

Consolidated financial statements of

**The Corporation of the
Township of Brock**

December 31, 2010

The Corporation of the Township of Brock

December 31, 2010

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Independent Auditor's Report

To the Board Members, Members of Council, Inhabitants and Ratepayers of The Corporation of the Township of Brock

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Brock, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Township of Brock as at December 31, 2010, and the results of its operations, change in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants
Licensed Public Accountants
June 17, 2011

The Corporation of the Township of Brock

Consolidated statement of operations year ended December 31, 2010

	2010	2009	
	Budget (Unaudited) (Note 15)	Actual	Actual
	\$	\$	\$
Revenues			
Taxation - all classes (Notes 1(b)(iv))	20,202,826	20,358,073	19,967,644
Less: amounts received for Region and School Boards (Note 2)	(13,213,148)	(13,336,102)	(12,926,555)
	6,989,678	7,021,971	7,041,089
User fees and charges	911,650	991,632	1,074,049
Grants (Note 11)			
Government of Canada	2,574,839	1,073,611	769,118
Province of Ontario	1,693,628	1,611,123	1,770,719
Investment income	20,000	145,702	141,045
Penalties and interest on taxes	365,000	444,246	416,186
Developer contributions earned	119,550	132,302	112,027
Gain on sale of capital assets	165,000	161,275	66,997
Other	396,900	105,939	54,467
Total revenues	13,236,244	11,687,801	11,445,697
Expenses (Note 16)			
General government	4,005,750	2,084,734	1,906,462
Protection to persons and property	1,836,002	1,627,004	1,428,013
Transportation services	5,790,200	4,383,313	5,348,235
Environmental services	24,000	16,169	42,801
Health services	136,650	131,521	146,403
Recreation and cultural services	2,464,931	1,803,073	1,718,283
Planning and development	128,425	78,263	79,361
	14,385,958	10,124,077	10,669,558
Annual surplus	(1,149,714)	1,563,724	776,139
Accumulated surplus, beginning of year	65,281,559	65,281,559	64,505,420
Accumulated surplus, end of year	64,131,845	66,845,283	65,281,559

The Corporation of the Township of Brock

Consolidated statement of change in net financial assets year ended December 31, 2010

	Budget (Unaudited) (Note 15)	2010 Actual	2009 Actual
	\$	\$	\$
Annual surplus	(1,149,714)	1,563,724	776,139
Acquisition of tangible capital assets	(6,329,450)	(3,776,932)	(4,207,543)
Net book value of assets disposed of	-	53,915	12,584
Amortization of tangible capital assets	3,000,000	2,970,341	3,157,397
	(4,479,164)	811,048	(261,423)
Net change in prepaid assets	-	(18,002)	5,682
Increase in net financial assets	(4,479,164)	793,046	(255,741)
Net financial assets, beginning of year	4,770,918	4,770,918	5,026,659
Net financial assets, end of year	291,754	5,563,964	4,770,918

The Corporation of the Township of Brock

Consolidated statement of financial position as at December 31, 2010

	2010	2009
	\$	\$
Assets		
Financial assets		
Cash (Note 3)	5,106,523	2,556,240
Investments (Note 3)	2,860,000	2,860,000
Taxes receivable (Note 4)	3,030,725	3,065,583
Accounts receivable	1,751,970	1,939,532
	12,749,218	10,421,355
Liabilities		
Accounts payable and accrued liabilities (Note 5)	2,145,829	1,756,583
Deferred revenue (Note 6)	2,490,873	2,867,247
Net long-term liabilities (Note 7)	1,898,980	394,607
Employee post employment benefits (Note 8)	649,572	632,000
	7,185,254	5,650,437
Net financial assets	5,563,964	4,770,918
Non-financial assets		
Tangible capital assets (Note 9)	61,256,047	60,503,371
Prepaid expenses	25,272	7,270
Total non-financial assets	61,281,319	60,510,641
Accumulated surplus (Note 10)	66,845,283	65,281,559

The Corporation of the Township of Brock

Consolidated statement of cash flows year ended December 31, 2010

	2010	2009
	\$	\$
Operating transactions		
Annual surplus	1,563,724	776,139
Items not involving cash		
Amortization	2,970,341	3,157,397
Gain on sale of tangible capital assets	(161,275)	(66,997)
Contributed capital assets recognized as revenue	-	-
Change in working capital		
Decrease (increase) in taxes receivable	34,858	(441,468)
Decrease (increase) in accounts receivable	187,562	(1,533,613)
(Increase) decrease in prepaid expenses	(18,002)	5,682
Increase (decrease) in accounts payable and accrued liabilities	389,246	(61,653)
Decrease in deferred revenue	(376,374)	(102,443)
Increase in post employment benefit liability	17,572	16,817
Net change in cash from operating transactions	4,607,652	1,749,861
Capital transactions		
Acquisition of tangible capital assets	(3,776,932)	(4,207,543)
Proceeds from sale of tangible capital assets	215,190	79,581
	(3,561,742)	(4,127,962)
Financing transactions		
Debenture proceeds	1,551,000	-
Repayment of long term liabilities	(46,627)	(45,628)
	1,504,373	(45,628)
Net change in cash	2,550,283	(2,423,729)
Cash beginning of year	2,556,240	4,979,969
Cash, end of year	5,106,523	2,556,240

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2010

1. Significant accounting policies

The consolidated financial statements (the "financial statements") of The Corporation of Township of Brock are the representations of management prepared in accordance with accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

Significant accounting policies adopted by the Township are as follows:

(a) (i) Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, local boards and committees, which are controlled by the Township including the Township of Brock Public Library Board.

All material inter-entity transactions and balances are eliminated on consolidation.

(ii) Accounting for region and school board transactions

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

(iii) Trust funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Statement of financial position and Statement of financial activities and fund balance.

(b) Basis of accounting

(i) Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(ii) Investments

Investments are recorded at the lower of cost plus accrued interest and market value.

(iii) 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 Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2010

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(iii) Non-financial assets (continued)

(a) 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:

	<u>Useful life - years</u>
Land improvements	10 - 30
Buildings	50
Rolling stock	10 - 15
Furniture and equipment	5 - 15
Sidewalks and parking lots	15 - 30
Roads	20 - 40
Storm sewer	75
Bridges and structures	60

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use. Land is not amortized.

Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date contributed, and that amount is also recorded as revenue.

(b) Intangible assets

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

(iv) Accounting for property tax capping provisions

The net impact in property taxes as a result of the application of capping provisions does not affect the Consolidated statement of operations, as the full amount of the property taxes were levied. However, the capping adjustments are reported on the Consolidated statement of financial position as a liability to be paid to the Region.

(v) Deferred revenue

Deferred revenue represents 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. In addition, any contributions received with external restrictions are deferred until the related expenditures are made.

(vi) Employee post employment benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is determined by management using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs.

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2010

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(vii) Reserves and Reserve Funds

Certain amounts, as approved by the Township's 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. Reserves and Reserve Funds form part of the Township accumulated surplus.

(viii) Government transfers

Government transfers are recognized in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made.

(ix) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates. Significant estimates relate to taxes receivable, accounts receivable and accrued liabilities.

2. Operations of school boards and the Region of Durham

Further to Note 1(a) (ii), the taxation and other revenues of the school boards and the Region of Durham are comprised of the following:

	2010		2009	
	School boards	Region	Total	Total
	\$	\$	\$	\$
Taxation and user charges	3,721,932	9,352,040	13,073,972	12,664,395
Payments-in-lieu	88,123	174,007	262,130	262,160
	3,810,055	9,526,047	13,336,102	12,926,555

3. Cash and investments

This represents a consolidation of cash and investments from the Operating Fund and the Reserve Funds (including those funds set aside in respect of deferred revenue as detailed in Note 6).

The composition is as follows:

	2010		2009	
	Cash	Investments	Cash	Investments
	\$	\$	\$	\$
Operating Fund	1,746,377	60,000	(520,710)	60,000
Reserve Funds	3,360,146	2,800,000	3,076,950	2,800,000
Total	5,106,523	2,860,000	2,556,240	2,860,000

The market value of the investments at December 31, 2010 was \$2,916,323 (2009 - \$2,890,279).

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2010

4. Taxes receivable

The balance in taxes receivable, including penalties and interest, is made up of the following:

	2010	2009
	\$	\$
Current year	1,596,796	1,597,166
Arrears, previous years	1,453,929	1,488,417
	3,050,725	3,085,583
Less allowance	(20,000)	(20,000)
	3,030,725	3,065,583

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include financial obligations to outside organizations and individuals as a result of transactions and events on or before the end of the accounting period. They are the result of contracts, invoices, agreements and legislation in force at the end of the accounting period that require The Township of Brock to pay for goods and services acquired or provided on or before December 31, 2010. A further breakdown is provided below:

	2010	2009
	\$	\$
Trade accounts payable	1,452,411	1,181,340
Payables to other governments	-	17,994
Payroll liabilities	212,905	195,538
Accrued liabilities	413,129	274,796
Refundable deposits	67,384	86,915
	2,145,829	1,756,583

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2010

6. Deferred revenue

	2010	2009
	\$	\$
Obligatory Reserve Funds		
Development charges	1,697,764	1,571,399
Parkland	240,522	334,124
Parking	7,794	7,741
Federal gas tax revenue	512,989	337,707
	2,459,069	2,250,971
Other deferred revenue	31,804	616,276
	2,490,873	2,867,247
Continuity of obligatory Reserve Funds is as follows		
Balance, beginning of year	2,250,971	1,891,192
Subdividers contributions	152,142	439,471
Federal gas tax revenues	368,718	393,491
Interest earned	15,316	10,628
	2,787,147	2,734,782
Internal loans repaid from obligatory Reserve Funds	(6,835)	(24,991)
Earned revenue transferred to operations	(321,243)	(458,820)
Total obligatory deferred revenue	2,459,069	2,250,971

7. Net long-term liabilities

- (a) The balance of net long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2010	2009
	\$	\$
The municipality has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by other municipalities. At the end of the year the outstanding principal amount of this liability is	2,035,318	554,978
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage has been assumed by individuals. At the end of the year the outstanding principal amount of this liability is	(136,338)	(160,371)
Net long-term liabilities at the end of the year	1,898,980	394,607

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2010

7. Net long-term liabilities (continued)

- (b) Of the long-term liabilities reported in (a) of this note, principal and sinking fund payments are payable from general municipal revenues as follows:

	\$
2011	99,641
2012	201,508
2013	90,389
2014	94,715
Thereafter	1,412,727
	<u>1,898,980</u>

- (c) The long-term liabilities in (a) issued in the name of the municipality have received approval of the Ontario Municipal Board (or approved by private legislation) for those approved on or before December 31, 1992. Those approved on or after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (d) The Municipality is contingently liable for long-term liabilities with respect to tile drainage loans. The total amount outstanding as at December 31, 2010 is \$136,339 (2009 - \$160,371) and is not recorded on the "Consolidated statement of financial position".
- (e) Total interest expense related to the net long-term liabilities amounted to \$50,492 (\$48,190 - 2009).

8. Employee post employment benefits

Under the provisions of certain employee benefit plans, an employee who, has achieved a factor of 85 (age + years of service with the municipality), is eligible for a retirement pension from OMERS, and up to the age of 65 will be provided with Extended Health (drug, private hospital and dental plan) coverage. As well, Council members are eligible for a severance payment on retirement, based on years of service and rate of remuneration in effect at the date of retiring from Council.

The management of the Township has, using the best information available to it, estimated the liability of employee post employment benefits based on the present value of current obligation for past and current employees. The value of this benefit liability is estimated at \$692,585 (2009 - \$685,917) and is reported on the Consolidated statement of financial position.

The benefit liability at December 31, 2010 of \$692,585 was determined using a discount rate of 5%.

Information about the Township's post retirement benefits plan is as follows:

	\$
<i>Accrued benefit liability</i>	
Accrued benefit obligation	600,965
Unamortized actuarial loss	48,607
Employee post-employment benefits	<u>649,572</u>
<i>Expense</i>	
Current year benefit expense	11,270
Amortization of actuarial loss	-
Interest on accrued benefit obligation	31,258
	<u>42,528</u>

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2010

8. Employee post employment benefits (continued)

The main assumptions employed for these valuations are as follows:

(a) *General inflation*

Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed to be 2.5% in 2010 and thereafter.

(b) *Interest (discount) rate*

The present values as at December 31, 2010 of the post employment benefits was determined using a discount rate of 5%. This corresponds to the assumed CPI rate plus an assumed rate of return of 2.5%.

(c) *Health and dental costs*

Health care costs are expected to increase by 8% in the first year after the valuation, decreasing to an ultimate rate of 4%. Dental costs are assumed to increase by 4%.

9. Tangible capital assets

i) *Contributed tangible capital assets*

The Township records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are land, roadways and storm sewer lines installed by a developer as part of a subdivision agreement. Transfer of tangible capital assets in 2010 was \$nil (2009 - \$nil).

ii) *Tangible capital assets recognized at nominal value*

Certain assets have been assigned a nominal value of one Canadian dollar, because of the difficulty of determining a tenable valuation and/or the assets were older than their estimated expected useful lives, and therefore were fully amortized.

iii) *Works of art and historical treasures*

The Township applies efforts to protect and preserve a number of owned historical buildings, collections of equipment, artifacts, documents and exhibits and works of art. These assets are not held for financial gain or to provide service but rather for public exhibition, education or research in furtherance of public service. These historical treasures and works of art are not recognized as tangible capital assets in the financial statements. The acquisition or betterment of such assets is recognized in the financial statements as an operating expense.

iv) *Other*

During the year, there were no write-downs of assets (2009 - \$nil) and no interest was capitalized during the year (2009 - \$nil).

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2010

9. Tangible capital assets (continued)

										2010
	Land	Land improvements	Buildings	Rolling stock	Furniture and equipment	Sidewalks and parking lots	Roads	Storm sewer	Bridges and structures	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, beginning of year	2,409,856	1,008,658	9,043,855	3,890,459	1,303,902	984,519	74,949,196	2,014,403	3,298,168	98,903,016
Additions	-	150,493	1,100,881	421,365	189,409	65,978	1,307,703	-	541,103	3,776,932
Disposals	(53,915)	-	-	(173,543)	(71,607)	-	-	-	-	(299,065)
Balance, end of year	2,355,941	1,159,151	10,144,736	4,138,281	1,421,704	1,050,497	76,256,899	2,014,403	3,839,271	102,380,883
Accumulated amortization										
Balance, beginning of year	-	694,645	3,959,369	1,825,569	541,691	221,940	29,714,895	256,757	1,184,779	38,399,645
Amortization	-	34,936	196,519	247,988	210,303	46,077	2,095,857	25,903	112,758	2,970,341
Accumulated amortization on disposals	-	-	-	(173,543)	(71,607)	-	-	-	-	(245,150)
Balance, end of year	-	729,581	4,155,888	1,900,014	680,387	268,017	31,810,752	282,660	1,297,537	41,124,836
Net book value of tangible capital assets	2,355,941	429,570	5,988,848	2,238,267	741,317	782,480	44,446,147	1,731,743	2,541,734	61,256,047

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2010

9. Tangible capital assets (continued)

										2009
	Land	Land improvements	Buildings	Rolling stock	Furniture and equipment	Sidewalks and parking lots	Roads	Storm sewer	Bridges and structures	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, beginning of year	2,412,076	955,903	7,946,931	3,591,886	981,643	834,636	72,917,598	2,014,403	3,240,027	94,895,103
Additions	-	52,755	1,136,407	456,500	322,259	149,883	2,031,598	-	58,141	4,207,543
Disposals	2,220	-	39,483	157,927	-	-	-	-	-	199,630
Balance, end of year	2,409,856	1,008,658	9,043,855	3,890,459	1,303,902	984,519	74,949,196	2,014,403	3,298,168	98,903,016
Accumulated amortization										
Balance, beginning of year	-	668,653	3,830,611	1,756,211	435,371	179,254	27,239,961	228,943	1,090,290	35,429,294
Amortization	-	25,992	168,241	216,921	106,320	42,686	2,474,934	27,814	94,489	3,157,397
Accumulated amortization on disposals	-	-	39,483	147,563	-	-	-	-	-	187,046
Balance, end of year	-	694,645	3,959,369	1,825,569	541,691	221,940	29,714,895	256,757	1,184,779	38,399,645
Net book value of tangible capital assets	2,409,856	314,013	5,084,486	2,064,890	762,211	762,579	45,234,301	1,757,646	2,113,389	60,503,371

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2010

10. Accumulated surplus

Accumulated surplus consists of individual fund surplus, reserves and Reserve Funds and amounts invested in capital assets as follows:

	2010	2009
	\$	\$
Invested in tangible capital assets	61,256,047	60,503,371
Other	909,755	(811,110)
Long term debt	(1,898,980)	(394,607)
Employee future benefits	(692,585)	(620,917)
Total surplus	59,574,237	58,676,737
Reserves		
Acquisition of tangible capital assets	1,106,895	1,503,828
Municipal projects	776,781	796,791
Future elections	500	35,500
Rate stabilization	1,168,705	139,410
Working capital	382,128	382,128
Sub-total reserves	3,435,009	2,857,657
Reserve funds set aside for specific purposes by Council for:		
Reserves		
Insurance purposes	103,921	108,530
Acquisition of tangible capital assets	3,333,032	3,214,722
Road construction	399,084	423,913
Sub-total Reserve Funds	3,836,037	3,747,165
Total accumulated surplus	66,845,283	65,281,559

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2010

11. Grants

	2010	2009
	\$	\$
Government of Canada	1,073,611	769,118
Province of Ontario		
Ministry of Municipal Affairs - Ontario Municipal Partnership Fund	790,200	790,200
Recreational Infrastructure Canada Program in Ontario	69,163	-
Ministry of Natural Resources - Aggregate Resources Act Rural Infrastructure Funds	66,598	96,026
Building Canada Funding	61,026	524,816
Ministry of Health - Communities in Action Grant	45,056	327,266
Rural Economic Development Program Grant	2,000	2,869
Ministry of Culture & Recreation - Library Operating Grant	-	7,825
Ministry of Agriculture and Food - Wild Life Danger	21,717	21,717
Move Ontario	21,788	-
	533,575	-
	1,611,123	1,770,719

12. Debt principal repayments

Total charges (principal and interest) for the year for net long-term liabilities as reported on the Consolidated statement of operations are as follows:

	2010	2009
	\$	\$
Principal payments	46,627	45,628
Interest	50,494	48,190
	97,121	93,818

13. Trust funds

Trust funds administered by the municipality amounting to \$1,008,744 (2009 - \$704,485) are not included in the Consolidated statement of financial position nor have their operations been included in the Consolidated statement of operations.

14. Pension agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, which as of December 31, 2010 was on behalf of 39 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

An amount of \$138,601 (2009 - \$150,398) was paid to OMERS on behalf of its members.

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2010

15. Budget figures

The budgets originally approved by Township Council for 2010, adjusted as noted below, are reflect on the Consolidated statement of operations and Consolidated statement of change in net financial assets.

- An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original council approved budget.
- Amounts for the cost of contributed tangible capital assets and the related revenue have been added and are based on management's best estimate of the value of contributed tangible capital assets determined at the beginning of the year. Neither the cost of the contributed tangible capital assets nor the revenue was included in the original council approved budget.
- Amounts included in the original council approved capital budget which are not recognized as tangible capital assets are included in Consolidated statement of operations under the appropriate functional expense category, while those recognized as tangible capital assets are include in the Consolidated statement of change in net financial assets.

Budget figures have been reclassified for purposes of these consolidated financial statements to comply with PSAB reporting requirements and are unaudited.

16. Classification of expenses by object

The Consolidated statement of operations presents the expenses by function; the following classifies those same expenses by object:

	2010	2009
	\$	\$
Salaries, wages and employee benefits	3,911,137	3,897,491
Operating materials and supplies	2,846,361	3,299,706
Contracted services	276,824	233,858
Rents and financial expenses	34,949	19,981
External transfers to others	33,973	12,935
Debt services	50,492	48,190
Amortization	2,970,341	3,157,397
Total expenses by object	10,124,077	10,669,558

17. Contingency

The Township has been named as the defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable at this time and, accordingly, no provision has been made in these financial statements for any liability that may result.

18. Guarantees

In the normal course of business, the Township enters into agreements that meet the definition of a guarantee. The Township's primary guarantees include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements.

These indemnification agreements may require the Township to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2010

18. Guarantees (continued)

The nature of these indemnification agreements prevents the Township from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Township has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the Consolidated statement of financial position with respect to these agreements.

19. Segmented information

The Township provides a wide range of services to its citizens, including fire, building inspection, by-law, transportation services, health services, recreation and culture, and planning and development. For management reporting purposes the Township's operations and activities are reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions, or limitations.

Township services are provided by various departments and their activities are reported by department. These departments have been grouped together based on the services that they perform for the purpose of segmented disclosure, as follows:

- Protection to Persons and Property includes Fire Services, Building Inspection, Canine Control, and By-law Enforcement.
- Transportation Services includes Roads Maintenance and Construction, Streetlighting, Sidewalks, Parking Lots, and Traffic Control.
- Environmental Services includes the Collection of Garbage in downtown cores and parks.
- Health Services includes Health Centres and Cemeteries.
- Recreational Services includes Parks, Arenas, Halls, Libraries, and Grants to Local Organizations.
- Planning and Development includes Planning Services, Tourism and Economic Development, and the Committee of Adjustment.
- General Government includes all the other functions that cannot be easily allocated including Administration, Treasury and Tax, Public Buildings and the Municipal Health Safety Program.

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2010

19. Segmented information (continued)

	General government	Protection to persons	Transportation services	Environmental services	Health services	Recreational services	Planning and development	2010 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries, wages and benefits	990,670	983,345	977,774	-	-	957,136	2,212	3,911,137
Operating materials and supplies	832,518	372,423	915,209	16,169	107,114	534,146	68,782	2,846,361
Contracted services	165,290	14,668	84,761	-	-	5,836	6,269	276,824
Rents and financial expenses	34,949	-	-	-	-	-	-	34,949
External transfers to others	-	21,338	-	-	-	11,635	1,000	33,973
Debt services	-	12,060	-	-	-	38,432	-	50,492
Amortization	61,307	223,170	2,405,569	-	24,407	255,888	-	2,970,341
	2,084,734	1,627,004	4,383,313	16,169	131,521	1,803,073	78,263	10,124,077
Revenues								
Tax revenue	6,874,424	-	147,547	-	-	-	-	7,021,971
User fees and charges	103,015	236,270	44,901	-	88,598	481,301	37,547	991,632
Federal grants	648,628	-	301,858	-	-	104,220	18,905	1,073,611
Provincial grants	790,200	21,788	706,255	-	-	90,880	2,000	1,611,123
Investment income	145,702	-	-	-	-	-	-	145,702
Penalties and interest on taxes	444,246	-	-	-	-	-	-	444,246
Developer contributions earned	6,835	125,467	-	-	-	-	-	132,302
Gain on sale of tangible capital assets	121,589	-	39,686	-	-	-	-	161,275
Other revenues	19,920	14,766	-	-	-	59,971	11,282	105,939
	9,154,559	398,291	1,240,247	-	88,598	736,372	69,734	11,687,801
Net (expenses) revenue	7,069,825	(1,228,713)	(3,143,066)	(16,169)	(42,923)	(1,066,701)	(8,529)	1,563,724

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2010

19. Segmented information (continued)

	General government	Protection to persons	Transportation services	Environmental services	Health services	Recreational services	Planning and development	2009 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries, wages and benefits	984,394	925,786	1,020,412	21,038	308	945,000	553	3,897,491
Operating materials and supplies	711,682	284,902	1,533,673	21,763	121,694	568,766	57,226	3,299,706
Contracted services	139,643	13,027	54,306	-	-	5,300	21,582	233,858
Rents and financial expenses	19,981	-	-	-	-	-	-	19,981
External transfers to others	-	-	-	-	-	12,935	-	12,935
Debt services	-	13,424	-	-	-	34,766	-	48,190
Amortization	50,762	190,874	2,739,844	-	24,401	151,516	-	3,157,397
	1,906,462	1,428,013	5,348,235	42,801	146,403	1,718,283	79,361	10,669,558
Revenues								
Tax revenue	6,893,964	-	147,125	-	-	-	-	7,041,089
User fees and charges	153,779	202,624	121,146	-	90,844	473,942	31,714	1,074,049
Federal grants	-	-	699,050	-	-	64,453	5,615	769,118
Provincial grants	886,226	-	852,082	-	-	24,586	7,825	1,770,719
Investment income	141,045	-	-	-	-	-	-	141,045
Penalties and interest on taxes	416,186	-	-	-	-	-	-	416,186
Developer contributions earned	24,991	87,036	-	-	-	-	-	112,027
Gain on sale of tangible capital asset:	-	66,997	-	-	-	-	-	66,997
Other revenues	2,500	24,168	-	-	-	16,024	11,775	54,467
	8,518,691	380,825	1,819,403	-	90,844	579,005	56,929	11,445,697
Net (expenses) revenue	6,612,229	(1,047,188)	(3,528,832)	(42,801)	(55,559)	(1,139,278)	(22,432)	776,139