

Consolidated Financial Statements of

**THE CORPORATION OF THE  
TOWNSHIP OF BROCK**

Year Ended December 31, 2005

**THE CORPORATION OF THE TOWNSHIP OF BROCK**

**Consolidated Statement of Financial Position  
December 31, 2005**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
FINANCIAL ASSETS		
Cash and short-term investments (Note 3)	\$3,010,561	\$1,982,379
Investments (Note 3)	2,800,000	2,800,000
Taxes receivable (Note 4)	2,418,272	2,291,965
Accounts receivable	459,891	911,251
Other Current Assets	<u>5,008</u>	<u>1,468</u>
	<b>8,693,732</b>	<b>7,987,063</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 5)	1,675,375	1,250,273
Employee post employment benefits (Note 8)	522,652	534,855
Deferred revenue (Note 6)	1,039,577	782,009
Net long-term liabilities (Note 7)	<u>215,117</u>	<u>231,745</u>
	<b>3,452,721</b>	<b>2,798,882</b>
<b>NET FINANCIAL ASSETS</b>	<b><u>\$5,241,011</u></b>	<b><u>\$5,188,181</u></b>
<b>MUNICIPAL POSITION</b>		
Operating Fund (Note 10(a))	173,052	419,485
Capital Fund (Note 10(b))	(450,801)	-
Reserves and Reserve Funds (Note 10(c))	<u>6,718,731</u>	<u>6,055,180</u>
	<b>6,440,982</b>	<b>6,474,665</b>
Amounts to be recovered (Note 9)	<u>(1,199,971)</u>	<u>(1,286,484)</u>
<b>MUNICIPAL POSITION</b>	<b><u>\$5,241,011</u></b>	<b><u>\$5,188,181</u></b>

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The accompanying notes are an integral part of these financial statements.

# THE CORPORATION OF THE TOWNSHIP OF BROCK

## Consolidated Statement of Financial Activities December 31, 2005

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
<b>REVENUES</b>			
Taxation - all classes (Notes 1(b)(iii))	\$16,295,631	\$16,378,286	\$15,603,373
Less: amounts received for Region and School Boards (Note 2)	<u>(10,554,043)</u>	<u>(10,606,534)</u>	<u>(10,120,130)</u>
	5,741,588	5,771,752	5,483,243
User fees and charges	829,838	922,910	942,056
Grants (Note 11)			
Government of Canada	309,333	135,300	262,672
Province of Ontario	1,238,750	929,587	710,441
Investment income	40,000	174,171	158,368
Penalties and interest on taxes	320,000	326,186	321,133
Developer contributions earned	-	106,847	52,324
Sale of land	20,000	16,942	-
Other	<u>22,500</u>	<u>31,912</u>	<u>106,306</u>
<b>TOTAL REVENUES</b>	<b><u>8,522,009</u></b>	<b><u>8,415,607</u></b>	<b><u>8,036,543</u></b>
<b>EXPENDITURES (Note 17)</b>			
<b>OPERATING</b>			
General government	1,468,790	1,361,196	1,370,043
Protection to persons and property	998,410	996,448	920,838
Transportation services	1,872,150	1,899,738	1,720,260
Environmental services	30,000	30,027	25,591
Health services	71,525	68,869	67,201
Recreation and cultural services	1,250,808	1,209,013	1,164,546
Planning and development	<u>120,850</u>	<u>103,254</u>	<u>87,896</u>
	<u>5,812,533</u>	<u>5,668,545</u>	<u>5,356,375</u>
<b>CAPITAL</b>			
General government	323,784	76,742	692,978
Protection to persons and property	1,210,915	507,710	95,692
Transportation services	3,175,925	1,931,554	1,356,797
Health services	32,264	11,377	4,615
Recreation and cultural services	<u>202,590</u>	<u>166,849</u>	<u>165,990</u>
	<u>4,945,478</u>	<u>2,694,232</u>	<u>2,316,072</u>
<b>TOTAL EXPENDITURES</b>	<b><u>10,758,011</u></b>	<b><u>8,362,777</u></b>	<b><u>7,672,447</u></b>
<b>NET (EXPENDITURES) REVENUE FROM OPERATIONS</b>	<b><u>(2,236,002)</u></b>	<b><u>52,830</u></b>	<b><u>364,096</u></b>
DECREASE IN EMPLOYEE POST EMPLOYMENT BENEFITS	-	(12,203)	(18,047)
INCREASE (DECREASE) IN AMOUNTS TO BE RECOVERED-OTHER	-	(43,834)	20,550
DEBENTURE PROCEEDS	1,150,801	-	-
DEBT PRINCIPAL REPAYMENTS (Note 12)	(19,000)	(16,628)	(16,627)
INTERNAL LOAN REPAYED	-	(13,848)	(18,424)
DECREASE IN AMOUNTS TO BE RECOVERED	<u>1,131,801</u>	<u>(86,513)</u>	<u>(32,548)</u>
<b>CHANGE IN FUND BALANCES</b>	<b>(1,104,201)</b>	<b>(33,683)</b>	<b>331,548</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b><u>6,474,665</u></b>	<b><u>6,474,665</u></b>	<b><u>6,143,117</u></b>
<b>FUND BALANCE, END OF YEAR</b>	<b><u>\$5,370,464</u></b>	<b><u>\$6,440,982</u></b>	<b><u>\$6,474,665</u></b>

The accompanying notes are an integral part of these financial statements.

# THE CORPORATION OF THE TOWNSHIP OF BROCK

## Consolidated Statement of Changes in Financial Position December 31, 2005

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	<u>2004</u>	<u>2004</u>
OPERATIONS		
Net (expenditures) revenues	\$52,830	\$364,096
Less items not involving cash		
(Decrease) increase in post employment benefit liability	<u>(12,203)</u>	<u>(18,047)</u>
	<u>40,627</u>	<u>346,049</u>
Uses:		
Increase in taxes receivable	(126,307)	(38,155)
Increase in other current assets	<u>(3,540)</u>	<u>-</u>
	<u>(129,847)</u>	<u>(38,155)</u>
Sources:		
Decrease in accounts receivable	451,360	459,096
Decrease in other current assets	-	3,950
Increase in accounts payable and accrued liabilities	425,102	73,717
Increase in deferred revenue	<u>257,568</u>	<u>109,555</u>
	<u>1,134,030</u>	<u>646,318</u>
Net increase in cash from operations	<u>1,044,810</u>	<u>954,212</u>
INVESTING		
Investments	-	<u>(52,000)</u>
FINANCING		
Long-term debt repaid	<u>(16,628)</u>	<u>(16,627)</u>
	<u>(16,628)</u>	<u>(16,627)</u>
<b>NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS</b>	<b>1,028,182</b>	<b>885,585</b>
<b>CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR</b>	<b><u>1,982,379</u></b>	<b><u>1,096,794</u></b>
<b>CASH AND SHORT TERM INVESTMENTS, END OF YEAR</b>	<b><u>\$3,010,561</u></b>	<b><u>\$1,982,379</u></b>

The accompanying notes are an integral part of these financial statements.

# THE CORPORATION OF THE TOWNSHIP OF BROCK

## Notes to the Consolidated Financial Statements December 31, 2005

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### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The Corporation of Township of Brock are the representations of management prepared in accordance with local government 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, expenditures and fund balances of the Operating Fund, Capital Fund, Reserve Funds, and Reserves of the reporting entity. The reporting entity is comprised of all organizations, local boards and committees accountable for the administration of their financial affairs and resources, to the Township, and which are owned or controlled by the Township including the Township of Brock Public Library Board.

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

(ii) Accounting for region and school board transactions

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

(iii) Trust Funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Statement of Financial Position and Statement of Financial Activities and Fund Balance.

(b) *Basis of accounting*

- (i) Expenditures and their related sources of financing 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; expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(ii) Tangible capital assets

The historical cost and accumulated depreciation of tangible assets are not recorded for municipal purposes. Tangible capital assets are reported as capital expenditures in the Consolidated Statement of Financial Activities and Fund Balance in the year of acquisition.

(iii) Accounting for Property Tax Phase-In and Bill 140 Capping Provisions resulting from the Ontario Fair Assessment System

The net impact in property taxes as a result of the application of phase-in and capping provisions does not affect the Consolidated Statement of Financial Activities and Fund Balance, as the full amount of the property taxes were levied. However, the phase-in and capping adjustment are reported on the Consolidated Statement of Financial Position as a liability to be paid to the Region.

(iv) 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.

# THE CORPORATION OF THE TOWNSHIP OF BROCK

## Notes to the Consolidated Financial Statements December 31, 2005

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) Basis of accounting (continued)

##### (v) 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.

##### (vi) 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.

##### (vii) Government transfers

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

##### (viii) Use of estimates

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

### 2. OPERATIONS OF SCHOOL BOARDS AND THE REGION OF DURHAM

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

	<u>SCHOOL BOARDS</u>	<u>REGION</u>	<u>TOTAL</u>
Taxation and user charges	\$3,376,931	\$6,988,109	\$10,365,040
Payments-in-lieu	<u>88,189</u>	<u>153,305</u>	<u>241,494</u>
	<u>\$3,465,120</u>	<u>\$7,141,414</u>	<u>\$10,606,534</u>

### 3. CASH AND SHORT-TERM INVESTMENTS

This represents a consolidation of cash and short-term 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:

	<u>2005</u>		<u>2004</u>	
	<u>CASH</u>	<u>INVESTMENTS</u>	<u>CASH</u>	<u>INVESTMENTS</u>
Operating Fund	\$ 1,393,230	\$-	\$690,762	\$-
Reserve Funds	<u>1,617,331</u>	<u>2,800,000</u>	<u>1,291,617</u>	<u>2,800,000</u>
Total	<u>\$ 3,010,561</u>	<u>\$2,800,000</u>	<u>\$1,982,379</u>	<u>\$2,800,000</u>

# THE CORPORATION OF THE TOWNSHIP OF BROCK

## Notes to the Consolidated Financial Statements December 31, 2005

### 4. TAXES RECEIVABLE

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

	<u>TOTAL</u>	
	<u>2005</u>	<u>2004</u>
Current year	<b>\$1,288,226</b>	\$1,185,374
Arrears previous years	<b>1,150,046</b>	1,126,591
	<b>2,438,272</b>	2,311,965
Less allowance	<b>(20,000)</b>	(20,000)
	<b><u>\$2,418,272</u></b>	<u>\$2,291,965</u>

### 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, agreements and legislation in force at the end of the accounting period that require The Township of Brock to pay for goods and services acquired or provided on or before December 31, 2005. A further breakdown is provided below:

	<u>2005</u>	<u>2004</u>
Trade accounts payable	<b>\$891,157</b>	\$929,674
Payables to other governments	<b>630,078</b>	145,782
Payroll liabilities	<b>57,361</b>	51,516
Accrued liabilities	<b>65,791</b>	75,595
Refundable deposits	<b>30,988</b>	47,706
	<b><u>\$1,675,375</u></b>	<u>\$1,250,273</u>

### 6. DEFERRED REVENUE

	<u>2005</u>	<u>2004</u>
Obligatory reserve funds		
Development charges	<b>\$705,468</b>	\$477,712
Parkland	<b>245,727</b>	207,664
Parking	<b>6,900</b>	93,044
	<b>958,095</b>	778,420
Other Deferred Revenue	<b>81,482</b>	3,589
	<b><u>\$1,039,577</u></b>	<u>\$782,009</u>
Obligatory reserve funds		
Balance, beginning of year	<b>\$778,420</b>	\$662,373
Subdividers contributions	<b>268,690</b>	159,496
Interest earned	<b>17,832</b>	8,875
	<b>1,064,942</b>	830,744
Internal loans repaid from obligatory Reserve Funds	<b>(13,847)</b>	(18,424)
Earned revenue transferred to operations	<b>(93,000)</b>	(33,900)
Total obligatory deferred revenue	<b>958,095</b>	778,420
Other deferred revenue	<b>81,482</b>	3,589
	<b><u>\$1,039,577</u></b>	<u>\$782,009</u>

# THE CORPORATION OF THE TOWNSHIP OF BROCK

## Notes to the Consolidated Financial Statements December 31, 2005

### 7. NET LONG-TERM LIABILITIES

	<u>2005</u>	<u>2004</u>
(a) The balance of net long-term liabilities reported on the consolidated statement of financial position is made up of the following:		
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	<b>\$436,605</b>	\$432,557
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	<u>(221,488)</u>	<u>(200,812)</u>
Net long-term liabilities at the end of the year	<u><b>\$215,117</b></u>	<u>\$231,745</u>

- (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:

2006	\$16,627
2007	16,628
2008	16,627
2009	16,628
2010	16,627
Thereafter	<u>131,980</u>
	<u><b>\$215,117</b></u>

- (c) The long-term liabilities in (a) issued in the name of the municipality have received approval of the Ontario Municipal Board (or approved by private legislation) for those approved on or before December 31, 1992. Those approved on or after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

- (d) The Municipality is contingently liable for long-term liabilities with respect to tile drainage loans. The total amount outstanding as at December 31, 2005 is \$221,488 (2004 - \$200,812) and is not recorded on the "Consolidated Statement of Financial Position".

### 8. EMPLOYEE POST EMPLOYMENT BENEFITS

Under the provisions of certain employee benefit plans, an employee who, has achieved the 85 factor as determined by Ontario Municipal Employee Retirement System (OMERS), is eligible for a retirement pension from OMERS, and is under the age of 65 will be provided with Extended Health (drug, semi-private hospital and dental plan) coverage, until the retiree's 65th birthday. As well, council members are eligible for a severance payment on retirement, based on years of service and rate of remuneration in effect at the date of retiring from council.

The management of the Township has, using the best information available to it, estimated the liability of employee post employment benefits based on the present value of current obligation for past and current employees. The value of this benefit liability is estimated at \$ 522,652 (2004 - \$ 534,855) and is reported on the Consolidated Statement of Financial Position.

The benefit liability at December 31, 2005 of \$ 522,652 was determined using a discount rate of 6.00%.

# THE CORPORATION OF THE TOWNSHIP OF BROCK

## Notes to the Consolidated Financial Statements December 31, 2004

### 8. EMPLOYEE POST EMPLOYMENT BENEFITS (continued)

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

	<u>2005</u>	<u>2004</u>
Accrued benefits liability, beginning of year	\$534,855	\$552,902
Expense (recovery) for the period	(3,606)	(6,797)
Benefits paid during the period	<u>(8,597)</u>	<u>(11,250)</u>
Accrued benefits liability, end of year	<u>\$522,652</u>	<u>\$534,855</u>

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 2007 and thereafter.

(b) Interest (discount) rate

The present values as at December 31, 2005 of the post employment benefits was determined using a discount rate of 6.00%. This corresponds to the assumed CPI rate plus an assumed of return of 3.5%.

(c) Health and dental costs

Health and dental costs were assumed to increase at a weighted average increase of 4.0% in 2007 and every year thereafter.

### 9. AMOUNTS TO BE RECOVERED

	<u>2005</u>	<u>2004</u>
Internal loans from obligatory Reserve Funds	<b>\$132,700</b>	\$146,548
Net Long-Term Liabilities (Note 7)	<b>215,117</b>	231,745
Employee Post Employment Benefits (Note 8)	<b>522,652</b>	534,855
Pay Equity - Public Library Board	<b><u>394,502</u></b>	<u>438,336</u>
	<b>1,264,971</b>	1,351,484
Less amount previously funded through operations	<u>(65,000)</u>	<u>(65,000)</u>
<b>TOTAL AMOUNTS TO BE RECOVERED</b>	<b><u>\$1,199,971</u></b>	<b><u>\$1,286,484</u></b>

### 10. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR

	<u>2005</u>	<u>2004</u>
(a) Operating Fund Balance		
(Increase) reduction in general area taxation		
Township	<b>\$173,231</b>	\$460,324
Library	<b>(8,200)</b>	(45,365)
Benefiting landowners related to special charges and special rates	<b><u>8,021</u></b>	<u>4,526</u>
	<b><u>\$173,052</u></b>	<u>\$419,485</u>
(b) Capital fund balance		
Unfinance of capital expenditures		
To be financed by debenture proceeds	<b>(330,000)</b>	-
Reserves	<b><u>(120,801)</u></b>	-
	<b><u>\$(450,801)</u></b>	-

**THE CORPORATION OF THE TOWNSHIP OF BROCK**

**Notes to the Consolidated Financial Statements  
December 31, 2005**

**10. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR (continued)**

	<u>2005</u>	<u>2004</u>
(c) Reserves and Reserve Funds		
<b>Reserves</b>		
<b>Reserves set aside for specific purposes by Council for:</b>		
Acquisition of fixed assets	<b>\$1,509,825</b>	\$981,525
Municipal projects	<b>1,207,252</b>	1,209,878
Future elections	<b>30,000</b>	15,000
Working capital	<b><u>382,128</u></b>	<u>382,128</u>
	<b><u>3,129,205</u></b>	<u>2,588,531</u>
<b>Reserve Funds</b>		
<b>Reserve funds set aside for specific purposes by Council for:</b>		
Insurance purposes	<b>110,771</b>	102,012
Acquisition of fixed assets	<b>3,178,181</b>	3,161,450
Road construction	<b><u>300,574</u></b>	<u>203,187</u>
	<b><u>3,589,526</u></b>	<u>3,466,649</u>
 Total Reserves and Reserve Funds	 <b><u>6,718,731</u></b>	 <u>6,055,180</u>
 <b>TOTAL MUNICIPAL FUND BALANCES</b>	 <b><u>\$6,440,982</u></b>	 <u>\$6,474,665</u>

**11. GRANTS**

	<u>2005</u>	<u>2004</u>
Government of Canada	<b><u>\$135,300</u></b>	<u>\$262,672</u>
Province of Ontario		
Ministry of Municipal Affairs - Community Re-Investment Fund	<b>\$741,000</b>	\$344,000
Ministry of Municipal Affairs - Municipal Pay Equity	<b>3,113</b>	3,113
Ministry of Natural Resources - Aggregate Resources Act	<b>59,829</b>	49,851
Canada/Ontario Infrastructure Program - Provincial Share	<b>4,383</b>	155,034
Ministry of Culture & Recreation - Library Operating Grant	<b>21,717</b>	21,717
Literacy Foundation Grant	<b>3,374</b>	1,826
GO Transit Funding	<b><u>96,170</u></b>	<u>134,900</u>
	<b><u>\$929,586</u></b>	<u>\$710,441</u>

**12. DEBT PRINCIPAL REPAYMENTS**

Total charges (principal and interest) for the year for net long-term liabilities as reported on the Consolidated Statement of Financial Activities and Fund Balance are as follows:

	<u>2005</u>	<u>2004</u>
Principal payments	<b>\$16,628</b>	\$16,627
Interest	<b><u>29,125</u></b>	<u>27,658</u>
	<b><u>\$45,753</u></b>	<u>\$44,285</u>

# THE CORPORATION OF THE TOWNSHIP OF BROCK

## Notes to the Consolidated Financial Statements December 31, 2005

### 13. TRUST FUNDS

Trust funds administered by the municipality amounting to \$357,618 (2004 - \$ 352,624) are not included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities and Fund Balance.

### 14. PENSION AGREEMENTS

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, which as of December 31, 2005 was on behalf of 40 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.

Due to significant surpluses, OMERS declared a temporary contribution holiday for all active employees and participating employers. An initial contribution holiday of August 1, 1998 to July 31, 1999 was subsequently extended to December 31, 2002. No contributions were made to OMERS during this period. The contribution holiday was eliminated by increasing the contribution rate to 2.1% in 2003 and back to the full 6% in 2004. An amount of \$109,369 (2004 - \$99,275) was paid to OMERS on behalf of it members.

### 15. PUBLIC SECTOR SALARY INCREASE

The Township of Brock is an employer subject to the Public Sector Salary Disclosure Act, 1996. In 2005, one employee was paid a salary, as defined in the Public Salary Disclosure Act, 1996, of \$100,000 or more by the Corporation of the Township of Brock.

<u>Surname</u>	<u>Given Name</u>	<u>Position</u>	<u>Salary Paid</u>	<u>Taxable Benefits</u>
Graham	George	Clerk-Administrator	\$104,228	\$1,450

### 16. BUDGET FIGURES

The approved operating and capital budgets for 2005 are reflected on the Schedule of Operating Fund Activities, Schedule of Capital Fund Activities and the Consolidated Statement of Financial Activities. The budgets established for the capital fund operations are on a project-oriented basis, the cost of which may be carried out over one of more years and, therefore, may not be comparable with the current year actual amounts. As well, the municipality does not budget for activity within the Reserve Funds, with the exception being those transactions which affect either the operating or capital funds. Budget figures have been re-classified to conform with "PSAB" reporting requirements.

### 17. CLASSIFICATION OF EXPENDITURES BY OBJECT

The Consolidated Statement of Financial Activities and Fund Balance presents the expenditures by function; the following classifies those same expenditures by object:

	<u>2005</u>	<u>2004</u>
Salaries, wages and employee benefits	<b>\$3,236,566</b>	\$3,091,842
Operating materials and supplies	<b>2,171,038</b>	2,029,811
Contracted services	<b>177,317</b>	181,650
Rents and financial expenses	<b>17,994</b>	18,444
External transfers to others	<b>36,505</b>	6,970
Tangible Capital assets	<b>2,694,232</b>	2,316,072
Debt services	<b>29,125</b>	27,658
Total expenditures by object	<b><u>\$8,362,777</u></b>	<b><u>\$7,672,447</u></b>

# THE CORPORATION OF THE TOWNSHIP OF BROCK

## Notes to the Consolidated Financial Statements December 31, 2005

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### 18. CONTINGENCY

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

### 19. GUARANTEES

In the normal course of business, the Township enters into agreements that meet the definition of a guarantee. The Township's primary guarantees subject to the disclosure requirements 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 ant 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.

### 20. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to the basis of presentation adopted in the current year's financial statements.

**THE CORPORATION OF THE TOWNSHIP OF BROCK**

**Schedule of Operating Fund Activities  
Year Ended December 31, 2005**

**Schedule 1**

	<u>2005</u> <u>Budget</u> <u>(Note 16)</u>	<u>2005</u> <u>Actual</u>	<u>2004</u> <u>Actual</u>
<b>REVENUES</b>			
Taxation - all classes	\$16,295,631	\$16,378,286	\$15,603,373
Less: amounts received for Region and School Boards	<u>(10,554,043)</u>	<u>(10,606,534)</u>	<u>(10,120,130)</u>
	5,741,588	5,771,752	5,483,243
User fees and charges	829,839	922,910	942,056
Grants			
Government of Canada	13,383	135,300	107,638
Province of Ontario	942,800	833,416	420,507
Investment income	40,000	60,596	37,430
Penalties and interest on taxes	320,000	326,186	321,133
Sale of land	20,000	16,942	-
Other	6,500	8,465	9,066
<b>TOTAL REVENUES</b>	<b>7,914,110</b>	<b>8,075,567</b>	<b>7,321,073</b>
<b>EXPENDITURES</b>			
<b>OPERATING</b>			
General government	1,468,790	1,361,196	1,370,043
Protection to persons and property	998,410	996,448	920,838
Transportation services	1,872,150	1,899,738	1,720,260
Environmental services	30,000	30,027	25,591
Health services	71,525	68,869	67,201
Recreation and cultural services	1,250,808	1,209,013	1,164,546
Planning and development	120,850	103,254	87,896
	<u>5,812,533</u>	<u>5,668,545</u>	<u>5,356,375</u>
<b>NET REVENUES</b>	<b>2,101,577</b>	<b>2,407,022</b>	<b>1,964,698</b>
<b>FINANCING AND TRANSFERS</b>			
Decrease in employee post employment benefits	-	(12,203)	(18,047)
Increase (decrease) in amounts to be recovered - other	-	(43,834)	20,550
Debt Principal Repayments	(19,000)	(16,628)	(16,627)
Transfers (to) Reserves & Reserve Funds	(627,785)	(675,884)	(284,461)
Transfers (to) Capital Fund	<u>(1,874,277)</u>	<u>(1,904,906)</u>	<u>(1,557,404)</u>
<b>NET FINANCING AND TRANSFERS</b>	<b>(2,521,062)</b>	<b>(2,653,455)</b>	<b>(1,855,989)</b>
<b>CHANGE IN OPERATING FUND</b>	<b>(419,485)</b>	<b>(246,433)</b>	<b>108,709</b>
<b>OPERATING FUND, BEGINNING OF YEAR</b>	<b>419,485</b>	<b>419,485</b>	<b>310,776</b>
<b>OPERATING FUND, END OF YEAR</b>	<b>-</b>	<b>\$173,052</b>	<b>\$419,485</b>

**THE CORPORATION OF THE TOWNSHIP OF BROCK**

**Schedule of Capital Fund Activities  
Year Ended December 31, 2005**

**Schedule 2**

	<u>2005</u> <u>Budget</u> <u>(Note 16)</u>	<u>2005</u> <u>Actual</u>	<u>2004</u> <u>Actual</u>
<b>REVENUES</b>			
Grants			
Government of Canada	<b>\$295,950</b>	-	\$155,034
Province of Ontario	<b>295,950</b>	<b>96,171</b>	155,034
Donations	<b>16,000</b>	-	84,614
Developer Contributions Earned	<b>-</b>	<b>106,847</b>	<b>52,324</b>
Total Revenue	<b><u>607,900</u></b>	<b><u>203,018</u></b>	<b><u>447,006</u></b>
<b>EXPENDITURES</b>			
General government	<b>323,784</b>	<b>76,742</b>	692,978
Protection to persons and property	<b>1,210,915</b>	<b>507,710</b>	95,692
Transportation services	<b>3,175,925</b>	<b>1,931,554</b>	1,356,797
Health services	<b>32,264</b>	<b>11,377</b>	4,615
Recreation and cultural services	<b>202,590</b>	<b>166,849</b>	<b>165,990</b>
	<b><u>4,945,478</u></b>	<b><u>2,694,232</u></b>	<b><u>2,316,072</u></b>
NET EXPENDITURES	<b><u>(4,337,578)</u></b>	<b><u>(2,491,214)</u></b>	<b><u>(1,869,066)</u></b>
<b>FINANCING AND TRANSFERS</b>			
Transfers from operating fund	<b>1,874,277</b>	<b>1,904,906</b>	1,557,404
Transfer from reserves & reserve funds	<b>1,312,500</b>	<b>149,355</b>	330,086
Internal loan repaid	<b>-</b>	<b>(13,848)</b>	<b>(18,424)</b>
NET FINANCING AND TRANSFERS	<b><u>3,186,777</u></b>	<b><u>2,040,413</u></b>	<b><u>1,869,066</u></b>
CHANGE IN CAPITAL FUND	<b><u>(1,150,801)</u></b>	<b><u>(450,801)</u></b>	<b><u>-</u></b>
DEBENTURE PROCEEDS	<b>1,150,801</b>		
CAPITAL FUND, BEGINNING OF YEAR	<b>-</b>	<b>-</b>	<b>-</b>
CAPITAL FUND, END OF YEAR	<b><u>-</u></b>	<b><u>\$(450,801)</u></b>	<b><u>-</u></b>

**THE CORPORATION OF THE TOWNSHIP OF BROCK**

**Schedule of Reserves and Reserve Funds  
Year Ended December 31, 2005**

**Schedule 3**

	<b><u>2005</u> <u>Budget</u> <u>(Note 16)</u></b>	<b><u>2005</u> <u>Actual</u></b>	<b><u>2004</u> <u>Actual</u></b>
REVENUES			
Investment Income	-	\$113,575	\$120,939
Provincial Funding	-	-	134,900
Donations	-	<u>23,447</u>	<u>12,625</u>
	-	<u>137,022</u>	<u>268,464</u>
NET TRANSFERS (TO) FROM OTHER FUNDS			
Capital Fund	<u>(1,312,500)</u>	<u>(149,355)</u>	(330,086)
Operating Fund	<u>627,785</u>	<u>675,884</u>	<u>284,461</u>
	<u>(684,715)</u>	<u>526,529</u>	<u>(45,625)</u>
CHANGE IN RESERVES AND RESERVE FUNDS	<u>(684,715)</u>	<u>663,551</u>	222,839
RESERVES AND RESERVE FUNDS, BEGINNING OF YEAR	<u>6,055,180</u>	<u>6,055,180</u>	<u>5,832,341</u>
RESERVES AND RESERVE FUNDS, END OF YEAR	<u>\$5,370,465</u>	<u>\$6,718,731</u>	<u>\$6,055,180</u>

Financial Statements of

**TOWNSHIP OF BROCK  
PUBLIC LIBRARY BOARD**

December 31, 2005

**TOWNSHIP OF BROCK  
PUBLIC LIBRARY BOARD  
Statement of Financial Position  
December 31, 2005**

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	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
FINANCIAL ASSETS		
Due from Township of Brock	<b>\$25,774</b>	-
Accounts receivable	<u>7,650</u>	<u>5,295</u>
	<b><u>33,424</u></b>	<u>5,295</u>
<b>LIABILITIES</b>		
Due to Township of Brock	-	15,405
Accounts payable and accrued liabilities	<b>196,397</b>	242,303
Deferred revenue	<b>1,560</b>	3,482
Long-term liability (Note 2)	<u>238,169</u>	<u>227,806</u>
	<b><u>436,126</u></b>	<u>488,996</u>
<b>NET FINANCIAL LIABILITIES</b>	<b><u>\$(402,702)</u></b>	<u>\$(483,701)</u>
<b>LIBRARY POSITION</b>		
Operating fund balance, end of year	<b>\$(8,200)</b>	\$(45,365)
Amount to be recovered	<u>(394,502)</u>	<u>(438,336)</u>
<b>LIBRARY POSITION</b>	<b><u>\$(402,702)</u></b>	<u>\$(483,701)</u>

**TOWNSHIP OF BROCK  
PUBLIC LIBRARY BOARD  
Statement of Financial Activities and Fund Balance  
Year ended December 31, 2005**

	<u>2005</u> <u>Budget</u>	<u>2005</u> <u>Actual</u>	<u>2004</u> <u>Actual</u>
<b>REVENUES</b>			
Municipal contribution	\$406,781	\$406,781	\$282,450
Province of Ontario grant	21,717	29,477	26,647
Government of Canada C.A.P. Grant	6,600	3,600	16,466
Literacy Foundation Grant	2,700	3,373	1,826
Donations	4,000	5,970	6,766
Sundry	3,500	5,569	6,674
Contribution from Trust Fund - Interest	2,500	2,496	1,300
Total current operating revenue	<u>447,798</u>	<u>457,266</u>	<u>342,129</u>
<b>EXPENDITURES</b>			
Current operating expenditure			
Salaries and wages	204,650	221,022	240,524
Employee benefits	29,190	36,039	37,124
	<u>233,840</u>	<u>257,061</u>	<u>277,648</u>
Materials and supplies			
Books and materials	29,200	22,626	30,814
Other supplies	3,500	2,897	6,642
	<u>32,700</u>	<u>25,523</u>	<u>37,456</u>
Services			
Maintenance	17,000	15,511	16,720
Utilities	14,800	15,735	17,187
Travel and administration	24,177	27,449	47,126
Insurance	2,400	2,675	2,325
Interest on long-term debt	9,682	9,682	-
Sundry	500	648	603
	<u>68,559</u>	<u>71,700</u>	<u>83,961</u>
Total current operating expenditure	<u>335,099</u>	<u>354,284</u>	<u>399,065</u>
Capital expenditure	23,500	21,983	31,117
Total expenditure	<u>358,599</u>	<u>376,267</u>	<u>430,182</u>
NET REVENUE (EXPENDITURE)	89,199	80,999	(88,053)
INCREASE (DECREASE) IN AMOUNT TO BE RECOVERED	(43,834)	(43,834)	20,550
FUND BALANCE, BEGINNING OF YEAR	(45,365)	(45,365)	22,138
FUND BALANCE, END OF YEAR	<u>-</u>	<u>\$(8,200)</u>	<u>\$(45,365)</u>

**TOWNSHIP OF BROCK  
PUBLIC LIBRARY BOARD  
Statement of Changes in Financial Position  
Year ended December 31, 2005**

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	<u>2005</u>	<u>2004</u>
OPERATIONS		
Net expenditure	<u>\$80,999</u>	<u>\$(88,053)</u>
USES		
Accounts receivable	<u>(2,355)</u>	-
Accounts payable and accrued liabilities	<u>(45,906)</u>	(204,393)
Deferred revenue	<u>(1,922)</u>	(6,599)
Due to Township of Brock	<u>(30,816)</u>	0
	<u>(80,999)</u>	<u>(210,992)</u>
SOURCES		
Accounts receivable	-	20,534
Due from Township of Brock	<u>-</u>	<u>278,511</u>
	<u>-</u>	<u>299,045</u>
NET CHANGE IN CASH	-	-
CASH POSITION, BEGINNING OF YEAR	<u>-</u>	<u>-</u>
CASH POSITION, BEGINNING OF YEAR	<u>-</u>	<u>-</u>

The Township of Brock Public Library Board is a Municipal Local Board in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act, the Public Library Act and related legislation.

## **1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Township of Brock Public Library Board (the "Board") are prepared by management in accordance with generally accepted accounting policies prescribed for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Board are as follows:

### *Fund accounting*

Funds within the financial statements consist of current and capital funds. Transfers between funds are recorded as adjustments to the appropriate municipal fund balance.

### *The Fowler Trust Fund*

The Trust Fund and its related operations administered by the Board are not included in these financial statements but are reported on separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

### *Capital assets*

The historical cost and accumulated depreciation of capital assets are not reported for municipal purposes. Capital assets are reported as an expenditure on the "statement of financial activities and fund balance" in the year of acquisition.

### *Deferred revenue*

Deferred revenue represents government grants which have been received but for which the related expenses have yet to be made. These amounts will be recognized as revenues in the fiscal year the related amounts are expended.

### *Use of estimates*

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

**TOWNSHIP OF BROCK  
PUBLIC LIBRARY BOARD  
Notes to the Financial Statements  
December 31, 2005**

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**2. LONG-TERM LIABILITY**

The long-term liability reported on the statement of financial position consists of a ten year unsecured loan from the Township of Brock to finance prior year's pay equity liabilities, initially recorded in the financial statements during the year ended December 31, 2003. The pay equity settlement also covered the period from January 1, 2004 to March 31, 2004 (final settlement date) and as a result the pay equity liability increased by an amount of \$20,550 during 2004. The principal amount of this loan will be advanced to the Public Library Board as the related pay equity payments are made to the recipient employees as follows:

2004	\$227,806
2005	54,197
2006	53,421
2007	53,421
2008	<u>49,491</u>
	<u>\$438,336</u>

The balance of the loan at December 31, 2005 is \$238,169 and bears interest at bank prime rate, is calculated as follows:

Loan advances to December 31, 2005 received from the Township of Brock	<b>\$282,003</b>
Principal repaid	<b><u>(43,834)</u></b>
	<b><u>\$238,169</u></b>

Principal repayments on the loan from general library revenues are as follows:

2005	\$43,834
2006	43,834
2007	43,834
2008	43,834
2009	43,834
Thereafter	<u>18,999</u>
	<u>\$238,169</u>

**3. AMOUNTS TO BE RECOVERED**

	<u>2005</u>	<u>2004</u>
Long-term liability (Note 2)	<b>\$238,169</b>	\$227,806
Prior year's unpaid pay equity liabilities	<b><u>156,333</u></b>	<u>210,530</u>
	<b><u>\$394,502</u></b>	<u>\$438,336</u>

**4. FOWLER TRUST**

In a prior year, the Library (Beaverton Branch) was bequeathed \$ 100,000 to establish a Trust, the interest from which is to be used annually for the purchase of books, magazines, materials and equipment. These funds have been reflected in the "Trust Funds Statement of Operations and Fund Balance and Statement of Financial Position", and are not included in the Statement of Financial Position nor have their operations been included in the Statement of Financial Activities and Fund Balance of the Public Library Board.

## **5. PENSION AGREEMENTS**

The Library Board makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of eligible staff members. 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.

Due to significant surpluses, OMERS declared a temporary contribution holiday for all active employees and participating employers. The initial contribution holiday announced in 1998, was effective August 1, 1998 to July 31, 1999. In 1999, OMERS announced an extension of that contribution holiday to December 31, 2002, therefore no contributions were made to OMERS in 2001 or 2002. The contribution holiday was eliminated by increasing contribution rates in 2003 to 2.1% and back to the full rate of 6% in 2004. An amount of \$7,969 (2004 - \$4,279) was paid to OMERS on behalf of its eligible staff members during the year.

## **6. GUARANTEES**

In the normal course of business, the Library enters into agreements which contain guarantees. The Library's primary guarantees are as follows:

- (i) The Library indemnifies employees and board members for various items including, but not limited to, all costs to settle suits or actions due to association with the Library, subject to certain restrictions. The Library has purchased liability insurance to mitigate the cost of any potential future suits or actions. The term of indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as an employee or board member of the Library. The maximum amount of any potential future payment cannot be reasonably estimated.
- (ii) The Library has entered into agreements that may include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and agreements. These indemnification agreements may require the Library to compensate counterparties for result of litigation claims or statutory sanctions that may be suffered by the counterparty as a maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Library 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 Library 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.

## **7. COMPARATIVE FIGURES**

Certain of the prior year's figures have been reclassified to the basis of presentation adopted in the current year's financial statements.