

Consolidated financial statements of

**The Corporation of the
Township of Brock**

December 31, 2011

The Corporation of the Township of Brock

December 31, 2011

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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, 2011, 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, 2011, 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.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 7, 2012

The Corporation of the Township of Brock

Consolidated statement of financial position as at December 31, 2011

	2011	2010
	\$	\$
Assets		
Financial assets		
Cash (Note 3)	5,552,056	5,106,523
Investments (Note 3)	2,860,000	2,860,000
Taxes receivable (Note 4)	3,138,164	3,030,725
Accounts receivable	723,718	1,751,970
	12,273,938	12,749,218
Liabilities		
Accounts payable and accrued liabilities (Note 5)	1,344,658	2,145,829
Deferred revenue (Note 6)	2,933,834	2,490,873
Net long-term liabilities (Note 7)	1,799,339	1,898,980
Employee post employment benefits (Note 8)	663,578	649,572
	6,741,409	7,185,254
Net financial assets	5,532,529	5,563,964
Non-financial assets		
Tangible capital assets (Note 9)	61,861,698	61,256,047
Prepaid expenses	35,927	25,272
Total non-financial assets	61,897,625	61,281,319
Accumulated surplus (Note 10)	67,430,154	66,845,283

The Corporation of the Township of Brock

Consolidated statement of operations year ended December 31, 2011

	2011	2010	
	Budget (Unaudited) (Note 15)	Actual	
	\$	Actual \$	
Revenues			
Taxation - all classes (Notes 1(b)(iv))	7,111,858	20,850,610	20,358,073
Less: amounts received for Region and School Boards (Note 2)	-	(13,671,359)	(13,336,102)
	7,111,858	7,179,251	7,021,971
User fees and charges	977,460	977,657	991,632
Grants (Note 11)			
Government of Canada	1,031,456	872,317	1,073,611
Province of Ontario	886,400	942,131	1,611,123
Investment income	30,000	158,731	145,702
Penalties and interest on taxes	375,000	447,265	444,246
Developer contributions earned	-	89,824	132,302
Gain on sale of capital assets	150,000	12,310	161,275
Other	271,000	479,976	105,939
Total revenues	10,833,174	11,159,462	11,687,801
Expenses (Note 16)			
General government	1,994,425	2,028,791	2,084,734
Protection to persons and property	1,939,083	1,719,057	1,627,004
Transportation services	5,522,925	4,918,015	4,383,313
Environmental services	43,800	46,651	16,169
Health services	149,100	133,895	131,521
Recreation and cultural services	1,879,586	1,673,736	1,803,073
Planning and development	114,625	54,446	78,263
	11,643,544	10,574,591	10,124,077
Annual (deficit) surplus	(810,370)	584,871	1,563,724
Accumulated surplus, beginning of year	66,845,283	66,845,283	65,281,559
Accumulated surplus, end of year	66,034,913	67,430,154	66,845,283

The Corporation of the Township of Brock

Consolidated statement of change in net financial assets year ended December 31, 2011

		2011	2010
	Budget (Unaudited) (Note 15)	Actual	Actual
	\$	\$	\$
Annual surplus	(810,370)	584,871	1,563,724
Acquisition of tangible capital assets	(3,853,150)	(3,610,278)	(3,776,932)
Gain on sale of tangible capital assets	-	(12,310)	(161,275)
Proceeds from sale of tangible capital assets	-	24,000	215,190
Amortization of tangible capital assets	3,000,000	2,992,937	2,970,341
	(1,663,520)	(20,780)	811,048
Net change in prepaid expenses	-	(10,655)	(18,002)
Increase in net financial assets	(1,663,520)	(31,435)	793,046
Net financial assets, beginning of year	5,563,964	5,563,964	4,770,918
Net financial assets, end of year	3,900,444	5,532,529	5,563,964

The Corporation of the Township of Brock

Consolidated statement of cash flows year ended December 31, 2011

	2011	2010
	\$	\$
Operating activities		
Annual surplus	584,871	1,563,724
Items not involving cash		
Amortization	2,992,937	2,970,341
Gain on sale of tangible capital assets	(12,310)	(161,275)
Change in working capital		
(Increase) decrease in taxes receivable	(107,439)	34,858
Decrease in accounts receivable	1,028,252	187,562
Increase in prepaid expenses	(10,655)	(18,002)
(Decrease) increase in accounts payable and accrued liabilities	(801,171)	389,246
Increase (decrease) in deferred revenue	442,961	(376,374)
Increase in post employment benefit liability	14,006	17,572
	4,131,452	4,607,652
Capital activities		
Acquisition of tangible capital assets	(3,610,278)	(3,776,932)
Proceeds from sale of tangible capital assets	24,000	215,190
	(3,586,278)	(3,561,742)
Financing activities		
Debenture proceeds	-	1,551,000
Repayment of long term liabilities	(99,641)	(46,627)
	(99,641)	1,504,373
Net change in cash	445,533	2,550,283
Cash beginning of year	5,106,523	2,556,240
Cash, end of year	5,552,056	5,106,523

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2011

1. Significant accounting policies

The consolidated financial statements (the "financial statements") of the Corporation of Township of Brock (the "Township") 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, expenses, 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 Township 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, 2011

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 of Durham.

(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, 2011

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's 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:

	2011		2010	
	School boards	Region	Total	Total
	\$	\$	\$	\$
Taxation and user charges	3,675,211	9,729,188	13,404,399	13,073,972
Payments-in-lieu	88,211	178,749	266,960	262,130
	3,763,422	9,907,937	13,671,359	13,336,102

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:

	2011		2010	
	Cash	Investments	Cash	Investments
	\$	\$	\$	\$
Operating Fund	1,788,837	60,000	1,746,377	60,000
Reserve Funds	3,763,219	2,800,000	3,360,146	2,800,000
Total	5,552,056	2,860,000	5,106,523	2,860,000

The market value of the investments at December 31, 2011 was \$2,943,470 (2010 - \$2,916,323).

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2011

4. Taxes receivable

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

	2011	2010
	\$	\$
Current year	1,600,196	1,596,796
Arrears, previous years	1,557,968	1,453,929
	3,158,164	3,050,725
Less allowance	(20,000)	(20,000)
	3,138,164	3,030,725

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 to pay for goods and services acquired or provided on or before December 31, 2011. A further breakdown is provided below:

	2011	2010
	\$	\$
Trade accounts payable	861,938	1,452,411
Payroll liabilities	254,759	212,905
Accrued liabilities	159,516	413,129
Refundable deposits	68,445	67,384
	1,344,658	2,145,829

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2011

6. Deferred revenue

	2011	2010
	\$	\$
Obligatory Reserve Funds		
Development charges	1,808,291	1,697,764
Parkland	243,566	240,522
Parking	7,881	7,794
Federal gas tax revenue	799,850	512,989
	<u>2,859,588</u>	<u>2,459,069</u>
Other deferred revenue	74,246	31,804
	<u>2,933,834</u>	<u>2,490,873</u>
Continuity of obligatory Reserve Funds is as follows		
Balance, beginning of year	2,459,069	2,250,971
Subdividers contributions	181,501	152,142
Federal gas tax revenues	367,456	368,718
Interest earned	27,385	15,316
	<u>3,035,411</u>	<u>2,787,147</u>
Internal loans repaid from obligatory Reserve Funds	(7,526)	(6,835)
Earned revenue transferred to operations	(168,297)	(321,243)
Total obligatory deferred revenue	<u>2,859,588</u>	<u>2,459,069</u>

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:

	2011	2010
	\$	\$
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	1,868,907	2,035,318
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	(69,568)	(136,338)
Net long-term liabilities at the end of the year	<u>1,799,339</u>	<u>1,898,980</u>

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2011

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:

	\$
2012	201,508
2013	90,389
2014	94,715
2015	99,139
2016	102,665
Thereafter	1,210,923
	1,799,339

- (c) The long-term liabilities in (a) issued in the name of the Township 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 Township is contingently liable for long-term liabilities with respect to tile drainage loans. The total amount outstanding as at December 31, 2011 is \$69,568 (2010 - \$136,338) and is not recorded on the "Consolidated statement of financial position".
- (e) Total interest expense related to the net long-term liabilities amounted to \$107,061 (2010 - \$50,492).

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.

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

	2011	2010
	\$	\$
Accrued benefit obligation	609,051	600,965
Unamortized actuarial gain	54,527	48,607
Employee post-employment benefits	663,578	649,572
Opening liability for post employment benefits	649,572	632,000
Current year benefit expense	11,834	11,270
Benefit payments	(27,485)	(24,956)
Interest on accrued benefit obligation	29,657	31,258
	663,578	649,572

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2011

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 2011 and thereafter.

(b) *Interest (discount) rate*

The present values as at December 31, 2011 of the post employment benefits was determined using a discount rate of 4%.

(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 2011 was \$nil (2010 - \$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 (2010 - \$nil) and no interest was capitalized during the year (2010 - \$nil).

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2011

9. Tangible capital assets (continued)

										2011
	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	2,355,941	1,159,151	10,144,736	4,138,281	1,421,704	1,050,497	76,256,899	2,014,403	3,839,272	102,380,884
Additions	-	-	1,461,709	258,136	319,237	-	1,252,935	-	318,260	3,610,277
Disposals	(6,130)	-	-	(119,130)	(43,338)	-	-	-	(11,857)	(180,455)
Balance, end of year	2,349,811	1,159,151	11,606,445	4,277,287	1,697,603	1,050,497	77,509,834	2,014,403	4,145,675	105,810,706
Accumulated amortization										
Balance, beginning 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
Amortization expense	-	35,568	228,888	275,899	146,709	45,776	2,141,341	26,859	91,897	2,992,937
Disposals	-	-	-	(119,130)	(39,405)	-	-	-	(10,230)	(168,765)
Balance, end of year	-	765,149	4,384,776	2,056,783	787,691	313,793	33,952,093	309,519	1,379,204	43,949,008
Net book value of tangible capital assets	2,349,811	394,002	7,221,669	2,220,504	909,912	736,704	43,557,741	1,704,884	2,766,471	61,861,698

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2011

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, 2011

10. Accumulated surplus

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

	2011	2010
	\$	\$
Invested in tangible capital assets	61,861,698	61,256,047
Other	(193,837)	866,742
Long term debt	(1,799,339)	(1,898,980)
Employee future benefits	(688,815)	(649,572)
Total surplus	59,179,707	59,574,237
Reserves		
Acquisition of tangible capital assets	1,568,533	1,106,895
Municipal projects	624,975	776,781
Future elections	500	500
Rate stabilization	1,868,805	1,168,705
Working capital	382,128	382,128
Sub-total reserves	4,444,941	3,435,009
Reserve funds set aside for specific purposes by Council for:		
Reserves		
Insurance purposes	105,180	103,921
Acquisition of tangible capital assets	3,245,475	3,333,032
Road construction	454,851	399,084
Sub-total Reserve Funds	3,805,506	3,836,037
Total accumulated surplus	67,430,154	66,845,283

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2011

11. Grants

	2011	2010
	\$	\$
Government of Canada	872,317	1,073,611
Province of Ontario		
Ministry of Municipal Affairs - Ontario Municipal Partnership Fund	790,000	790,200
Recreational Infrastructure Canada Program in Ontario	-	69,163
Ministry of Natural Resources - Aggregate Resources Act Rural Infrastructure Funds	-	61,026
Building Canada Funding	-	45,056
Ministry of Health - Communities in Action Grant	-	2,000
Ministry of Culture & Recreation - Library Operating Grant	27,883	21,717
Ministry of Agriculture and Food - Wild Life Danger Move Ontario	47,038	21,788
	942,131	1,611,123

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:

	2011	2010
	\$	\$
Principal payments	99,641	46,627
Interest	107,061	50,494
	206,702	97,121

13. Trust funds

Trust funds administered by the Township amounting to \$629,581 (2010 - \$1,008,744) 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 Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, which as of December 31, 2011 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 \$168,143 (2010 - \$138,601) was paid to OMERS on behalf of its members.

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2011

15. Budget figures

The budgets originally approved by Township Council for 2011, 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 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:

	2011	2010
	\$	\$
Salaries, wages and employee benefits	4,066,120	3,911,137
Operating materials and supplies	3,131,829	2,846,361
Contracted services	192,876	276,824
Rents and financial expenses	23,372	34,949
External transfers to others	60,396	33,973
Debt services	107,061	50,492
Amortization	2,992,937	2,970,341
Total expenses by object	10,574,591	10,124,077

17. 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 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.

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2011

18. 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, 2011

18. Segmented information (continued)

								2011
	General government	Protection of persons	Transportation services	Environmental services	Health services	Recreational services	Planning and development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries, wages and benefits	1,001,004	1,028,074	1,050,986	31,245	-	954,135	676	4,066,120
Operating materials and supplies	786,743	336,692	1,372,015	15,406	106,521	470,374	44,077	3,131,829
Contracted services	127,023	13,942	38,392	-	2,961	1,366	9,193	192,876
Rents and financial expenses	23,372	-	-	-	-	-	-	23,372
External transfers to others	-	45,648	-	-	-	14,248	500	60,396
Debt services	-	65,409	-	-	-	41,652	-	107,061
Amortization	90,650	229,291	2,456,622	-	24,413	191,961	-	2,992,937
	2,028,791	1,719,057	4,918,015	46,651	133,895	1,673,736	54,446	10,574,591
Revenues								
Tax revenue	7,037,303	-	141,948	-	-	-	-	7,179,251
User fees and charges	168,350	211,382	22,006	-	87,966	449,552	38,401	977,657
Federal grants	756,372	-	85,998	-	-	17,160	12,787	872,317
Provincial grants	790,000	47,038	77,210	-	-	27,883	-	942,131
Investment	158,731	-	-	-	-	-	-	158,731
Penalties	447,265	-	-	-	-	-	-	447,265
Developers contributions	7,526	43,185	-	-	-	39,113	-	89,824
Gain on sale of tangible capital assets	12,310	-	-	-	-	-	-	12,310
Other revenues	-	457,308	-	-	-	7,309	15,359	479,976
Balance, end of year	9,377,857	758,913	327,162	-	87,966	541,017	66,547	11,159,462
Net book value, end of year	(7,349,066)	960,144	4,590,853	46,651	45,929	1,132,719	(12,101)	(584,871)

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2011

18. Segmented information (continued)

								2010
	General government	Protection to persons	Transportation services	Environmental services	Health services	Recreational services	Planning and development	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
	<u>2,084,734</u>	<u>1,627,004</u>	<u>4,383,313</u>	<u>16,169</u>	<u>131,521</u>	<u>1,803,073</u>	<u>78,263</u>	<u>10,124,077</u>
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 asset:	121,589	-	39,686	-	-	-	-	161,275
Other revenues	19,920	14,766	-	-	-	59,971	11,282	105,939
	<u>9,154,559</u>	<u>398,291</u>	<u>1,240,247</u>	<u>-</u>	<u>88,598</u>	<u>736,372</u>	<u>69,734</u>	<u>11,687,801</u>
Net (expenses) revenue	<u>7,069,825</u>	<u>(1,228,713)</u>	<u>(3,143,066)</u>	<u>(16,169)</u>	<u>(42,923)</u>	<u>(1,066,701)</u>	<u>(8,529)</u>	<u>1,563,724</u>