9. Pension Agreements

The employees of the Municipality 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 most recent actuarial valuation of the Plan was conducted at December 31, 2017.

The amount contributed to OMERS for the current year was \$259,444 (2017 - \$216,518) for current service.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

10. 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 25 years. The total future closure and post-closure care costs are estimated to be \$2,196,904.

Brant landfill site

As at December 31, 2018, the Municipality has recognized in the consolidated financial statements an unfunded liability of \$85,622. This liability represents 55% 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 \$70,986 will be accrued as the remaining capacity of 66,395 cubic meters is utilized, which is expected to be over the next 7 years.

Greenock landfill site

As at December 31, 2018, the Municipality has recognized in the consolidated financial statements an unfunded liability of \$12,629. This liability represents 38% 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 \$20,609 will be accrued as the remaining capacity of 94,912 cubic meters is utilized, which is expected to be over the next 51 years.

Hanover/Walkerton landfill site

As at December 31, 2018, the Municipality has recognized in the consolidated financial statements an unfunded liability of \$368,867. This represents 50% of the total liability of \$737,733 shared with the Town of Hanover. This represents 100% of the present value of the estimated costs related to the phase of the landfill, that was closed in 2014, plus 6.0% of the total estimated costs related to the expansion phase. The liability is based on a total capacity of 917,000 cubic metres, an inflation rate of 1.5% and a discount rate of 3.54%.

The balance of the Municipality's share of the liability of \$1,242,912 will be accrued as the remaining capacity of 361,510 cubic metres is utilized over the 23 years estimated remaining life of the landfill.

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, 2018

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 \$836,552 (2017 - \$539,623) 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 (2017 - \$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 art nor historical treasures are held by the Municipality.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

12. Accumulated surplus

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

	2018	2017
	\$	\$
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	51,545,625	51,438,743
Tangible capital assets financed by loans payable and short-term borrowing to be funded in future years	(6,377,032)	(5,740,924)
Total invested in capital assets	45,168,593	45,697,819
Surplus		
Land held for sale	22,678	-
General area taxation	(569,592)	(742,639)
Walkerton BIA	2,353	11,158
Bradley Community Centre	3,887	2,262
Saugeen Municipal Airport	6,366	18,964
Bruce Area Solid Waste Recycling	(4,260)	-
Elmwood Community Centre	(184)	6,924
Saugeen Mobility & Regional Transit	329	352
Unfunded employee future benefits	(131,575)	(136,997)
Unfunded landfill closure and post-closure liability	(467,118)	(440,157)
Total surplus	44,031,477	44,417,686
Reserves set aside for specific purposes by Council		
Current purposes	(20,043)	69,115
Capital purposes	1,191,097	1,117,573
Total reserves	1,171,054	1,186,688
Reserve funds set aside for specific purposes by Council		
Capital purposes	8,907,291	8,080,265
Total accumulated surplus	54,109,822	53,684,639

13. Budget amounts

The operating budget approved by Council for 2018 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 2018 budget did not include figures for acquisition nor amortization of tangible capital assets.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

14. Net property taxation

Net property taxation consists of:

	2018	2017
	\$	\$
Taxation revenue	14,835,709	14,224,888
Amount levied and remitted to School boards	(2,439,044)	(2,460,696)
Amount levied and remitted to the County of Bruce	(4,075,632)	(3,900,184)
Net property taxation	8,321,033	7,864,008

15. Other revenues

Other revenues consist of the following:

	2018 Budget	2018 Actual	2017 Actual
		\$	\$
Penalties and interest on taxation	119,000	103,873	119,396
Rents	332,165	358,486	351,166
Investment income	94,241	74,750	90,459
Donations	11,800	17,578	93,607
Sale of non-TCA assets	49,330	173,021	39,050
	606,536	727,708	693,678

16. Trust fund

The trust fund administered by the municipality is for Perpetual Care and amounts to \$212,085 (2017 - \$208,560). 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, 2018

17. Commitments

- (a) Capital commitments of \$1,055,000 (2017 - \$1,357,722) are not reflected in the consolidated financial statements. This amount, for which funding is in place, represents uncompleted portions of contracts, 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 \$660,000 plus an adjustment for inflation for July 1, 2016 and subsequent years. The agreement expires June 30, 2021.
- (c) The Municipality currently leases space for its municipal office under a four year lease ending in October 2022. Annual payments are as follows:

2019	60,750
2020	63,792
2021	67,792
2022	58,125

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

2019	37,769
2020	33,893
2021	15,691
2022	14,977
2023	7,062

18. 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) The Municipality is contingently liable to the Province of Ontario for long-term liabilities outstanding for tile drainage loans in the amount of \$163,694 (2017 - \$316,722).
- (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.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

19. 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 the proportionate consolidation method:

	Bruce Area Solid Waste Recycling	Elmwood Community Centre	Hanover/ Walkerton Landfill	Saugeen Municipal Airport	Elmwood Fire Department	Saugeen Mobility & Regional Transit
	2018	2018	2018	2018	2018	2018
	\$	\$	\$	\$	\$	\$
Financial assets	2,883,665	24,521	953,899	79,947	176,437	253,623
Liabilities	162,306	24,888	877,380	215,577	2,134	300,623
Net financial assets (debt)	2,721,359	(367)	76,519	(135,630)	174,303	(47,000)
Non-financial assets	1,554,408	-	4,222,810	830,758	789,310	540,385
Accumulated surplus	4,275,767	(367)	4,299,329	695,128	963,613	493,385
General surplus	(32,921)	(367)	-	15,131	-	2,812
Unfunded liabilities	-	-	(749,050)	-	-	-
Invested in tangible capital assets	1,540,812	-	4,222,810	646,076	788,970	490,573
Reserves and reserve funds	2,767,876	-	825,569	33,921	174,643	-
	4,275,767	(367)	4,299,329	695,128	963,613	493,385
Revenues	3,057,540	64,733	918,774	199,697	249,437	1,929,610
Expenses	3,090,461	66,948	875,612	256,682	271,956	1,942,578
Annual surplus (deficit)	(32,921)	(2,215)	43,162	(56,985)	(22,519)	(12,968)

The Elmwood Community Centre financial statements do not include adjustments for tangible capital assets.

CORPORATION OF THE MUNICIPALITY OF BROCKTON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

20. Segmented information

The Municipality 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 services

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

Transportation services

Transportation services are 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 & Regional Transit.

Environmental services

Environmental services are 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, 2018

20.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.

21.Restatement of prior period

During the year, it was noted that an amount included in reserves in 2017 for funding received did not satisfy the definition of a reserve and should be classified as a deferred revenue - obligatory reserve fund. The prior year has been restated to adjust deferred revenue to actual. As a result, reserves were reduced by \$513,456, deferred revenue - obligatory reserve funds was increased by \$513,456, capital revenues reduced by \$295,329, and opening accumulated surplus reduced by \$218,217.

Draft

CORPORATION OF THE MUNICIPALITY OF BROCKTON

SCHEDULE 1 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2018

	Land	Land Improvements	Leasehold Improvements	Buildings and Improvements	Vehicles, Machinery, Equipment and Furniture	Water and Wastewater Infrastructure	Roads Infrastructure	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Balance, beginning of year	5,761,779	1,822,157	632,745	8,239,491	12,363,162	16,885,466	52,816,571	539,623	99,060,994
Additions	-	-	-	55,790	368,265	204,367	774,536	1,082,134	2,485,092
Disposals	-	-	-	-	(79,710)	(20,019)	(649,483)	-	(749,212)
Transfers	-	-	-	760,418	24,787	-	-	(785,205)	-
Balance, end of year	5,761,779	1,822,157	632,745	9,055,699	12,676,504	17,069,814	52,941,624	836,552	100,796,874
Accumulated amortization									
Balance, beginning of year	390,076	373,883	148,023	5,678,472	6,932,325	5,481,432	28,618,040	-	47,622,251
Amortization	79,180	59,164	63,275	179,934	559,713	307,871	923,183	-	2,172,320
Disposals	-	-	-	-	(60,122)	(9,572)	(473,628)	-	(543,322)
Balance, end of year	469,256	433,047	211,298	5,858,406	7,431,916	5,779,731	29,067,595	-	49,251,249
Net book value, end of year	5,292,523	1,389,110	421,447	3,197,293	5,244,588	11,290,083	23,874,029	836,552	51,545,625

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, 2017

	Land	Land Improvements	Leasehold Improvements	Buildings and Improvements	Vehicles, Machinery, Equipment and Furniture	Water and Wastewater Infrastructure	Roads Infrastructure	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Balance, beginning of year	5,761,779	1,759,373	632,745	8,455,238	12,046,316	16,439,288	52,506,906	-	97,601,645
Additions	-	62,784	-	27,022	354,052	673,024	747,325	539,623	2,403,830
Disposals	-	-	-	(242,769)	(37,206)	(226,846)	(437,660)	-	(944,481)
Transfers	-	-	-	-	-	-	-	-	-
Balance, end of year	5,761,779	1,822,157	632,745	8,239,491	12,363,162	16,885,466	52,816,571	539,623	99,060,994
Accumulated amortization									
Balance, beginning of year	310,896	317,004	147,642	5,662,015	6,453,502	5,216,653	28,139,776	-	46,247,488
Amortization	79,180	56,879	381	247,768	513,835	370,510	915,924	-	2,184,477
Disposals	-	-	-	(231,311)	(35,012)	(105,731)	(437,660)	-	(809,714)
Balance, end of year	390,076	373,883	148,023	5,678,472	6,932,325	5,481,432	28,618,040	-	47,622,251
Net book value, end of year	5,371,703	1,448,274	484,722	2,561,019	5,430,837	11,404,034	24,198,531	539,623	51,438,743

The accompanying notes are an integral part of
these financial statements