

**Corporation of the City of
Brockville
Consolidated
Financial Statements
For the year ended December 31, 2015**

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Consolidated Financial Statements
For the year ended December 31, 2015**

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Independent Auditors' Report

**To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the City of Brockville**

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Corporation of the City of Brockville (the "City") which comprise the consolidated statement of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of operations and accumulated surplus, change in net financial liabilities and cash flows for the years ended December 31, 2015 and December 31, 2014 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 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 entity'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 entity'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 qualified audit opinion.

Basis for Qualified Opinion

The City derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the City and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, annual surplus, assets and changes in accumulated surplus.

Qualified Opinion

Except as noted in the above paragraph, in our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Brockville as at December 31, 2015 and December 31, 2014 and the results of its operations and accumulated surplus, change in net financial liabilities and cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants
Licensed Public Accountants

Kingston, Ontario
June 28, 2016

MANAGEMENT REPORT

**Corporation of the City of Brockville
For the Year Ended December 31, 2015**

The accompanying consolidated financial statements of the Corporation of the City of Brockville (the "City") are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The City maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the City's assets are appropriately accounted for and adequately safeguarded.

The City's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

Council reviews and approves the City's financial statements for issuance to the members of Council, inhabitants and rate payers of the Corporation of the City of Brockville. Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the consolidated financial statements and the independent auditors' report.

The consolidated financial statements have been audited by Collins Barrow SEO LLP in accordance with generally accepted auditing standards on behalf of the City. Collins Barrow SEO LLP has full and free access to Council.

Mayor _____ Date _____

Treasurer _____ Date _____

Corporation of the City of Brockville

Consolidated Statement of Financial Position

December 31, 2015, with comparative figures for 2014

	2015	2014
Financial assets		
Cash and short-term investments (note 1)	\$ 9,709,002	\$ 11,103,295
Taxes receivable	3,284,408	2,296,760
Accounts receivable	4,404,170	3,680,507
	17,397,580	17,080,562
Financial liabilities		
Accounts payable and accrued liabilities	8,374,482	6,677,427
Accrued interest on net long-term liabilities	220,108	221,416
Short-term credit facility (note 2)	4,000,000	4,000,000
Deferred revenues - obligatory reserve funds (note 3)	1,206,691	1,193,778
Other deferred revenues (note 3)	565,989	1,796,445
Employee future benefits (note 4)	7,562,450	6,439,180
Solid waste landfill closure and post-closure liabilities (note 5)	3,064,000	3,173,000
Net long-term liabilities (note 6)	19,272,766	21,196,569
	44,266,486	44,697,815
Net financial liabilities	(26,868,906)	(27,617,253)
Non-financial assets		
Tangible capital assets (note 7)	123,397,072	119,417,095
Land held for sale	1,457,779	-
Inventory of supplies	497,124	542,152
Prepaid expenses	390,761	481,724
	125,742,736	120,440,971
Commitments (note 8)		
Contingencies (notes 6 and 9)		
Accumulated surplus (note 10)	\$ 98,873,830	\$ 92,823,718

Corporation of the City of Brockville

Consolidated Statement of Operations and Accumulated Surplus

December 31, 2015, with comparative figures for 2014

	Budget 2015	Actual 2015	Actual 2014
	(Note 15)		
Revenues			
Property taxation	\$ 33,424,160	\$ 34,346,421	\$ 32,134,031
Taxation from other governments	442,207	423,228	425,133
User charges	12,754,896	13,570,936	12,895,422
Charges to other municipalities	2,461,346	1,381,373	1,432,069
Government grants (note 11)	4,374,281	6,258,234	5,743,899
Contributions from developers	-	-	32,895
Penalties and interest on taxes	492,348	503,603	420,735
Investment income	131,580	137,266	172,049
Donations and fundraising	51,177	1,234,683	697,981
Gain on disposal of tangible capital assets	-	475,556	344,380
Recovery of expenses and miscellaneous	502,829	889,456	824,727
	54,634,824	59,220,756	55,123,321
Expenses			
General government	5,131,794	5,415,497	3,801,464
Protection	13,988,483	15,245,580	15,339,857
Transportation services	5,650,638	7,300,792	7,861,723
Environmental services	9,225,011	10,956,312	10,759,152
Health services	1,805,083	1,915,310	1,766,635
Social and family services	3,452,581	3,079,386	3,039,964
Social housing	1,016,161	1,010,935	1,004,784
Recreation and cultural services	4,620,388	5,982,873	5,192,910
Planning and development	1,967,840	2,263,959	1,961,686
	46,857,979	53,170,644	50,728,175
Annual surplus	7,776,845	6,050,112	4,395,146
Accumulated surplus, beginning of year		92,823,718	88,428,572
Accumulated surplus, end of year (note 10)		\$ 98,873,830	\$ 92,823,718

Corporation of the City of Brockville

Consolidated Statement of Change in Net Financial Liabilities

December 31, 2015, with comparative figures for 2014

	2015	2014
Annual Surplus	\$ 6,050,112	\$ 4,395,146
Acquisition of tangible capital assets (note 7)	(8,147,605)	(8,635,795)
Acquisition of land held for resale	(1,457,779)	-
Amortization of tangible capital assets (note 7)	4,050,039	4,188,944
(Loss) gain on disposal of tangible capital assets	(399,279)	(27,431)
Proceeds from disposal of tangible capital assets	516,868	374,744
	612,356	295,608
Change in inventory of supplies	45,028	15,543
Change in prepaid expenses	90,963	(196,494)
Change in net financial liabilities	748,347	114,657
Net financial liabilities, beginning of year	(27,617,253)	(27,731,910)
Net financial liabilities, end of year	\$ (26,868,906)	\$ (27,617,253)

Corporation of the City of Brockville

Consolidated Statement of Cash Flows

December 31, 2015, with comparative figures for 2014

	2015	2014
Cash Provided by (used for)		
Operating activities		
Annual surplus	\$ 6,050,112	\$ 4,395,146
Items not involving cash		
Amortization of tangible capital assets (note 7)	4,050,039	4,188,944
Gain on disposal of tangible capital assets	(399,279)	(27,431)
Employee future benefits	1,123,270	1,217,420
Solid waste landfill closure and post-closure liability	(109,000)	(157,000)
Increase in taxes receivable	(987,647)	(289,079)
Decrease (increase) in accounts receivable	(723,664)	512,951
Increase (decrease) in accounts payable and accrued liabilities	1,697,053	(1,616,653)
Decrease in accrued interest on net long-term liabilities	(1,308)	(21,266)
Decrease in deferred revenues	(1,217,542)	(1,024,552)
Decrease in inventory of supplies	45,028	15,543
Decrease (increase) in prepaid expenses	90,963	(196,494)
	9,618,025	6,997,529
Financing activities		
Repayments from short-term credit financing	-	(4,000,000)
Proceeds from net long-term liabilities	-	4,000,000
Principal payments on net long-term liabilities	(1,923,802)	(2,396,431)
	(1,923,802)	(2,396,431)
Capital activities		
Proceeds from disposal of tangible capital assets	516,868	374,744
Acquisition of tangible capital assets (note 7)	(8,147,605)	(8,635,795)
Acquisition of land held for resale	(1,457,779)	-
	(9,088,516)	(8,261,051)
Decrease in cash and short-term investments	(1,394,293)	(3,659,953)
Cash and short-term investments, beginning of year	11,103,295	14,763,248
Cash and short-term investments, end of year	\$ 9,709,002	\$ 11,103,295
Non-cash financing activities:		
Principal payments on own debentures	\$ -	\$ -

Corporation of the City of Brockville Summary of Significant Accounting Policies

December 31, 2015

The Corporation of the City of Brockville (the "City") is a municipality in the Province of Ontario, Canada. It conducts its operations under the direction of its elected Council, guided by the provisions of provincial statutes such as the Municipal Act, 2001, Municipal Affairs Act and related legislation.

The consolidated financial statements of the City are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant accounting policies are as follows:

Reporting Entity

i) Consolidated entities

These consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the municipal Council and which are owned or controlled by the City and include the following:

- City of Brockville
- Brockville Public Library
- Downtown Business Improvement Area

All interfund assets and liabilities and revenues and expenses are eliminated.

ii) Accounting for School Board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the local school boards are not reflected in these consolidated financial statements.

Education levies collected for the local school boards and then advanced to the local school boards totaled \$9,061,394.

iii) Trust funds

Trust funds and their related operations administered by the City are not included in the consolidated financial statements but are reported separately.

Investments

Investments are recorded at cost.

Corporation of the City of Brockville Summary of Significant Accounting Policies

December 31, 2015

Revenue Recognition

Taxation Revenue

Property tax billings are prepared by the City based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) and in accordance with the provisions of the Municipal Act, 2001. The City's Council establishes the tax rates annually, incorporating amounts to be raised for local services, and amounts the City is required to collect on behalf of the School Boards. From time to time property assessments are adjusted by MPAC through the reconsideration process or by the Assessment Review Board through the appeal process. Additional assessments, referred to as supplementary and omitted assessments can also be issued by MPAC in accordance with the Assessment Act. These adjustments and additional assessments are reported by the City when they can be reasonably determined.

Government Grants

Government grants are recognized as revenue in the year in which the events giving rise to the grant occur, providing the grants are authorized, any eligible criteria have been met and reasonable estimates of the amounts can be made. Receipts which are restricted by legislation of senior governments are reported as deferred revenues - obligatory reserve funds and included in revenues in the year that they are applied to qualifying expenses.

Other Revenues

User charges, with the exception of development charges, are recognized as revenue in the year the goods and services are provided.

Development charges, payments in lieu of parkland and funding received under public transit and gasoline tax programs are received under the authority of federal and provincial legislation and the use of these funds is restricted to applicable expenses. They are recorded as deferred revenues - obligatory reserve funds and included in revenues in the year that they are applied to qualifying expenses.

Investment Income

Investment income earned on development charges, parkland reserve funds and other obligatory reserve funds is recorded as deferred revenue and included in municipal revenues in the year that they are applied to qualifying expenses. Other investment income is reported in revenues in the period earned.

Corporation of the City of Brockville Summary of Significant Accounting Policies

December 31, 2015

Non-financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the City because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the City unless they are sold.

Employee Future Benefits

The City accrues its obligations under employee benefit plans as the employees render the services necessary to earn non-pension post-retirement benefits. The cost of such benefits earned by the employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of the retirement ages of employees.

Actuarial valuations are prepared every three years, or more often at the discretion of management. In the years between valuations, an extrapolation is used to compute the expected accrued benefits obligation and related expenses.

Actuarial gains and losses on the accrued benefit obligation arise from the difference between actual and expected experiences and from changes in actuarial assumptions used to determine the obligation. These gains or losses are amortized on a straight-line basis over the average remaining service period of active employees.

The City also accrues its obligations for post-employment benefits when an event that obligates the City occurs such as parental and short-term sick leaves.

Solid Waste Landfill Closure and Post-closure Liabilities

The City accrues landfill closure costs including final covering and landscaping of the site, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liabilities have been recognized based on management's best estimate of future expenses, long-term inflation rates and discount rates.

Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liabilities, and would be recognized prospectively, as a change in estimates, when applicable.

Inventories of Supplies

Inventories of supplies are held for consumption and are stated at the lower of cost and replacement cost.

Inventories Held for Resale

Inventories of land held for resale are stated at the lower of cost and net realizable value.

Corporation of the City of Brockville Summary of Significant Accounting Policies

December 31, 2015

Tangible Capital Assets

- i) Tangible capital assets are recorded at cost (or estimated cost when historical cost records are not available) which includes amounts that are directly attributable to the acquisition, construction, development or betterment of the assets.

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

Assets	Useful life-years
General capital	
Land improvements	15-50 years
Buildings	5-50 years
Machinery, furniture and equipment	3-30 years
Vehicles	6-25 years
Infrastructure	
Plants and facilities	10-60 years
Roads	20-75 years
Water and wastewater	50-75 years

Amortization is charged from the date of acquisition to the date of disposal. Assets under construction are not amortized until the asset is put into service.

- ii) Tangible capital assets disclosed at nominal values
Where an estimate of fair value can not be made to an asset, the tangible capital asset is recognized at a nominal value.
- iii) Contributions of tangible capital assets
Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.
- iv) Capitalized interest
Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.
- v) Works of art and historical treasures
The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets.

Corporation of the City of Brockville Summary of Significant Accounting Policies

December 31, 2015

Use of Estimates

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include amortization of tangible capital assets, employee future benefits, solid waste landfill closure and post-closure liabilities. Actual results could differ from these estimates.

Deferred Revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

Fund Accounting

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

Corporation of the City of Brockville Notes to Consolidated Financial Statements

December 31, 2015

1. Cash and Short-term Investments

The City invests its cash with one or more Canadian Schedule I banks.

	2015	2014
Unrestricted	\$ 5,847,226	\$ 6,242,023
Restricted	3,861,776	4,861,272
	\$ 9,709,002	\$ 11,103,295

2. Short-term Credit Facility

The City has kept its short-term credit facilities from the Ontario Infrastructure Land Corporation (OILC) as bridge financing for the Water Pollution Control Centre Upgrade and construction of the Aquatarium (see note 8(b)). Funds advanced bear interest at a floating annual rate based on OILC's cost of funds plus OILC's prevailing spread assigned to the municipal sector with an effective rate during 2015 of 1.41% (2014 - 1.66%). The advances are repayable in full on the earlier of the date the debenture financing is obtained for the projects or the facility termination date.

Credit Facility	Water Pollution Control Centre Upgrade	Facility Termination Date
\$ 6,400,000	\$ 2,400,000	On Demand
2,600,000	1,600,000	November 10, 2016
\$ 9,000,000	\$ 4,000,000	

Corporation of the City of Brockville Notes to Consolidated Financial Statements

December 31, 2015

3. Deferred Revenues

Obligatory Reserve Funds

Canadian public sector accounting standards require that obligatory reserve funds are reported as deferred revenues as federal and provincial legislation or agreements restrict how these funds may be used. The balances in the obligatory reserve funds of the City are summarized as follows:

	2015	2014
Development charges	\$ 350,117	\$ 272,746
Parkland	15,522	9,289
	365,639	282,035
Provincial gasoline tax	-	57,728
Federal gasoline tax	841,052	854,015
	841,052	911,743
	\$ 1,206,691	\$ 1,193,778

The continuity of deferred revenue - obligatory reserve funds is as follows:

	2015	2014
Balance , beginning of the year	\$ 1,193,778	\$ 1,163,968
Amounts received		
Developer contributions	80,260	52,778
Gas tax funding	1,266,510	1,413,064
Interest	23,178	45,334
	2,563,726	2,675,144
Amounts transferred		
To operations	126,402	131,366
To capital	1,230,633	1,350,000
	1,357,035	1,481,366
Balance , end of the year	\$ 1,206,691	\$ 1,193,778

Corporation of the City of Brockville Notes to Consolidated Financial Statements

December 31, 2015

3. Deferred Revenues (continued)

Other Deferred Revenues

The other deferred revenues are comprised as follows:

	2015	2014
Aquarium	\$ 14,500	\$ 1,289,489
WPCC Provincial Control Grants	383,458	383,458
Other	168,031	123,498
	\$ 565,989	\$ 1,796,445

4. Employee Future Benefits

	2015	2014
Post-retirement medical and life insurance (note 4(b))	\$ 5,204,739	\$ 4,782,180
Unused sick leave (note 4(c))	822,121	857,911
Workplace Safety and Insurance Board costs (note 4(d))	1,535,590	799,089
	\$ 7,562,450	\$ 6,439,180

- a) The City has defined benefit plans providing post-retirement medical (until age 65) and life insurance benefits covering substantially all retirees and employees.

An actuarial valuation was prepared as at December 31, 2015. The significant actuarial assumptions adopted in measuring the City's accrued post-retirement benefits liability are as follows:

	2015	2014
Discount rate	3.0%	3.0%
Rate of compensation increase	3.0%	3.0%

The assumed medical cost trend rate at December 31, 2015 was 6.88% decreasing to 4.5% by 2035 (2014 - 7.59% decreasing to 4.5% by 2030).

**Corporation of the City of Brockville
Notes to Consolidated Financial Statements**

December 31, 2015

4. Employee Future Benefits (continued)

b) Information about the City's post-retirement benefit plans is as follows:

	2015	2014
Accrued benefits obligation, beginning of year	\$ 5,687,601	\$ 5,122,799
Current service cost	295,823	275,038
Interest on accrued benefits	177,182	159,841
Benefit payments	(154,738)	(139,582)
Plan amendments	(295,269)	269,505
	5,710,599	5,687,601
Unamortized actuarial losses	505,860	905,421
	\$ 5,204,739	\$ 4,782,180

Actuarial gains and losses are being amortized over 12 years.

c) Some employees of the City can accumulate unused sick leave and may become entitled to a cash payment when they leave the City's employment.

Significant actuarial assumptions adopted in measuring the City's accrued benefits under this plan are similar to those listed in (a) above.

Information about the City's sick leave benefits plan is as follows:

	2015	2014
Accrued benefits obligation, beginning of year	\$ 857,911	\$ 768,089
Current service cost, interest on accrued benefits and actuarial losses	39,744	134,556
Benefit payments	(75,534)	(44,734)
	\$ 822,121	\$ 857,911

d) The City was a Schedule 2 employer with respect to the Workplace Safety and Insurance Board ("WSIB") during the period from February 2003 to February 2008. As a result, the City is responsible for the cost of employee accident claims that arose during that period. The WSIB administers the claims and bills accident costs plus an administration fee to the City. The WSIB has estimated future benefits costs related to workplace injuries to be \$1,535,590 (2014 - \$799,089).

Corporation of the City of Brockville Notes to Consolidated Financial Statements

December 31, 2015

5. Solid Waste Landfill Closure and Post-closure Liabilities

The City ceased to operate its solid waste landfill site on December 31, 2000, but is required to complete certain closure procedures and to conduct post-closure procedures. The main components of the closure plan are final capping and landscaping. The post-closure care will involve surface water and ground water monitoring and venting gas. The recorded liabilities are the present value of future cash flows associated with the closure and post-closure costs, discounted using an average long-term borrowing rate of 4.0% and an annual inflation rate of 2.0% and an estimated 19 years for post-closure care. The estimated undiscounted future cash flows associated with closure and post-closure care are \$4,375,000, of which \$1,311,000 will be recognized in future years.

	2015	2014
Estimated costs to complete closure	\$ 320,000	\$ 320,000
Recorded post-closure costs	2,744,000	2,853,000
	\$ 3,064,000	\$ 3,173,000

6. Net Long-term Liabilities

- a) The net long-term liabilities reported on the Consolidated Statement of Financial Position represent debentures issued by the City and are made up of the following:

	2015	2014
Total long-term liabilities incurred by the City	\$ 27,103,691	\$ 29,639,220
Less: amounts assumed by other municipalities with respect to St. Lawrence Lodge	(7,830,925)	(8,442,651)
	\$ 19,272,766	\$ 21,196,569

Included in the total long-term liabilities are global debentures totaling \$19,705,398 (2014 - \$21,244,731) issued during 2004 and 2005 with respect to St. Lawrence Lodge. They include direct obligations of the City in respect of the principal amount and also include distinct joint and several obligations of the City and each of the United Counties of Leeds and Grenville, the Town of Prescott and the Town of Gananoque ("participating municipalities").

The joint and several obligations of the three municipalities amount to \$7,830,925 (2014 - \$8,442,651). As the participating municipalities have assumed responsibility for repayment of these obligations, they have been deducted from the City's net long-term liabilities.

The City is contingently liable for the long-term liabilities assumed by the participating municipalities.

**Corporation of the City of Brockville
Notes to Consolidated Financial Statements**

December 31, 2015

6. Net Long-term Liabilities (continued)

b) Principal is due on net long-term liabilities as follows:

	Principal	Interest	Total
2016	\$1,879,232	\$748,660	\$2,627,892
2017	1,840,513	667,749	2,508,262
2018	1,673,987	592,703	2,266,690
2019	1,686,057	522,482	2,208,539
2020	1,607,736	452,715	2,060,451
2021 and subsequent years	10,585,241	1,422,646	12,007,887
	\$19,272,766	\$4,406,955	\$23,679,721

- c) Interest rates on the long-term liabilities range from 2.00% to 5.65% (2.00% to 5.65% on the global debentures with respect to St. Lawrence Lodge) payable semi-annually. Interest on long-term liabilities amounted to \$1,237,940 (2014 - \$1,296,073).
- d) The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

**Corporation of the City of Brockville
Notes to Consolidated Financial Statements**

December 31, 2015

7. Tangible Capital Assets

Cost	Balance, December 31, 2014	Additions (net of transfers)	Disposals / Transfers	Balance, December 31, 2015
General capital				
Land	\$ 5,455,387	\$ -	\$ 31,314	\$ 5,424,073
Land improvements	3,810,139	112,831	-	3,922,970
Buildings	14,948,725	68,695	-	15,017,420
Machinery, furniture and equipment	12,559,188	525,207	297,225	12,787,170
Vehicles	5,371,813	969,261	267,407	6,073,667
Infrastructure				
Plants and facilities	54,511,768	80,552	-	54,592,320
Roads	47,380,665	1,001,700	444,660	47,937,705
Water and waste water	24,950,955	257,796	55,616	25,153,135
Assets under construction	14,684,454	5,143,700	60,558	19,767,596
Library - books	465,416	48,420	-	513,836
Total	\$ 184,138,510	\$ 8,208,162	\$ 1,156,780	\$ 191,189,892

Accumulated amortization	Balance, December 31, 2014	Additions	Disposals	Balance, December 31, 2015
General capital				
Land improvements	\$ 2,341,270	\$ 104,590	\$ -	\$ 2,445,860
Buildings	10,660,766	285,890	-	10,946,656
Machinery, furniture and equipment	6,173,062	725,845	297,225	6,601,682
Vehicles	3,816,959	355,344	252,322	3,919,981
Infrastructure				
Plants and facilities	10,692,971	1,163,681	-	11,856,652
Roads	23,608,584	1,106,104	418,062	24,296,626
Water and waste water	7,131,327	252,426	11,025	7,372,728
Library - books	296,476	56,159	-	352,635
Total	\$ 64,721,415	\$ 4,050,039	\$ 978,634	\$ 67,792,820

	Net book value December 31, 2014	Net book value December 31, 2015
General capital		
Land	\$ 5,455,387	\$ 5,424,073
Land improvements	1,468,869	1,477,110
Buildings	4,287,959	4,070,764
Machinery, furniture and equipment	6,386,126	6,185,488
Vehicles	1,554,854	2,153,686
Infrastructure		
Plants and facilities	43,818,797	42,735,668
Roads	23,772,081	23,641,079
Water and waste water	17,819,628	17,780,407
Assets under construction	14,684,454	19,767,596
Library - books	168,940	161,201
Total	\$ 119,417,095	\$ 123,397,072

During the year there was no write-downs of assets (2014 - \$Nil) and no interest capitalized (2014 - \$Nil).

Corporation of the City of Brockville Notes to Consolidated Financial Statements

December 31, 2015

8. Commitments

- a) The City has a 10-year contract for waste removal through to 2022. The annual cost of this contract is estimated at \$920,195.
- b) The City has entered into a partnership agreement to construct a destination tourist site to be called the Aquatarium (previously to be called Maritime Discovery Centre). The total project costs for the facility including parking is estimated to be \$22.9 million.

The project is being developed through a partnership between a third party builder, the City and Build Canada capital funding. The Build Canada fund has committed to a total of \$11.4 million representing two thirds of eligible expenses. The builder has committed a further \$3.4 million towards the project leaving a balance to be funded of \$8.1 million. A fundraising goal has been revised to \$4 million with \$2.4 million collected to date, and \$675,000 committed through 2019. The net responsibility from the City of any shortfall should the fundraising campaign not be met is \$3.8 million of which \$3.4 million has been paid to December 31, 2015.

The City entered into an agreement with a not-for-profit organization to operate the Aquatarium (once complete). The City has committed for at least the next 10 years annual funding of \$150,000 as well as in-kind services of accounting, financial management, insurance, property tax exemption, water charges and administrative charges and expenses.

9. Contingencies

- a) The City has been named in a claim seeking damages in the amount of \$4,186,000. This action is covered by the City's insurance and is being defended by the City's insurers.
- b) The nature of the City's activities is such that there is usually litigation pending or in prospect at any time. Management is of the opinion that the City has valid defences and appropriate insurance coverage in place for claims for damages and related costs.

Corporation of the City of Brockville Notes to Consolidated Financial Statements

December 31, 2015

10. Accumulated Surplus

a) The accumulated surplus consists of:

	2015	2014
Reserves and reserve funds		
Water treatment and distribution system	\$ 2,085,025	\$ 2,227,180
Waste water treatment system	2,617,814	2,472,355
Library board	14,984	21,516
	4,717,823	4,721,051
Reserves		
Fiscal policy (note 10(b))	1,291,340	1,000,167
Working capital	430,373	430,374
Projects deferred to the following year	337,109	226,822
Reserve for Future Capital	400,000	200,000
	2,458,822	1,857,363
Reserve funds (note 12)	2,005,133	2,529,113
	4,463,955	4,386,476
Investment in tangible capital assets	123,397,072	119,417,095
Investment in land	1,457,779	-
	124,854,851	119,417,095
Funds available for acquisition of capital assets		
Projects in progress	3,236,981	2,568,525
Completed projects	7,968	7,968
Acquisition of capital assets to be recovered from		
Taxation and user fees	(1,214,929)	(1,338,833)
Issue of long-term liabilities	(7,073,495)	(5,908,399)
	(5,043,475)	(4,670,739)
Unfunded costs		
Accrued interest on net long-term liabilities	(220,108)	(221,416)
Employee future benefits	(7,562,450)	(6,439,180)
Solid waste landfill closure and post-closure liabilities	(3,064,000)	(3,173,000)
Net long-term liabilities	(19,272,766)	(21,196,569)
	(30,119,324)	(31,030,165)
	\$ 98,873,830	\$ 92,823,718
b) Fiscal policy reserve		
Balance, beginning of year	\$ 1,000,167	\$ 772,651
Net transfers included in budget	190,995	200,000
Operating surplus	100,178	27,516
	\$ 1,291,340	\$ 1,000,167

Corporation of the City of Brockville Notes to Consolidated Financial Statements

December 31, 2015

11. Government Grants

Included in government grants is \$2,857,991 (2014 - \$2,855,120) of provincial grants and \$3,400,243 (2014 - \$2,888,780) of federal grants.

12. Reserve Funds

Reserve funds consist of:

	2015	2014
Landfill site	\$ 21,030	\$ 20,770
Specific reserve funds for acquisition of capital assets	712,642	1,259,934
Specific reserve funds to provide for future operating expenses	714,999	803,231
Parking facilities	507,398	436,525
Hydro One proceeds management	8,758	8,653
Refugee fund	40,306	-
	\$ 2,005,133	\$ 2,529,113

13. Pension Agreement

Substantially all of the employees of the City are members of the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer defined benefit pension plan. The plan specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay.

Contributions to the plan made during the year by the City on behalf of its employees amounted to \$1,820,397 (2014 - \$1,793,715) and are included as expenses in the consolidated statement of operations and accumulated surplus.

The most recent actuarial valuation was at December 31, 2015 and the December 31, 2015 financial statements of OMERS report net assets of \$77.2 billion and an actuarial funding deficit of \$7.0 billion.

14. Trust Funds

Trust funds administered by the City amounting to \$1,314,063 (2014 - \$1,271,185) have not been included in the consolidated statement of financial position and their financial activities have not been included in the consolidated statements of operations and accumulated surplus.

Corporation of the City of Brockville Notes to Consolidated Financial Statements

December 31, 2015

15. Budget

The following represents the approved budget restated to conform with the presentation format of the consolidated statement of operations. The current year actual revenues and expenses are presented for comparison.

	Budget	Actual
Revenues		
Operations		
Levy	\$ 34,261,160	\$ 34,878,668
Provincial grants	1,391,340	1,463,401
User fees	5,164,293	5,913,949
Other revenues and recoveries	4,014,317	4,815,492
	44,831,110	47,071,510
Water	4,165,608	4,115,796
Wastewater	4,899,832	4,882,300
Library Board net of municipal levy	133,080	188,072
Capital	8,360,058	11,781,664
Reserve funds	-	23,984
	62,389,688	68,063,326
Less:		
Transfers from other funds	(4,032,315)	(5,930,353)
Internal charges netted for financial statement presentation purposes	(2,107,609)	(2,870,902)
Proceeds from net long-term liabilities	(1,614,940)	-
Proceeds from disposal of tangible capital assets	-	(516,868)
Gain on disposal of tangible capital assets	-	475,553
	(7,754,864)	(8,842,570)
	\$ 54,634,824	\$ 59,220,756
Expenses		
Operations	\$ 44,831,110	\$ 47,071,506
Water	4,165,608	4,257,950
Wastewater	4,899,831	4,940,595
Library Board net of municipal levy	724,645	852,054
Capital	8,360,058	12,154,401
	62,981,252	69,276,506
Less:		
Transfers to other funds	(4,842,450)	(6,187,838)
Internal charges netted for financial statement presentation purposes	(2,741,789)	(1,923,802)
Principal payments on net long-term liabilities	(2,754,284)	(3,528,113)
Acquisition of tangible capital assets	(5,784,750)	(9,605,384)
	(16,123,273)	(21,245,137)
Add items included in expenses not included in budget:		
Amortization of tangible capital assets	-	4,050,039
Change in unfunded liabilities	-	1,012,962
Loss on disposal of tangible capital assets	-	76,274
	-	5,139,275
	\$ 46,857,979	\$ 53,170,644

Corporation of the City of Brockville Notes to Consolidated Financial Statements

December 31, 2015

15. Budget (continued)

Budget figures reported on the Consolidated Statement of Operations are based on 2015 operating and capital budgets as approved by Council on May 26, 2015 (By-law 046-2015) and include subsequent council approved amendments. Budget figures reported in these financial statements are not subject to an audit.

16. St. Lawrence Lodge

Operations

The St. Lawrence Lodge (the "Lodge") makes an annual assessment to the participating municipalities for operating expenditures and minor capital costs that are not funded by other sources of revenue (primarily resident fees and subsidy from the Province of Ontario). The Lodge tracks the residents based on the municipality that they lived in prior to entering the facility (if they resided in one of the four participating municipalities). The annual assessment is allocated to the municipalities based on a five-year rolling average of the percentage of residents from their jurisdiction. The City's allocation for 2015 was 55.8% (2014 - 55.5%).

Operating levies and any excess of operating revenue over expenditures (expenditures over revenue) is allocated to the municipalities based on the percentage of assessments used for that year.

During the year, the Lodge allocated \$227,000 from a Capital Reserve to Surplus from Operations of which the City's portion was \$115,316.

Redevelopment

The Lodge redeveloped its facility over a number of years resulting in occupancy in 2006. The cost was approximately \$34,500,000 of which \$32,400,000 was financed by debentures issued by the City of Brockville. The Province of Ontario is committed to providing \$846,192 annually until the debentures are repaid in 2025. The municipalities have agreed to fund the balance of the amounts required to repay the debentures and pay the interest due on those obligations in a fixed ratio being:

City of Brockville	60.26%
United Counties of Leeds and Grenville	28.57%
Town of Prescott	9.38%
Town of Gananoque	1.79%

The excess (or shortfall) of municipal funding over interest on long-term liabilities and amortization of the new facility is allocated to municipal surplus using those ratios and represents the difference between the timing of funding (received over 20 years) and the amortization of the building (over 40 years). Ultimately, at the end of 2046, the surplus will be reduced to \$Nil.

Corporation of the City of Brockville Notes to Consolidated Financial Statements

December 31, 2015

16 St. Lawrence Lodge (continued)

The City's portion of the Lodge's accumulated surplus is as follows:

	2015	2014
Decficit from Operations	\$ (443,674)	\$ (187,264)
Surplus from Redevelopment	1,252,309	865,519
	\$ 808,635	\$ 678,255

During the year, the City had the following transactions with the Lodge:

- The City contributed to the Lodge an annual operating grant of \$906,860 (2014 - \$884,695)
- As described in the net long-term liabilities note 6, the City issued debentures with respect to the Lodge. The total debenture payments for the year were \$3,773,473 of which the City was responsible for \$2,755,687 (2014 - \$3,257,494), the other Lodge partners \$1,017,786 (2014 - \$1,017,786) and the Ministry of Health and Long Term Care \$846,192 (2014 - \$845,126)

These transactions were in the normal course of operations and are measured at the exchange value, the amount of consideration established and agreed to by the related parties, which approximates the arm's length equivalent value for such transactions.

17. Expenses by Object

The following is a summary of the expenses by object:

	Budget 2015	Actual 2015	Actual 2014
Salaries, wages and benefits	\$ 25,651,870	\$ 26,589,157	\$ 26,170,346
Interest on long-term liabilities	1,366,626	830,578	839,797
Materials and supplies	8,062,641	9,487,819	8,176,605
Contracted services	6,585,309	6,448,792	5,761,466
Rents and financial services	40,211	44,871	44,993
Transfer payments	5,151,322	5,643,114	5,229,076
Amortization of tangible capital assets	-	4,050,039	4,188,944
Loss on disposal of tangible capital assets	-	76,274	316,948
	\$ 46,857,979	\$ 53,170,644	\$ 50,728,175

Corporation of the City of Brockville Notes to Consolidated Financial Statements

December 31, 2015

18. Contaminated Lands

The City owns several pieces of property that are deemed to be contaminated. While they do not present a threat to the surrounding population, they would all require remediation before any developmental initiatives are pursued. No remediation amounts have been accrued for in these financial statements. The identified contaminated sites are as follows:

Tunnel Site

The City owns a tunnel site where it is believed that there are some old, unmined coal deposits. Sufficient investigation has not been completed to allow for a reasonable estimate of the related clean-up costs. It is not anticipated, at this time, that there will be a need to remediate, especially considering that there are not plans to develop the site and it currently poses no public threat.

Old Fuel Sites

The City owns several former fuel distribution sites, which are now contaminated from fuel discharge resulting from normal usage. Clean-up activities, which began in 2015, are to be completed in 2016. The City estimates that \$85,000 will be spent in 2016 to complete the remediation. This estimate has not been recorded in these financial statements.

Other Brownfields

The City owns several other sites that it classifies as brownfields, but there has been no estimate on remediation costs as there are no plans of developing these sites.

19. Financial Instruments

Financial instruments are financial assets or liabilities of the City where, in general, the City has the right to receive cash or another financial asset from another party or the City has the obligation to pay another party cash or other financial assets.

Financial instruments consist of cash and short-term investments, taxes receivable, accounts receivable, accounts payable and accrued liabilities, accrued interest on net long-term liabilities, short-term credit facilities, employee future benefits, solid waste landfill closure and post-closure liabilities and net and long-term liabilities.

The City initially recognized its financial instruments at fair value and subsequently measures them at amortized cost.

Financial assets measured at cost or amortized cost are tested for impairment at the end of each year and the amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement and the amount of the reversal is recognized in net income. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost.

Corporation of the City of Brockville Notes to Consolidated Financial Statements

December 31, 2015

20. Segmented Information

The City is a municipal government organization that provides a range of services to its residents. City services are reported by function and their activities are separately disclosed in the segmented information.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes and certain unconditional government transfers are apportioned based on each segment's net requirement.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the summary of significant accounting policies. For additional information see the Consolidated Schedule of Segment Disclosure.

The activities that are included in each functional line of services are as follows:

General government consists of the Mayor and Council, the City Manager and administrative services which include the Clerk, Finance, Human Resources and Information Technology departments.

Protection consists of Fire, Police and By-law Enforcement departments as well as contributions to the Cataraqui Region Conservation Authority.

Transportation services include engineering, road and sidewalk construction and maintenance, winter control, traffic operations and parking.

Environmental services include the operations of waterworks, sanitary and storm sewers, wastewater treatment, solid waste disposal and recycling.

Health services consists of cemetery management and maintenance and transfers to the local Health Unit.

Social and family services consists of transfers to the United Counties of Leeds and Grenville for social and family services, transfers to St. Lawrence Lodge and interest on net long-term liabilities with respect to St. Lawrence Lodge.

Social housing consists of transfers to the United Counties of Leeds and Grenville.

Recreational and cultural services is comprised primarily of parks services and the operation of recreational facilities, the library and the museum.

Planning and development is comprised of planning and zoning and economic development.

Corporation of the City of Brockville

Notes to Consolidated Financial Statements

December 31, 2015

18. Segmented Information (continued)

2015	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Social Housing	Library	Recreational and Cultural Services	Planning and Development	Total
Revenues											
Property taxation	\$ 3,853,665	\$ 12,698,173	\$ 4,913,298	\$ 1,633,448	\$ 1,626,822	\$ 3,162,057	\$ 930,654	\$ 592,030	\$ 3,202,711	\$ 1,733,563	\$ 34,346,421
Taxation from other governments	375,431	-	12,942	31,113	-	-	-	-	3,742	-	423,228
User charges	165,673	1,538,131	1,069,547	8,743,685	126,258	-	-	42,742	1,646,068	238,832	13,570,936
Charges to other municipalities	150,064	444,229	-	232,786	-	509,915	-	44,379	-	-	1,381,373
Government grants	666,590	316,484	939,377	384,996	-	-	-	71,695	3,542,868	336,224	6,258,234
Penalties and interest on taxes	437,808	-	-	65,795	-	-	-	-	-	-	503,603
Investment income	126,084	-	1,072	8,264	-	-	-	1,846	-	-	137,266
Donations and fundraising	120,157	7,050	-	-	-	135,494	-	15,227	887,054	69,701	1,234,683
Gain on sale of capital assets	443,655	-	710	1,191	-	-	-	-	30,000	-	475,556
Recovery of expenditures and miscellaneous	257,485	95,238	317,430	31,352	46,527	1,250	-	1,855	42,357	95,962	889,456
Total Revenue	\$ 6,596,612	\$ 15,099,305	\$ 7,254,376	\$ 11,132,630	\$ 1,799,607	\$ 3,808,716	\$ 930,654	\$ 769,774	\$ 9,354,800	\$ 2,474,282	\$ 59,220,756
Expenses											
Salaries, wages and benefits	\$ 1,930,623	\$ 13,286,356	\$ 2,999,363	\$ 4,134,579	\$ 346,784	\$ 63,259	\$ -	\$ 578,974	\$ 2,009,466	\$ 1,239,753	\$ 26,589,157
Interest on long-term liabilities	-	4,223	41,916	174,875	-	601,895	-	-	7,670	-	830,578
Materials and supplies	2,650,644	1,113,575	1,355,620	2,863,699	46,781	2,575	-	216,563	966,237	272,125	9,487,819
Contracted services	629,911	348,938	1,421,396	2,090,445	25,110	30,604	-	50,760	1,101,375	750,254	6,448,792
Rent and financial services	1,532	534	3,344	15,544	-	-	-	929	22,300	689	44,871
Transfer payments	3,926	177,940	-	-	1,491,664	2,381,054	1,010,935	-	577,594	-	5,643,113
Amortization of tangible capital assets	198,863	314,012	1,448,562	1,631,487	4,971	-	-	65,715	385,291	1,138	4,050,039
Loss on disposal of tangible capital assets	-	-	30,593	45,681	-	-	-	-	-	-	76,274
Total Expenses	\$ 5,415,499	\$ 15,245,578	\$ 7,300,793	\$ 10,956,311	\$ 1,915,310	\$ 3,079,386	\$ 1,010,935	\$ 912,940	\$ 5,069,933	\$ 2,263,959	\$ 53,170,644

Corporation of the City of Brockville

Notes to Consolidated Financial Statements

December 31, 2014

18. Segmented Information (continued)

2014	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Social Housing	Library	Recreational and Cultural Services	Planning and Development	Total
Revenues											
Property taxation	\$ 3,168,706	\$ 12,248,906	\$ 4,562,796	\$ 1,563,395	\$ 1,553,473	\$ 2,699,804	\$ 888,444	\$ 560,368	\$ 3,151,748	\$ 1,736,391	\$ 32,134,031
Taxation from other governments	377,977	-	12,395	30,959	-	-	-	-	3,802	-	425,133
User charges	155,803	1,085,500	1,078,955	8,531,331	162,500	-	-	44,975	1,567,406	268,953	12,895,422
Charges to other municipalities	42,113	630,744	-	212,098	-	509,915	-	37,199	-	-	1,432,069
Government grants	422,803	312,494	1,740,359	807,508	-	-	-	67,303	2,067,647	325,785	5,743,899
Contributions from developers	-	-	-	-	-	-	-	-	-	32,895	32,895
Penalties and interest on taxes	357,427	-	-	63,308	-	-	-	-	-	-	420,735
Investment income	159,888	-	-	12,161	-	-	-	-	-	-	172,049
Donations and fundraising	-	4,377	117,250	-	-	-	-	13,786	558,968	3,600	697,981
Gain on sale of capital assets	329,017	1,105	5,586	8,141	531	-	-	-	-	-	344,380
Recovery of expenditures and miscellaneous	45,451	55,270	96,751	234,918	41,188	-	-	-	311,834	39,316	824,727
Total Revenue	\$ 5,059,185	\$ 14,338,395	\$ 7,614,093	\$ 11,463,819	\$ 1,757,691	\$ 3,209,719	\$ 888,444	\$ 723,631	\$ 7,661,404	\$ 2,406,940	\$ 55,123,321
Expenses											
Salaries, wages and benefits	\$ 1,802,715	\$ 13,354,927	\$ 2,951,948	\$ 4,083,492	\$ 218,010	\$ -	\$ -	\$ 577,671	\$ 1,989,537	\$ 1,192,048	\$ 26,170,346
Interest on long-term liabilities	-	10,243	72,732	101,124	-	646,460	-	-	9,237	-	839,797
Materials and supplies	1,428,257	987,905	1,511,553	2,752,432	46,176	-	-	188,764	1,009,022	252,496	8,176,605
Contracted services	396,468	469,577	1,571,391	2,008,643	12,603	-	-	36,511	749,805	516,467	5,761,466
Rent and financial services	1,680	534	3,556	17,624	-	-	-	-	20,924	676	44,993
Transfer payments	3,780	172,812	-	-	1,482,837	2,393,504	1,004,784	-	171,359	-	5,229,076
Amortization of tangible capital assets	168,565	343,859	1,512,174	1,718,152	7,009	-	-	66,117	373,068	-	4,188,944
Loss on disposal of tangible capital assets	-	-	238,368	77,685	-	-	-	-	894	-	316,948
Total Expenses	\$ 3,801,464	\$ 15,339,857	\$ 7,861,723	\$ 10,759,152	\$ 1,766,635	\$ 3,039,964	\$ 1,004,784	\$ 869,063	\$ 4,323,846	\$ 1,961,686	\$ 50,728,175