

Consolidated financial statements of

**The Corporation of the
Township of Brock**

December 31, 2016

The Corporation of the Township of Brock

December 31, 2016

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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, 2016, 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, 2016, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 15, 2017

The Corporation of the Township of Brock

Consolidated statement of financial position as at December 31, 2016

	2016	2015
		(Note 18)
	\$	\$
Assets		
Financial assets		
Cash (Note 3)	5,253,641	5,846,653
Investments (Note 3)	9,860,000	7,860,000
Taxes receivable (Note 4)	1,687,012	1,935,071
Accounts receivable	1,149,258	739,428
	17,949,911	16,381,152
Liabilities		
Accounts payable and accrued liabilities (Note 5)	940,143	1,156,013
Deferred revenue (Note 6)	4,072,851	3,547,677
Net long-term liabilities (Note 7)	1,210,923	1,313,588
Employee post employment benefits (Note 8)	629,723	674,511
	6,853,640	6,691,789
Net financial assets	11,096,271	9,689,363
Non-financial assets		
Tangible capital assets (Note 9)	59,814,062	60,324,373
Prepaid expenses	59,099	10,054
	59,873,161	60,334,427
Accumulated surplus (Note 10)	70,969,432	70,023,790

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, 2016

	Budget (Note 15)	2016 Actual	2015 Actual (Note 18)
	\$	\$	\$
Revenue			
Taxation	8,268,997	8,357,831	8,126,926
User fees and charges	1,022,008	1,265,597	1,143,315
Grants (Note 11)			
Government of Canada	812,303	465,553	378,016
Province of Ontario	1,156,991	1,305,743	1,489,440
Investment income	45,000	180,199	167,686
Penalties and interest on taxes	370,000	335,043	370,612
Developer contributions earned	-	392,136	112,231
Revenue recognized on contributed tangible capital assets	-	12,592	-
(Loss) Gain on sale of tangible capital assets	-	(72,098)	22,415
Other	21,000	213,848	117,769
	11,696,299	12,456,444	11,928,410
Expenses (Note 16)			
General government	2,180,803	2,169,202	2,239,506
Protection to persons and property	1,759,953	1,555,247	1,549,615
Transportation services	6,246,250	5,391,296	5,247,563
Environmental services	50,500	41,653	42,180
Health services	166,900	160,859	153,043
Recreation and cultural services	2,048,046	2,085,690	2,066,515
Planning and development	194,344	106,855	201,724
	12,646,796	11,510,802	11,500,146
Annual surplus	(950,497)	945,642	428,264
Accumulated surplus, beginning of year	70,023,790	70,023,790	69,595,526
Accumulated surplus, end of year	69,073,293	70,969,432	70,023,790

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, 2016

	Budget (Note 15)	2016 Actual	2015 Actual
	\$	\$	\$
Annual surplus	(950,497)	945,642	428,264
Acquisition of tangible capital assets	(2,355,000)	(3,056,806)	(2,738,888)
Loss (gain) on sale of tangible capital assets	-	72,098	(22,415)
Proceeds from sale of tangible capital assets	-	13,039	23,332
Amortization of tangible capital assets	3,300,000	3,481,980	3,358,693
	(5,497)	1,455,953	1,048,986
Net change in prepaid expenses	-	(49,045)	3,930
Increase in net financial assets	(5,497)	1,406,908	1,052,916
Net financial assets, beginning of year	9,689,363	9,689,363	8,636,447
Net financial assets, end of year	9,683,866	11,096,271	9,689,363

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, 2016

	2016	2015
	\$	\$
Operating activities		
Annual surplus	945,642	428,264
Items not involving cash		
Amortization	3,481,980	3,358,693
Revenue recognized on assumed assets	(12,592)	
Loss (gain) on sale of tangible capital assets	72,098	(22,415)
Change in non-cash working capital		
Investments	(2,000,000)	(500,000)
Taxes receivable	248,059	384,023
Accounts receivable	(409,830)	(339,348)
Prepaid expenses	(49,045)	3,930
Accounts payable and accrued liabilities	(215,870)	214,252
Deferred revenue	525,174	(201,810)
Employee post employment benefits	(44,788)	(27,266)
	2,540,828	3,298,323
Capital activities		
Acquisition of tangible capital assets	(3,044,214)	(2,738,888)
Proceeds from sale of tangible capital assets	13,039	23,332
	(3,031,175)	(2,715,556)
Financing activity		
Repayment of long term liabilities	(102,665)	(99,139)
Net change in cash	(593,012)	483,628
Cash beginning of year	5,846,653	5,363,025
Cash, end of year	5,253,641	5,846,653

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, 2016

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 Chartered Professional Accountants of Canada.

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 Township 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, 2016

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(iv) Non-financial assets (continued)

- 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.

- 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, 2016

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) Contaminated sites

The Township has implemented PSAB section 3260 Liability for Contaminated Sites. Section 3260 requires governments to record a liability in their financial statements if they have a contaminated site that meets the requirements set out in the standard. The standard defines contamination as the introduction into air, soil, water, or sediment of a chemical, organic or radiative material or live organism that exceeds an environmental standard. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination. The adoption of this standard has been applied retroactively without the restatement of prior periods.

The adoption of this Standard did not have an impact on the Township's Financial Statements.

(xi) 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 post-employment benefits.

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:

	2016			2015
	School boards	Region	Total	Total
	\$	\$	\$	\$
Taxation and user charges	3,782,681	10,911,726	14,694,407	14,472,240
Payments-in-lieu	88,441	182,973	271,414	269,854
	3,871,122	11,094,699	14,965,821	14,742,094

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2016

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:

	2016		2015	
	Cash	Investments	Cash	Investments
	\$	\$	\$	\$
Operating Fund	1,980,955	560,000	1,919,592	560,000
Reserve Funds	3,272,686	9,300,000	3,927,061	7,300,000
Total	5,253,641	9,860,000	5,846,653	7,860,000

The market value of the investments at December 31, 2016 was \$9,912,185 (2015 - \$7,894,475).

4. Taxes receivable

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

	2016	2015
	\$	\$
Current year	1,163,558	1,265,562
Arrears, previous years	698,357	780,084
	1,861,915	2,045,646
Less allowance	(174,903)	(110,575)
	1,687,012	1,935,071

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 fiscal year. They are the result of contracts, invoices, agreements and legislation in force at the end of the fiscal year that require the Township to pay for goods and services acquired or provided on or before December 31, 2016. A further breakdown is provided below:

	2016	2015
	\$	\$
Trade accounts payable	561,514	856,616
Payroll liabilities	186,477	138,432
Accrued liabilities	124,078	91,017
Refundable deposits	68,074	69,948
	940,143	1,156,013

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2016

6. Deferred revenue

	2016	2015
	\$	(Note 18) \$
Obligatory Reserve Funds		
Development charges	2,257,406	2,391,365
Parkland	184,961	183,622
Federal gas tax revenue	1,135,332	875,436
	<u>3,577,699</u>	<u>3,450,423</u>
Other deferred revenue	495,152	97,254
	<u>4,072,851</u>	<u>3,547,677</u>
Continuity of obligatory Reserve Funds is as follows		
Balance, beginning of year	3,450,423	3,338,498
Subdividers contributions	124,214	145,577
Federal gas tax revenues	344,803	328,383
Interest earned	47,395	46,681
	<u>3,966,835</u>	<u>3,859,139</u>
Internal loans repaid from obligatory Reserve Funds	(7,136)	(7,449)
Earned revenue transferred to operations	(382,000)	(401,267)
Total obligatory deferred revenue	<u>3,577,699</u>	<u>3,450,423</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:

	2016	2015
	\$	\$
The Township 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	1,258,962	1,369,162
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	(48,039)	(55,574)
Net long-term liabilities at the end of the year	<u>1,210,923</u>	<u>1,313,588</u>

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2016

7. Net long-term liabilities (continued)

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

		\$
2017	65,297	
2018	68,039	
2019	70,897	
2020	1,006,690	
2021	-	
	1,210,923	

- (c) The long-term liabilities 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, 2016 is \$48,039 (2015 - \$55,574) and is not recorded on the "Consolidated statement of financial position".
- (e) Total interest expense related to the net long-term liabilities amounted to \$50,929 (2015 - \$54,502).

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:

	2016	2015
	\$	\$
Accrued benefit obligation	356,142	395,191
Unamortized actuarial gain	273,581	279,320
Employee post-employment benefits	629,723	674,511
Opening liability for post employment benefits	674,511	701,777
Current year benefit expense	10,642	10,208
Benefit payments	(35,000)	(17,016)
Amortization of actuarial gain	(36,708)	(36,708)
Interest on accrued benefit obligation	16,278	16,250
	629,723	674,511

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 2016 and thereafter.

(b) *Interest (discount) rate*

The present values as at December 31, 2016 of the post-employment benefits was determined using a discount rate of 4.25%.

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2016

8. Employee post-employment benefits (continued)

(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. During the year contributed tangible capital assets of \$12,592 (2015 - \$Nil) were received.

(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 \$Nil write-downs of assets (2015 - \$Nil) and \$Nil interest was capitalized during the year (2015 - \$Nil).

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2016

9. Tangible capital assets (continued)

	2016									
	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	2,328,133	3,091,302	12,238,590	5,202,064	2,093,442	1,183,208	80,974,575	2,393,433	6,909,891	116,414,638
Additions	12,592	64,957	147,532	655,569	99,504	156,889	1,747,831	-	171,932	3,056,806
Disposals	-	-	-	(32,500)	(219,580)	-	-	-	(7,258)	(259,338)
Balance, end of year	2,340,725	3,156,259	12,386,122	5,825,133	1,973,366	1,340,097	82,722,406	2,393,433	7,074,565	119,212,106
Accumulated amortization										
Balance, beginning of year	-	1,077,727	5,276,512	2,830,081	1,308,334	502,756	42,925,131	434,155	1,735,569	56,090,265
Amortization expense	-	106,584	247,044	342,314	155,431	52,336	2,430,809	31,914	115,548	3,481,980
Disposals	-	-	-	(15,167)	(153,470)	-	-	-	(5,564)	(174,201)
Balance, end of year	-	1,184,311	5,523,556	3,157,228	1,310,295	555,092	45,355,940	466,069	1,845,553	59,398,044
Net book value of tangible capital assets	2,340,725	1,971,948	6,862,566	2,667,905	663,071	785,005	37,366,466	1,927,364	5,229,012	59,814,062

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2016

9. Tangible capital assets (continued)

										2015
	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	2,328,133	3,008,842	11,678,825	5,168,918	2,029,688	1,102,024	80,088,096	2,393,433	6,174,001	113,971,960
Additions	-	82,460	559,765	290,276	102,834	81,184	886,479	-	735,890	2,738,888
Disposals	-	-	-	(257,130)	(39,080)	-	-	-	-	(296,210)
Balance, end of year	2,328,133	3,091,302	12,238,590	5,202,064	2,093,442	1,183,208	80,974,575	2,393,433	6,909,891	116,414,638
Accumulated amortization										
Balance, beginning of year	-	974,894	5,041,859	2,744,697	1,175,523	454,386	40,605,795	402,243	1,627,468	53,026,865
Amortization expense	-	102,833	234,653	341,597	171,891	48,370	2,319,336	31,912	108,101	3,358,693
Disposals	-	-	-	(256,213)	(39,080)	-	-	-	-	(295,293)
Balance, end of year	-	1,077,727	5,276,512	2,830,081	1,308,334	502,756	42,925,131	434,155	1,735,569	56,090,265
Net book value of tangible capital assets	2,328,133	2,013,575	6,962,078	2,371,983	785,108	680,452	38,049,444	1,959,278	5,174,322	60,324,373

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2016

10. Accumulated surplus

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

	2016	2015
	\$	(Note 18) \$
Invested in tangible capital assets	59,814,062	60,324,373
Other	670,400	914,088
Long term debt	(1,210,923)	(1,313,588)
Employee future benefits	(629,723)	(674,511)
Total surplus	58,643,816	59,250,362
Reserves		
Acquisition of tangible capital assets	1,458,047	1,701,702
Municipal projects	622,602	565,693
Future elections	32,750	17,750
Rate stabilization	646,968	398,068
Working capital	382,128	382,128
Sub-total reserves	3,142,495	3,065,341
Reserve Funds set aside for specific purposes by Council for:		
Insurance purposes	361,336	299,083
Post employment	129,646	102,804
Acquisition of tangible capital assets	4,209,447	3,747,754
Road construction	4,482,692	3,558,446
Sub-total Reserve Funds	9,183,121	7,708,087
Total accumulated surplus	70,969,432	70,023,790

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2016

11. Grants

	2016	2015
	\$	\$
Government of Canada	465,553	378,016
Province of Ontario		
Ministry of Municipal Affairs - Ontario Municipal Partnership Fund	913,800	883,700
Infrastructure Ontario	-	227,468
Ministry of Environment - Source Protection	9,306	8,832
Trillium Fund	81,800	-
Ministry of Agriculture, Food and Rural Affairs - RED Program	22,563	86,303
Ministry of Agriculture and Food - Wild Life Damage	8,883	16,401
Ministry of Municipal Affairs - Ontario Community Infrastructure Fund	104,291	104,291
Ministry of Natural Resources - Aggregate Resource Act	61,194	61,599
Ministry of Culture & Recreation - Library Operating Grant	28,906	34,058
Ministry of Culture & Recreation - Communities Fund	-	66,788
Ministry of Transportation - Trail Rehabilitation Grant	75,000	-
	1,305,743	1,489,440

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:

	2016	2015
	\$	\$
Principal payments	102,665	99,139
Intrest	50,928	54,202
	153,593	153,341

13. Trust funds

Trust funds administered by the Township amounting to \$1,197,159 (2015 - \$1,215,103) 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, 2016 was on behalf of 48 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 \$239,298 (2015 - \$260,632) was paid to OMERS on behalf of its members.

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2016

15. Budget figures

The budgets originally approved by Township Council for 2016, adjusted as noted below, are reflected 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.

16. Classification of expenses by object

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

	2016	2015
	\$	\$
Salaries, wages and employee benefits	4,310,276	4,346,254
Operating materials and supplies	3,437,814	3,379,744
Contracted services	183,479	268,734
Rents and financial expenses	21,924	20,968
External transfers to others	24,400	71,251
Debt services	50,929	54,502
Amortization	3,481,980	3,358,693
	11,510,802	11,500,146

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, 2016

18. Prior year Comparatives

Certain of prior years' comparative figures have been reclassified to conform with current year's presentation.

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, 2016

19. Segmented information (continued)

								2016
	General government	Protection of persons	Transportation services	Environmental services	Health services	Recreational services	Planning and development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries, wages and benefits	1,052,797	925,540	1,180,843	24,821	3,228	1,122,671	376	4,310,276
Operating materials and supplies	787,214	349,720	1,283,345	16,832	134,874	774,141	91,688	3,437,814
Contracted services	138,575	-	33,579	-	-	4,534	6,791	183,479
Rents and financial expenses	21,924	-	-	-	-	-	-	21,924
External transfers to others	-	8,223	-	-	-	8,177	8,000	24,400
Debt services	-	50,929	-	-	-	-	-	50,929
Amortization	168,692	220,835	2,893,529	-	22,757	176,167	-	3,481,980
	2,169,202	1,555,247	5,391,296	41,653	160,859	2,085,690	106,855	11,510,802
Revenue								
Tax revenue	8,176,587	-	181,244	-	-	-	-	8,357,831
User fees and charges	196,596	292,981	163,738	-	96,239	470,425	45,618	1,265,597
Federal grants	-	-	437,098	-	-	28,455	-	465,553
Provincial grants	917,000	8,883	165,485	-	-	185,706	28,669	1,305,743
Investment	179,449	-	-	-	-	750	-	180,199
Penalties	335,043	-	-	-	-	-	-	335,043
Developers contributions	-	-	392,136	-	-	-	-	392,136
Contributed assets	12,592	-	-	-	-	-	-	12,592
Gain on sale of tangible capital assets	-	(70,404)	(1,694)	-	-	-	-	(72,098)
Other revenues	49,034	6,840	72,456	-	-	84,373	1,145	213,848
Balance, end of year	9,866,301	238,300	1,410,463	-	96,239	769,709	75,432	12,456,444
Annual surplus (deficit), end of year	(7,697,099)	1,316,947	3,980,833	41,653	64,620	1,315,981	31,423	(945,642)

The Corporation of the Township of Brock

Notes to the consolidated financial statements

December 31, 2016

19. Segmented information (continued)

								2015
	General government	Protection of persons	Transportation services	Environmental services	Health services	Recreational services	Planning and development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries, wages and benefits	1,065,980	904,170	1,147,906	27,653	5,240	1,193,645	1,660	4,346,254
Operating materials and supplies	847,668	328,922	1,272,339	14,527	125,477	679,928	110,883	3,379,744
Contracted services	139,841	2,295	67,933	-	-	4,865	53,800	268,734
Rents and financial expenses	20,968	-	-	-	-	-	-	20,968
External transfers to others	-	15,531	-	-	-	20,339	35,381	71,251
Debt services	-	54,502	-	-	-	-	-	54,502
Amortization	165,049	244,195	2,759,385	-	22,326	167,738	-	3,358,693
	<u>2,239,506</u>	<u>1,549,615</u>	<u>5,247,563</u>	<u>42,180</u>	<u>153,043</u>	<u>2,066,515</u>	<u>201,724</u>	<u>11,500,146</u>
Revenue								
Tax revenue	7,950,368	-	176,558	-	-	-	-	8,126,926
User fees and charges	121,984	255,804	139,661	-	82,043	472,060	71,763	1,143,315
Federal grants	35,000	-	296,485	-	-	32,679	13,852	378,016
Provincial grants	917,813	16,401	393,358	-	-	100,846	61,022	1,489,440
Investment	166,655	-	-	-	-	1,031	-	167,686
Penalties	370,612	-	-	-	-	-	-	370,612
Developers contributions	-	-	112,231	-	-	-	-	112,231
Contributed assets	-	-	-	-	-	-	-	-
Gain on sale of tangible capital assets	-	-	22,415	-	-	-	-	22,415
Other revenues	73,327	6,909	-	-	-	26,649	10,884	117,769
Balance, end of year	<u>9,635,759</u>	<u>279,114</u>	<u>1,140,708</u>	<u>-</u>	<u>82,043</u>	<u>633,265</u>	<u>157,521</u>	<u>11,928,410</u>
Annual surplus (deficit), end of year	<u>7,396,253</u>	<u>(1,270,501)</u>	<u>(4,106,855)</u>	<u>(42,180)</u>	<u>(71,000)</u>	<u>(1,433,250)</u>	<u>(44,203)</u>	<u>428,264</u>