

Consolidated financial statements of

**The Corporation of the
Township of Brock**

December 31, 2013

The Corporation of the Township of Brock

December 31, 2013

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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, 2013, 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, 2013, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 19, 2014

The Corporation of the Township of Brock

Consolidated statement of financial position as at December 31, 2013

	2013	2012
	\$	\$
Assets		
Financial assets		
Cash (Note 3)	8,118,129	6,160,816
Investments (Note 3)	2,860,000	2,860,000
Taxes receivable (Note 4)	2,644,059	2,875,562
Accounts receivable	403,014	420,433
	14,025,202	12,316,811
Liabilities		
Accounts payable and accrued liabilities (Note 5)	1,324,428	962,863
Deferred revenue (Note 6)	3,674,821	2,631,282
Net long-term liabilities (Note 7)	1,507,442	1,597,830
Employee post employment benefits (Note 8)	686,854	674,389
	7,193,545	5,866,364
Net financial assets	6,831,657	6,450,447
Non-financial assets		
Tangible capital assets (Note 9)	62,075,985	63,020,984
Prepaid expenses	156,261	28,785
	62,232,246	63,049,769
Accumulated surplus (Note 10)	69,063,903	69,500,216

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

The Corporation of the Township of Brock

Consolidated statement of operations year ended December 31, 2013

	Budget	2013	2012
	(Note 15)	Actual	Actual
	\$	\$	\$
Revenue			
Taxation	7,568,915	7,681,647	7,414,246
User fees and charges	1,029,885	982,846	1,054,161
Grants (Note 11)			
Government of Canada	396,456	41,924	800,763
Province of Ontario	1,813,300	899,613	914,513
Investment income	45,000	146,477	153,169
Penalties and interest on taxes	425,000	432,579	453,123
Developer contributions earned	-	166,524	45,488
Assumed tangible capital assets	-	59,135	1,835,750
Gain on sale of tangible capital assets	150,000	162,820	10,800
Other	20,000	258,622	585,448
	11,448,556	10,832,187	13,267,461
Expenses (Note 16)			
General government	2,227,115	2,340,310	2,235,756
Protection to persons and property	1,766,801	1,608,301	1,662,135
Transportation services	5,536,375	5,110,231	5,132,632
Environmental services	50,000	45,605	42,488
Health services	156,200	159,903	169,311
Recreation and cultural services	1,791,700	1,903,950	1,863,669
Planning and development	166,938	100,200	91,408
	11,695,129	11,268,500	11,197,399
Annual (deficit) surplus	(246,573)	(436,313)	2,070,062
Accumulated surplus, beginning of year	69,500,216	69,500,216	67,430,154
Accumulated surplus, end of year	69,253,643	69,063,903	69,500,216

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

The Corporation of the Township of Brock

Consolidated statement of change in net financial assets year ended December 31, 2013

		2013	2012
	Budget (Note 15)	Actual	Actual
	\$	\$	\$
Annual (deficit) surplus	(246,573)	(436,313)	2,070,062
Acquisition of tangible capital assets	(3,989,416)	(2,279,423)	(4,248,207)
Gain on sale of tangible capital assets	-	(162,820)	(10,800)
Proceeds from sale of tangible capital assets	150,000	182,437	10,800
Amortization of tangible capital assets	3,000,000	3,204,805	3,088,921
	(1,085,989)	508,686	910,776
Net change in prepaid expenses	-	(127,476)	7,142
Increase in net financial assets	(1,085,989)	381,210	917,918
Net financial assets, beginning of year	6,450,447	6,450,447	5,532,529
Net financial assets, end of year	5,364,458	6,831,657	6,450,447

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

The Corporation of the Township of Brock

Consolidated statement of cash flows year ended December 31, 2013

	2013	2012
	\$	\$
Operating activities		
Annual (deficit) surplus	(436,313)	2,070,062
Items not involving cash		
Amortization	3,204,805	3,088,921
Gain on sale of tangible capital assets	(162,820)	(10,800)
Assumed tangible capital assets	(59,135)	(1,835,750)
Change in working capital		
Decrease in taxes receivable	231,503	262,602
Decrease in accounts receivable	17,419	303,285
(Increase) decrease in prepaid expenses	(127,476)	7,142
Increase (decrease) in accounts payable and accrued liabilities	361,565	(381,795)
Increase (decrease) in deferred revenue	1,043,539	(302,552)
Increase in employee post employment benefits	12,465	10,811
	4,085,552	3,211,926
Capital activities		
Acquisition of tangible capital assets	(2,220,288)	(2,412,457)
Proceeds from sale of tangible capital assets	182,437	10,800
	(2,037,851)	(2,401,657)
Financing activity		
Repayment of long term liabilities	(90,388)	(201,509)
Net change in cash	1,957,313	608,760
Cash beginning of year	6,160,816	5,552,056
Cash, end of year	8,118,129	6,160,816

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2013

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) Non-Tax 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) Tax Revenue

Tax revenue is recognized on all taxable properties within the Township included in the tax roll provided by the Municipal Property Assessment Corporation, using property values included in the tax roll or property values that can be reasonably estimated by the Township as it relates to supplementary or omitted assessments using tax rates authorized by Council for the Township’s own purposes in the period for which the tax is levied.

At year end the Municipality evaluates the likelihood of having to repay taxes as a result of tax appeals or other changes and recognizes a liability if the amount can be reasonably be estimated.

(iii) Investments

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

(iv) 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, 2013

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(iv) 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:

	Useful life - years
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.

(v) 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.

(vi) 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 expenses are incurred.

(vii) 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, 2013

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(viii) 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.

(ix) Government transfers

Government transfers are recognized as revenues by the Township in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

(x) Use of estimates

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

(xi) Adoption of new accounting standards

As at January 1, 2013, the Township adopted Public Sector Accounting Handbook Sections PS 3410, "Government Transfers" and PS 3510 "Taxation Revenue" on a prospective basis. There was no impact on the financial statements as a result of the adoption of these new standards.

2. Operations of school boards and the Region of Durham

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

			2013	2012
	School boards	Region	Total	Total
	\$	\$	\$	\$
Taxation and user charges	3,698,099	10,324,203	14,022,302	13,690,213
Payments-in-lieu	88,247	188,840	277,087	271,868
	3,786,346	10,513,043	14,299,389	13,962,081

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2013

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:

	2013		2012	
	Cash	Investments	Cash	Investments
	\$	\$	\$	\$
Operating Fund	2,576,820	60,000	2,110,967	60,000
Reserve Funds	5,541,309	2,800,000	4,049,849	2,800,000
Total	8,118,129	2,860,000	6,160,816	2,860,000

The market value of the investments at December 31, 2013 was \$2,863,829 (2012 - \$2,998,752).

4. Taxes receivable

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

	2013	2012
	\$	\$
Current year	1,555,773	1,552,141
Arrears, previous years	1,168,486	1,343,421
	2,724,259	2,895,562
Less allowance	(80,200)	(20,000)
	2,644,059	2,875,562

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, 2013. A further breakdown is provided below:

	2013	2012
	\$	\$
Trade accounts payable	921,186	461,880
Payroll liabilities	259,647	251,881
Accrued liabilities	72,763	159,969
Refundable deposits	70,832	89,133
	1,324,428	962,863

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2013

6. Deferred revenue

	2013	2012
	\$	\$
Obligatory Reserve Funds		
Development charges	2,021,483	1,948,524
Parkland	225,296	222,784
Parking	8,056	7,968
Federal gas tax revenue	800,112	425,439
	<u>3,054,947</u>	<u>2,604,715</u>
Other deferred revenue	619,874	26,567
	<u>3,674,821</u>	<u>2,631,282</u>
Continuity of obligatory Reserve Funds is as follows		
Balance, beginning of year	2,604,715	2,859,588
Subdividers contributions	217,193	141,987
Federal gas tax revenues	367,456	367,456
Interest earned	32,106	31,641
	<u>3,221,470</u>	<u>3,400,672</u>
Internal loans repaid from obligatory Reserve Funds	(9,020)	(5,692)
Earned revenue transferred to operations	(157,503)	(790,265)
Total obligatory deferred revenue	<u>3,054,947</u>	<u>2,604,715</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:

	2013	2012
	\$	\$
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	1,599,307	1,708,367
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	(91,865)	(110,537)
Net long-term liabilities at the end of the year	<u>1,507,442</u>	<u>1,597,830</u>

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2013

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:

	\$
2014	94,715
2015	99,139
2016	102,665
2017	65,297
2018	68,039
Thereafter	1,077,587
	1,507,442

- (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, 2013 is \$ 91,865 (2012 - \$110,537) and is not recorded on the "Consolidated statement of financial position".
- (e) Total interest expense related to the net long-term liabilities amounted to \$60,552 (2012 - \$4,504). The credit was created as a result of the application of a sinking fund to pay the balance of the CA debenture. The payments to this sinking fund were expensed annually when paid to the Region of Durham.

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 Township), 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:

	2013	2012
	\$	\$
Accrued benefit obligation	611,536	590,105
Unamortized actuarial gain	75,318	84,284
Employee post-employment benefits	686,854	674,389
Opening liability for post employment benefits	674,389	663,578
Current year benefit expense	14,348	14,803
Benefit payments	(17,921)	(22,401)
Amortization of actuarial gain	(8,966)	(5,801)
Interest on accrued benefit obligation	25,004	24,210
	686,854	674,389

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2013

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 2013 and thereafter.

(b) *Interest (discount) rate*

The present values as at December 31, 2013 of the post-employment benefits was determined using a discount rate of 4.25%.

(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

(a) *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 2013 was \$ 59,135 (2012 - \$1,835,750).

(b) *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.

(c) *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.

(d) *Other*

During the year, there were no write-downs of assets (2012 - \$Nil) and no interest was capitalized during the year (2012 - \$Nil)

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2013

9. Tangible capital assets (continued)

	2013									
	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	2,349,811	2,653,014	11,606,445	4,494,207	1,790,142	1,102,024	78,860,574	2,356,983	4,599,775	109,812,975
Additions	-	177,314	106,024	484,088	85,748	-	823,960	36,450	565,839	2,279,423
Disposals	(11,838)	-	(65,769)	(136,336)	(22,060)	-	-	-	-	(236,003)
Balance, end of year	2,337,973	2,830,328	11,646,700	4,841,959	1,853,830	1,102,024	79,684,534	2,393,433	5,165,614	111,856,395
Accumulated amortization										
Balance, beginning of year	-	789,740	4,629,209	2,205,876	916,111	359,306	36,101,058	338,662	1,452,029	46,791,991
Amortization expense	-	88,910	243,244	323,327	158,033	47,540	2,230,773	31,669	81,309	3,204,805
Disposals	-	-	(64,298)	(130,028)	(22,060)	-	-	-	-	(216,386)
Balance, end of year	-	878,650	4,808,155	2,399,175	1,052,084	406,846	38,331,831	370,331	1,533,338	49,780,410
Net book value of tangible capital assets	2,337,973	1,951,678	6,838,545	2,442,784	801,746	695,178	41,352,703	2,023,102	3,632,276	62,075,985

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2013

9. Tangible capital assets (continued)

	2012									
	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	2,349,811	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
Additions	-	1,530,346	-	365,007	122,583	52,672	1,380,919	342,580	454,100	4,248,207
Disposals	-	(36,483)	-	(148,087)	(30,044)	(1,145)	(30,179)	-	-	(245,938)
Balance, end of year	2,349,811	2,653,014	11,606,445	4,494,207	1,790,142	1,102,024	78,860,574	2,356,983	4,599,775	109,812,975
Accumulated amortization										
Balance, beginning 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
Amortization expense	-	61,074	244,433	297,180	158,464	46,658	2,179,144	29,143	72,825	3,088,921
Disposals	-	(36,483)	-	(148,087)	(30,044)	(1,145)	(30,179)	-	-	(245,938)
Balance, end of year	-	789,740	4,629,209	2,205,876	916,111	359,306	36,101,058	338,662	1,452,029	46,791,991
Net book value of tangible capital assets	2,349,811	1,863,274	6,977,236	2,288,331	874,031	742,718	42,759,516	2,018,321	3,147,746	63,020,984

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2013

10. Accumulated surplus

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

	2013	2012
	\$	\$
Invested in tangible capital assets	62,075,985	63,020,984
Other	337,011	371,702
Long term debt	(1,507,442)	(1,597,830)
Employee future benefits	(686,854)	(674,389)
Total surplus	60,218,700	61,120,467
Reserves		
Acquisition of tangible capital assets	1,564,097	1,888,166
Municipal projects	551,478	513,962
Future elections	40,500	20,500
Rate stabilization	923,805	1,168,805
Working capital	382,128	382,128
Sub-total reserves	3,462,008	3,973,561
Reserve funds set aside for specific purposes by Council for:		
Reserve Funds		
Insurance purposes	107,470	106,265
Post employment	50,482	25,038
Acquisition of tangible capital assets	3,348,298	3,315,133
Road construction	1,876,945	959,752
Sub-total Reserve Funds	5,383,195	4,406,188
Total accumulated surplus	69,063,903	69,500,216

11. Grants

	2013	2012
	\$	\$
Government of Canada	41,924	800,763
Province of Ontario		
Ministry of Municipal Affairs - Ontario Municipal Partnership Fund	743,800	799,700
Ministry of Municipal Affairs - Asset Management Plan	24,849	-
Ministry of Municipal Affairs - Bikelinx Funding	5,489	-
Ministry of Natural Resources - Aggregate Resource Act	69,922	72,919
Ministry of Culture & Recreation - Library Operating Grant	27,506	23,015
Ministry of Culture & Recreation - Communities Fund	7,000	-
Ministry of Agriculture and Food - Wild Life Danger	21,047	18,879
	899,613	914,513

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2013

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:

	2013	2012
	\$	\$
Principal payments	90,388	201,508
Interest	60,552	76,333
Sinking fund recovery	-	(80,836)
	150,940	197,005

13. Trust funds

Trust funds administered by the Township amounting to \$547,759 (2012 - \$656,890) 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 44 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 \$244,139 (2012 - \$203,698) was paid to OMERS on behalf of its members.

15. Budget figures

The budgets originally approved by Township Council for 2013, 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.

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2013

16. Classification of expenses by object

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

	2013	2012
	\$	\$
Salaries, wages and employee benefits	4,315,348	4,241,234
Operating materials and supplies	3,343,284	3,424,571
Contracted services	286,428	390,420
Rents and financial expenses	22,539	21,824
External transfers to others	35,544	34,933
Debt services	60,552	(4,504)
Amortization	3,204,805	3,088,921
	11,268,500	11,197,399

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, 2013

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, 2013

18. Segmented information (continued)

								2013
	General government	Protection of persons	Transportation services	Environmental services	Health services	Recreational services	Planning and development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries, wages and benefits	1,117,281	928,665	1,166,369	27,870	6,859	1,067,453	853	4,315,350
Operating materials and supplies	919,630	360,499	1,205,884	17,735	130,418	633,470	75,646	3,343,282
Contracted services	126,367	7,368	124,094	-	300	4,598	23,701	286,428
Rents and financial expenses	22,539	-	-	-	-	-	-	22,539
External transfers to others	-	19,487	-	-	-	16,057	-	35,544
Debt services	-	60,552	-	-	-	-	-	60,552
Amortization	154,493	231,730	2,613,884	-	22,326	182,372	-	3,204,805
	2,340,310	1,608,301	5,110,231	45,605	159,903	1,903,950	100,200	11,268,500
Revenue								
Tax revenue	7,520,290	-	161,357	-	-	-	-	7,681,647
User fees and charges	90,357	226,166	77,347	-	80,583	444,526	63,867	982,846
Federal grants	-	-	-	-	-	14,119	27,805	41,924
Provincial grants	743,800	21,047	100,260	-	-	34,506	-	899,613
Investment	146,175	-	-	-	-	302	-	146,477
Penalties	432,579	-	-	-	-	-	-	432,579
Developers contributions	9,020	20,000	137,504	-	-	-	-	166,524
Contributed assets	-	-	59,135	-	-	-	-	59,135
Gain on sale of tangible capital assets	156,691	(4,108)	10,237	-	-	-	-	162,820
Other revenues	39,833	5,100	-	-	-	213,689	-	258,622
Balance, end of year	9,138,745	268,205	545,840	-	80,583	707,142	91,672	10,832,187
Annual surplus (deficit), end of year	6,798,435	(1,340,096)	(4,564,391)	(45,605)	(79,320)	(1,196,808)	(8,528)	(436,313)

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2013

18. Segmented information (continued)

								2012
	General government	Protection of persons	Transportation services	Environmental services	Health services	Recreational services	Planning and development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries, wages and benefits	1,091,405	987,580	1,117,103	30,578	8,141	1,005,082	1,345	4,241,234
Operating materials and supplies	850,729	356,160	1,437,923	11,910	117,332	594,102	56,415	3,424,571
Contracted services	134,299	4,453	53,533	-	21,512	142,975	33,648	390,420
Rents and financial expenses	21,689	-	-	-	-	135	-	21,824
External transfers to others	-	17,649	-	-	-	17,284	-	34,933
Debt services	(1)	63,083	-	-	-	(67,586)	-	(4,504)
Amortization	137,635	233,210	2,524,073	-	22,326	171,677	-	3,088,921
	<u>2,235,756</u>	<u>1,662,135</u>	<u>5,132,632</u>	<u>42,488</u>	<u>169,311</u>	<u>1,863,669</u>	<u>91,408</u>	<u>11,197,399</u>
Revenue								
Tax revenue	7,277,726	-	136,520	-	-	-	-	7,414,246
User fees and charges	116,764	227,497	32,666	-	68,515	550,835	57,884	1,054,161
Federal grants	-	-	750,469	-	-	28,089	22,205	800,763
Provincial grants	799,701	18,879	72,918	-	-	23,015	-	914,513
Investment	153,167	-	-	-	-	2	-	153,169
Penalties	453,123	-	-	-	-	-	-	453,123
Developers contributions	5,693	16,312	-	-	-	23,483	-	45,488
Contributed assets	-	-	950,750	-	-	885,000	-	1,835,750
Gain on sale of tangible capital assets	10,800	-	-	-	-	-	-	10,800
Other revenues	12,159	7,080	-	-	-	566,209	-	585,448
Balance, end of year	8,829,133	269,768	1,943,323	-	68,515	2,076,633	80,089	13,267,461
Annual surplus (deficit), end of year	6,593,377	(1,392,367)	(3,189,309)	(42,488)	(100,796)	212,964	(11,319)	2,070,062