
Consolidated financial statements of
The Corporation of the
Township of Brock

December 31, 2018

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Independent Auditor's Report

To the Members of Council of
The Corporation of the Township of Brock

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Brock (the "Township"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2018, and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Township's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Township or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Township's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Township to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The image shows a handwritten signature in cursive that reads "Deloitte LLP".

Chartered Professional Accountants
Licensed Public Accountants
April 30, 2019

The Corporation of the Township of Brock
Consolidated statement of financial position
As at December 31, 2018

	Notes	2018	2017
		\$	\$
Assets			
Financial assets			
Cash	3	7,079,097	8,768,488
Investments	3	13,382,071	10,860,000
Taxes receivable	4	2,100,890	1,517,022
Accounts receivable		1,171,497	758,840
		23,733,555	21,904,350
Liabilities			
Accounts payable and accrued liabilities	5	1,225,868	1,467,113
Deferred revenue	6	6,997,491	6,003,239
Net long-term liabilities	7	1,077,587	1,145,626
Employee post employment benefits	8	521,800	582,000
		9,822,746	9,197,978
Net financial assets		13,910,809	12,706,372
Non-financial assets			
Tangible capital assets	9	59,843,320	59,132,317
Prepaid expenses		64,962	47,510
		59,908,282	59,179,827
Accumulated surplus	10	73,819,091	71,886,199

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

The Corporation of the Township of Brock

Consolidated statement of operations

Year ended December 31, 2018

	Notes	Budget (Note 15) \$	2018 Actual \$	2017 Actual \$
Revenue				
Taxation		8,623,007	8,905,948	8,455,869
User fees and charges		1,308,650	1,272,963	1,478,600
Grants	11			
Government of Canada		387,722	88,081	338,608
Province of Ontario		2,875,432	2,188,918	1,204,575
Federal gas tax		—	30,697	—
Investment income		55,000	322,062	218,656
Penalties and interest on taxes		300,000	317,027	302,239
Developer contributions earned		—	538,446	499,044
Revenue recognized on assumed tangible capital assets		—	1,015,959	—
Gain (loss) on sale/disposal of tangible capital assets		—	7,685	(14,093)
Other		158,570	298,983	366,762
		13,708,381	14,986,769	12,850,260
Expenses				
General government	16	2,464,966	2,360,784	1,986,156
Protection to persons and property		1,999,088	1,893,089	1,682,527
Transportation services		5,841,250	6,294,235	5,998,270
Environmental services		46,100	54,472	35,581
Health services		169,600	159,379	160,489
Recreation and cultural services		2,235,746	2,197,343	1,961,830
Planning and development		103,700	94,575	108,640
		12,860,450	13,053,877	11,933,493
Annual surplus		847,931	1,932,892	916,767
Accumulated surplus, beginning of year		71,886,199	71,886,199	70,969,432
Accumulated surplus, end of year		72,734,130	73,819,091	71,886,199

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

The Corporation of the Township of Brock
Consolidated statement of change in net financial assets
Year ended December 31, 2018

	Budget (Note 15)	2018 Actual	2017 Actual
	\$	\$	\$
Annual surplus	847,931	1,932,892	916,767
Acquisition of tangible capital assets	(5,073,666)	(4,563,861)	(2,970,712)
(Gain) loss on sale/disposal of tangible capital assets	—	(7,685)	14,093
Proceeds from sale of tangible capital assets	—	16,751	—
Amortization of tangible capital assets	3,500,000	3,843,792	3,638,364
	(725,735)	1,221,889	1,598,512
Net change in prepaid expenses	—	(17,452)	11,589
(Decrease) increase in net financial assets	(725,735)	1,204,437	1,610,101
Net financial assets, beginning of year	12,706,372	12,706,372	11,096,271
Net financial assets, end of year	11,980,637	13,910,809	12,706,372

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

The Corporation of the Township of Brock**Consolidated statement of cash flows**

Year ended December 31, 2018

	2018	2017
	\$	\$
Operating activities		
Annual surplus	1,932,892	916,767
Items not involving cash		
Amortization	3,843,792	3,638,364
Revenue recognized on assumed tangible capital assets	(1,015,959)	—
Loss on sale of tangible capital assets	(7,685)	14,093
Change in non-cash working capital		
Taxes receivable	(583,868)	169,990
Accounts receivable	(412,657)	390,418
Investments	(2,522,071)	(1,000,000)
Prepaid expenses	(17,452)	11,589
Accounts payable and accrued liabilities	(241,245)	526,970
Deferred revenue	994,252	1,930,388
Employee post employment benefits	(60,200)	(47,723)
	1,909,799	6,550,856
Capital activities		
Acquisition of tangible capital assets	(3,547,902)	(2,970,712)
Proceeds from sale of tangible capital assets	16,751	—
	(3,531,151)	(2,970,712)
Financing activity		
Repayment of long term liabilities	(68,039)	(65,297)
Net change in cash	(1,689,391)	3,514,847
Cash beginning of year	8,768,488	5,253,641
Cash, end of year	7,079,097	8,768,488

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

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.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(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.

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) 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.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(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.

(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 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.

(ix) Contaminated sites

A liability for the remediation of a contaminated site is recognized as the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Township is either directly responsible or accepts responsibility, it is expected that the future economic benefit will be given up, and a reasonable estimate of the amount is determinable. If the likelihood of the Township's obligation to incur these costs is either not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

(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 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:

	School boards	Region	2018 Total	2017 Total
	\$	\$	\$	\$
Taxation and user charges	3,821,472	11,052,190	14,873,662	14,463,566
Payments-in-lieu	88,402	184,456	272,858	269,175
	3,909,874	11,236,646	15,146,520	14,732,741

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:

	2018		2017	
	Cash	Investments	Cash	Investments
	\$	\$	\$	\$
Operating Fund	1,764,559	1,060,000	3,306,324	1,060,000
Reserve Funds	5,314,538	12,322,071	5,462,164	9,800,000
Total	7,079,097	13,382,071	8,768,488	10,860,000

The market value of the investments at December 31, 2018 was \$13,454,509 (\$10,913,388 in 2017).

4. Taxes receivable

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

	2018	2017
	\$	\$
Current year	1,328,928	1,051,296
Arrears, previous years	791,962	555,563
	2,120,890	1,606,859
Less allowance	(20,000)	(89,837)
	2,100,890	1,517,022

The Corporation of the Township of Brock
Notes to the consolidated financial statements
December 31, 2018

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, 2018. A further breakdown is provided below:

	2018	2017
	\$	\$
Trade accounts payable	672,777	1,083,822
Payroll liabilities	229,877	193,925
Accrued liabilities	224,300	97,616
Refundable deposits	98,914	91,750
	1,225,868	1,467,113

6. Deferred revenue

	2018	2017
	\$	\$
Obligatory reserve funds		
Development charges	4,346,627	3,229,795
Parkland	197,367	191,711
Building Department fees	176,171	173,830
Federal gas tax receipts	1,861,641	1,501,160
	6,581,806	5,096,496
Other deferred revenue	415,685	906,743
	6,997,491	6,003,239
Continuity of obligatory reserve funds is as follows		
Balance, beginning of the year	5,096,496	3,577,699
Subdividers contributions	1,585,758	1,332,943
Building permit fees in excess of expenditures	—	173,830
Federal gas tax funding received	361,222	350,907
Interest earned	107,473	60,161
	7,150,949	5,495,540
Internal loss repaid from obligatory reserve funds	—	(14,044)
Earned revenue transferred to operations	(569,143)	(385,000)
Total obligatory deferred revenue	6,581,806	5,096,496

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:

	2018	2017
	\$	\$
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	1,110,531	1,185,678
Of the long-term liabilities shown above, the responsibility for payment and principal and interest charges tile drainage has been assumed by individuals. At the end of the year the outstanding principal amount of this liability is	(32,944)	(40,052)
Net long-term liabilities at the end of the year	<u>1,077,587</u>	<u>1,145,626</u>

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

	\$
2019	70,897
2020	<u>1,006,690</u>
	<u><u>1,077,587</u></u>

- (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, 2018 is \$32,944 (\$40,052 in 2017) and is not recorded on the "Consolidated statement of financial position".
- (e) Total interest expense related to the net long-term liabilities amounted to \$44,874 (\$47,029 in 2017).

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.

8. Employee post-employment benefits (continued)

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

	2018	2017
	\$	\$
Accrued benefit obligation	346,500	368,800
Unamortized actuarial gain	175,300	213,200
Employee post-employment benefits	521,800	582,000
Opening liability for post-employment benefits	582,000	629,723
Current year benefit expense	18,300	15,000
Benefit payments	(52,200)	(36,523)
Amortization of actuarial gain	(37,900)	(40,900)
Interest on accrued benefit obligation	11,600	14,700
	521,800	582,000

The main assumptions employed for these valuations are as follows:

(a) Interest (discount) rate

The present values as at December 31, 2018 of the post-employment benefits was determined using a discount rate of 3.2%.

(b) Health and dental costs

Health care costs are expected to increase by 7.28% in the first year after the valuation, decreasing to an ultimate rate of 4% by 2038. 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. Contributed tangible capital assets assumed in 2018 totalled \$1,015,959 (nil in 2017).

(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.

9. Tangible capital assets (continued)

(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 (nil in 2017) and no interest was capitalized during the year (nil in 2017)

The Corporation of the Township of Brock
Notes to the consolidated financial statements
December 31, 2018

9. Tangible capital assets (continued)

	Land	Land improvements	Buildings	Rolling stocks	Furniture and equipment	Sidewalks and parking lots	Roads	Storm sewer	Bridges and structures	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, beginning of year	2,340,725	3,202,438	12,852,803	6,357,907	2,136,645	1,978,164	83,755,529	2,393,433	7,074,565	122,092,209
Additions	383,727	17,865	246,450	850,602	223,312	148,847	2,295,972	290,655	106,431	4,563,861
Disposals	—	—	—	(134,710)	(33,175)	(557)	—	—	—	(168,442)
Balance, year end	2,724,452	3,220,303	13,099,253	7,073,799	2,326,782	2,126,454	86,051,501	2,684,088	7,180,996	126,487,628
Accumulated amortization										
Balance, beginning of year	—	1,293,069	5,779,532	3,530,590	1,386,084	618,152	47,891,724	497,981	1,962,760	62,959,892
Amortization expense	—	108,412	289,023	421,308	145,937	83,423	2,625,765	33,870	136,054	3,843,792
Disposals	—	—	—	(125,755)	(33,175)	(446)	—	—	—	(159,376)
Balance, year end	—	1,401,481	6,068,555	3,826,143	1,498,846	701,129	50,517,489	531,851	2,098,814	66,644,308
Net book value of tangible capital assets	2,724,452	1,818,822	7,030,698	3,247,656	827,936	1,425,325	35,534,012	2,152,237	5,082,182	59,843,320
2017										
	Land	Land improvements	Buildings	Rolling stocks	Furniture and equipment	Sidewalks and parking lots	Roads	Storm sewer	Bridges and structures	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, beginning 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
Additions	—	46,179	466,681	532,774	245,169	646,786	1,033,123	—	—	2,970,712
Disposals	—	—	—	—	(81,890)	(8,719)	—	—	—	(90,609)
Balance, year end	2,340,725	3,202,438	12,852,803	6,357,907	2,136,645	1,978,164	83,755,529	2,393,433	7,074,565	122,092,209
Accumulated amortization										
Balance, beginning 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
Amortization expense	—	108,758	255,976	373,362	147,365	68,000	2,535,784	31,912	117,207	3,638,364
Disposals	—	—	—	—	(71,576)	(4,940)	—	—	—	(76,516)
Balance, year end	—	1,293,069	5,779,532	3,530,590	1,386,084	618,152	47,891,724	497,981	1,962,760	62,959,892
Net book value of tangible capital assets	2,340,725	1,909,369	7,073,271	2,827,317	750,561	1,360,012	35,863,805	1,895,452	5,111,805	59,132,317

10. Accumulated surplus

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

	2018 \$	2017 \$
Invested in tangible capital assets	59,843,320	59,132,317
Other	1,662,511	1,398,457
Long term debt	(1,077,587)	(1,145,626)
Employee future benefits	(521,800)	(582,000)
Total surplus	59,906,444	58,803,148
Reserves		
Acquisition of tangible capital assets	1,393,034	1,740,160
Municipal projects	653,993	621,267
Future elections	—	47,750
Rate stabilizations	344,776	495,968
Working capital	382,128	382,128
Sub-total reserves	2,773,931	3,287,273
Reserve funds set aside for specific purposes by Council for:		
Reserve funds		
Insurance purposes	386,007	421,678
Post employment	185,265	156,944
Acquisition of tangible capital assets	5,117,809	4,774,878
Road construction	5,449,635	4,442,278
Sub-total reserve funds	11,138,716	9,795,778
Total accumulated surplus	73,819,091	71,886,199

11. Grants

	2018 \$	2017 \$
Government of Canada	88,081	338,608
Province of Ontario		
Ministry of Municipal Affairs – Ontario Municipal Partnership fund	895,600	895,200
Ministry of the Environment – Source Protection Trillium fund	—	15,013
Ministry of Tourism, Culture and Sport – Summer Experience Program	3,658	—
Ministry of Agriculture & Food – Wild life damage	18,905	5,036
Ministry of Municipal Affairs – Ontario Community Infrastructure Grant	1,110,344	187,278
Ministry of Natural Resources – Aggregate Resources Act	68,636	66,723
Ministry of Culture & Recreation – Library Opening Grant	30,815	26,325
Ministry of Tourism, Culture and Sport – Communities Fund	60,960	—
Total	2,188,918	1,204,575

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:

	2018	2017
	\$	\$
Principal payments	68,039	65,297
Interest	44,874	47,029
	112,913	112,326

13. Trust funds

Trust funds administered by the Township amounting to \$975,536 (\$919,759 in 2017) 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, 2017 was on behalf of 51 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 \$270,459 (\$256,523 in 2017) was paid to OMERS on behalf of its members.

15. Budget figures

The budgets originally approved by Township Council for 2018, 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:

	2018	2017
	\$	\$
Salaries, wages and employee benefits	4,862,810	4,558,445
Operating materials and supplies	3,916,588	3,332,924
Contracted services	326,202	293,772
Rents and financial expenses	21,763	20,772
External transfers to others	37,848	42,188
Debt services	44,874	47,028
Amortization	3,843,792	3,638,364
	13,053,877	11,933,493

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.

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, 2018

18. Segmented information (continued)

	General Government	Protection of Persons	Transportation Services	Environmental Services	Health Services	Recreational Services	Planning & development	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries, wages and benefits	1,141,829	1,092,030	1,318,400	27,874	6,794	1,275,883	—	4,862,810
Operating materials & supplies	809,019	503,380	1,681,135	26,598	127,823	717,038	51,595	3,916,588
Contracted services	196,351	—	90,510	—	—	6,457	32,884	326,202
Rents & financial expenses	21,763	—	—	—	—	—	—	21,763
External transfers	—	17,975	—	—	—	9,777	10,096	37,848
Debt services	—	44,874	—	—	—	—	—	44,874
Amortization	191,822	234,830	3,204,190	—	24,762	188,188	—	3,843,792
	2,360,784	1,893,089	6,294,235	54,472	159,379	2,197,343	94,575	13,053,877
Revenue								
Taxation	8,701,009	—	204,939	—	—	—	—	8,905,948
User fees and charges	109,846	424,550	84,626	—	113,083	450,131	90,727	1,272,963
Federal grants	—	—	11,631	—	—	76,450	—	88,081
Provincial grants	895,600	18,905	1,178,980	—	—	95,433	—	2,188,918
Federal gas tax	—	—	30,697	—	—	—	—	30,697
Investment Income	321,818	—	—	—	—	244	—	322,062
Penalties and interest on taxes	317,027	—	—	—	—	—	—	317,027
Developers contributions earned	—	—	538,446	—	—	—	—	538,446
Revenue recognized on assumed tangible capital assets	—	—	1,015,959	—	—	—	—	1,015,959
Gain (loss) on sale/disposal of tangible capital assets	—	—	7,685	—	—	—	—	7,685
Other revenues	95,222	—	170,000	—	—	33,761	—	298,983
	10,440,522	443,455	3,242,963	—	113,083	656,019	90,727	14,986,769
Annual (deficit) surplus, end of year	8,079,738	(1,449,634)	(3,051,272)	(54,472)	(46,296)	(1,541,324)	(3,848)	1,932,892

The Corporation of the Township of Brock
Notes to the consolidated financial statements
December 31, 2018

18. Segmented information (continued)

								2017
	General Government	Protection of Persons	Transportation Services	Environmental Services	Health Services	Recreational Services	Planning and development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries, wages & benefits	1,082,098	1,028,863	1,280,201	24,007	3,558	1,130,452	9,266	4,558,445
Operating materials & supplies	553,431	385,465	1,566,210	11,574	133,742	625,734	56,768	3,332,924
Contracted services	160,664	—	101,410	—	—	17,148	14,550	293,772
Rents & financial expenses	20,772	—	—	—	—	—	—	20,772
External transfers	—	4,646	—	—	—	9,486	28,056	42,188
Debt services	—	47,028	—	—	—	—	—	47,028
Amortization	169,191	216,525	3,050,449	—	23,189	179,010	—	3,638,364
	<u>1,986,156</u>	<u>1,682,527</u>	<u>5,998,270</u>	<u>35,581</u>	<u>160,489</u>	<u>1,961,830</u>	<u>108,640</u>	<u>11,933,493</u>
Revenue								
Tax revenue	8,258,232	—	197,637	—	—	—	—	8,455,869
User fees	279,083	458,895	72,845	—	97,866	485,411	84,500	1,478,600
Federal grants	—	—	109,300	—	—	228,010	1,298	338,608
Provincial grants	895,200	5,036	254,001	—	—	35,325	15,013	1,204,575
Investments	218,418	—	—	—	—	238	—	218,656
Penalties	302,239	—	—	—	—	—	—	302,239
Developers contributions	—	—	499,044	—	—	—	—	499,044
Contributed assets	—	—	—	—	—	—	—	—
Gain on sale	—	(10,315)	(3,778)	—	—	—	—	(14,093)
Other revenues	64,463	—	25,000	—	250	276,184	865	366,762
	<u>10,017,635</u>	<u>453,616</u>	<u>1,154,049</u>	<u>—</u>	<u>98,116</u>	<u>1,025,168</u>	<u>101,676</u>	<u>12,850,260</u>
Annual deficit (surplus), end of year	<u>8,031,479</u>	<u>(1,228,911)</u>	<u>(4,844,221)</u>	<u>(35,581)</u>	<u>(62,373)</u>	<u>(936,662)</u>	<u>(6,964)</u>	<u>916,767</u>