

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWNSHIP OF BROCK**

Year Ended December 31, 2006

THE CORPORATION OF THE TOWNSHIP OF BROCK
Consolidated Statement of Financial Position
December 31, 2006

| | <u>2006</u> | <u>2005</u> (Note 2) |
|--|---------------------------|-------------------------|
| ASSETS | | |
| FINANCIAL ASSETS | | |
| Cash (Note 4) | \$3,595,356 | \$3,010,561 |
| Investments (Note 4) | 2,800,000 | 2,800,000 |
| Taxes receivable (Note 5) | 2,440,078 | 2,418,272 |
| Accounts receivable | 912,331 | 459,891 |
| Other current assets | <u>9,842</u> | <u>5,008</u> |
| | <u>9,757,607</u> | <u>8,693,732</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 6) | 1,249,035 | 1,675,375 |
| Deferred revenue (Note 7) | 1,464,828 | 1,157,646 |
| Net long-term liabilities (Note 8) | 528,490 | 215,117 |
| Employee post employment benefits (Note 9) | <u>577,256</u> | <u>522,652</u> |
| | <u>3,819,609</u> | <u>3,570,790</u> |
| NET FINANCIAL ASSETS | <u>\$5,937,998</u> | <u>\$5,122,942</u> |
| MUNICIPAL POSITION | | |
| Operating Fund (Note 11(a)) - Schedule 1 | 218,968 | 173,052 |
| Capital Fund (Note 11(b)) - Schedule 2 | - | (450,801) |
| Reserves and Reserve Funds (Note 11(c)) - Schedule 3 | <u>7,223,600</u> | <u>6,600,662</u> |
| | <u>7,442,568</u> | <u>6,322,913</u> |
| Amounts to be recovered (Note 10) | <u>(1,504,570)</u> | <u>(1,199,971)</u> |
| MUNICIPAL POSITION | <u>\$5,937,998</u> | <u>\$5,122,942</u> |

THE CORPORATION OF THE TOWNSHIP OF BROCK
Consolidated Statement of Financial Activities and Fund Balance
Year ended December 31, 2006

| | <u>2006</u> <u>Budget</u> | <u>2006</u> <u>Actual</u> | <u>2005</u> <u>Actual</u> |
|--|------------------------------|------------------------------|------------------------------|
| REVENUES | | | |
| Taxation - all classes (Notes 1(b)(iv)) | \$17,295,575 | \$17,290,167 | \$16,378,286 |
| Less: amounts received for Region and School Boards (Note 2) | <u>(11,313,606)</u> | <u>(11,286,666)</u> | <u>(10,606,534)</u> |
| | 5,981,969 | 6,003,501 | 5,771,752 |
| | | | |
| User fees and charges | 920,107 | 977,085 | 922,910 |
| Grants (Note 11) | | | |
| Government of Canada | 457,319 | 117,361 | 17,231 |
| Province of Ontario | 1,800,194 | 1,609,832 | 929,587 |
| Investment income | 70,000 | 269,391 | 174,171 |
| Penalties and interest on taxes | 320,000 | 322,440 | 326,186 |
| Developer contributions earned | 122,000 | 141,544 | 106,847 |
| Sale of land | 200,000 | 208,219 | 16,942 |
| Other | 8,500 | 30,081 | 31,912 |
| TOTAL REVENUES | <u>9,880,089</u> | <u>9,679,454</u> | <u>8,297,538</u> |
| | | | |
| EXPENDITURES (Note 17) | | | |
| OPERATING | | | |
| General government | 1,622,285 | 1,646,914 | 1,361,196 |
| Protection to persons and property | 1,107,145 | 1,031,242 | 996,448 |
| Transportation services | 1,989,805 | 1,945,191 | 1,899,738 |
| Environmental services | 42,000 | 45,609 | 30,027 |
| Health services | 106,200 | 101,644 | 68,869 |
| Recreation and cultural services | 1,476,875 | 1,380,820 | 1,209,013 |
| Planning and development | 89,100 | 73,766 | 103,254 |
| | <u>6,433,410</u> | <u>6,225,186</u> | <u>5,668,545</u> |
| | | | |
| CAPITAL | | | |
| General government | 284,230 | 174,376 | 76,742 |
| Protection to persons and property | 1,200,466 | 391,680 | 507,710 |
| Transportation services | 2,615,000 | 1,688,033 | 1,931,554 |
| Environmental services | 5,000 | - | - |
| Health services | 62,000 | 40,484 | 11,377 |
| Recreation and cultural services | 457,000 | 334,959 | 166,849 |
| Planning and development | 15,000 | 9,680 | - |
| | <u>4,638,696</u> | <u>2,639,212</u> | <u>2,694,232</u> |
| | | | |
| TOTAL EXPENDITURES | <u>11,072,106</u> | <u>8,864,398</u> | <u>8,362,777</u> |
| | | | |
| NET (EXPENDITURES) REVENUE FROM OPERATIONS | <u>(1,192,017)</u> | <u>815,056</u> | <u>(65,239)</u> |
| | | | |
| DECREASE IN EMPLOYEE POST EMPLOYMENT BENEFITS | - | 54,605 | (12,203) |
| INCREASE (DECREASE) IN AMOUNTS TO BE RECOVERED-OTHER | - | (43,834) | (43,834) |
| DEBENTURE PROCEEDS | 1,130,000 | 330,000 | - |
| DEBT PRINCIPAL REPAYMENTS (Note 12) | (16,628) | (16,628) | (16,628) |
| INTERNAL LOAN REPAYED | - | (19,544) | (13,848) |
| INCREASE (DECREASE) IN AMOUNTS TO BE RECOVERED | <u>1,113,372</u> | <u>304,599</u> | <u>(86,513)</u> |
| | | | |
| CHANGE IN FUND BALANCES | (78,645) | 1,119,655 | (151,752) |
| | | | |
| FUND BALANCE, BEGINNING OF YEAR | <u>6,440,982</u> | <u>6,322,913</u> | <u>6,474,665</u> |
| | | | |
| FUND BALANCE, END OF YEAR | <u>\$6,362,337</u> | <u>\$7,442,568</u> | <u>\$6,322,913</u> |

THE CORPORATION OF THE TOWNSHIP OF BROCK
Consolidated Statement of Changes in Financial Position
December 31, 2006

| | <u>2006</u> | <u>2005</u> |
|---|---------------------------|--------------------|
| OPERATIONS | | |
| Net (expenditures) revenues | \$815,056 | \$(65,239) |
| Less items not involving cash | | |
| (Decrease) increase in post employment benefit liability | <u>54,605</u> | <u>(12,203)</u> |
| | <u>869,661</u> | <u>(77,442)</u> |
| Uses: | | |
| Increase in taxes receivable | (21,806) | (126,307) |
| Increase in accounts receivable | (452,440) | - |
| Increase in other current assets | (4,834) | (3,540) |
| Decrease in accounts payable and accrued liabilities | <u>(426,340)</u> | <u>-</u> |
| | <u>(905,420)</u> | <u>(129,847)</u> |
| Sources: | | |
| Decrease in accounts receivable | - | 451,360 |
| Increase in accounts payable and accrued liabilities | - | 425,102 |
| Increase in deferred revenue | <u>307,182</u> | <u>375,637</u> |
| | <u>307,182</u> | <u>1,252,099</u> |
| Net increase in cash from operations | <u>271,423</u> | <u>1,044,810</u> |
| INVESTING | | |
| Investments | <u>-</u> | <u>-</u> |
| FINANCING | | |
| New long-term debt | 330,000 | - |
| Long-term debt repaid | <u>(16,628)</u> | <u>(16,628)</u> |
| | <u>313,372</u> | <u>(16,628)</u> |
| NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS | 584,795 | 1,028,182 |
| CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR | <u>3,010,561</u> | <u>1,982,379</u> |
| CASH AND SHORT TERM INVESTMENTS, END OF YEAR | <u>\$3,595,356</u> | <u>\$3,010,561</u> |

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) Investments

Investments are recorded at cost, which approximates their fair market value.

(iii) 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.

(iv) 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.

(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.

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.

(viii) Government transfers

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

(ix) Use of estimates

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

2. DEFERRED REVENUE - FEDERAL GAS TAX REVENUE OBLIGATORY RESERVE FUND

Federal gas tax revenues have been recorded in these financial statements as deferred revenue - obligatory reserve funds; previously federal gas tax revenues were recorded as reserve funds. This change has been recorded retroactively, as a result federal grant revenue for the year ended December 31, 2005 and reserve funds at year ended December 31, 2005 have each been decreased by \$118,069. And deferred revenue - obligatory reserve funds as at December 31, 2005 has been increased by \$118,069.

3. 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 | \$3,503,835 | \$7,552,980 | \$11,056,815 |
| Payments-in-lieu | <u>88,062</u> | <u>141,789</u> | <u>229,851</u> |
| | <u>\$3,591,897</u> | <u>\$7,694,769</u> | <u>\$11,286,666</u> |

THE CORPORATION OF THE TOWNSHIP OF BROCK
Notes to the Consolidated Financial Statements
December 31, 2006

4. 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>2006</u> | | <u>2005</u> | |
|----------------|---------------------|--------------------|--------------------|--------------------|
| | <u>CASH</u> | <u>INVESTMENTS</u> | <u>CASH</u> | <u>INVESTMENTS</u> |
| Operating Fund | \$ 598,176 | \$ - | \$1,393,230 | \$ - |
| Reserve Funds | <u>2,997,180</u> | <u>2,800,000</u> | <u>1,617,331</u> | <u>2,800,000</u> |
| Total | <u>\$ 3,595,356</u> | <u>\$2,800,000</u> | <u>\$3,010,561</u> | <u>\$2,800,000</u> |

The market value of these investments at December 31, 2006 was \$2,804,228 (2005 - \$2,804,140)

5. TAXES RECEIVABLE

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

| | <u>TOTAL</u> | |
|------------------------|---------------------------|--------------------|
| | <u>2006</u> | <u>2005</u> |
| Current year | \$1,362,714 | \$1,288,226 |
| Arrears previous years | 1,144,783 | 1,150,046 |
| | 2,507,497 | 2,438,272 |
| Less allowance | (67,419) | (20,000) |
| | <u>\$2,440,078</u> | <u>\$2,418,272</u> |

6. 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, 2006. A further breakdown is provided below:

| | <u>2006</u> | <u>2005</u> |
|-------------------------------|---------------------------|--------------------|
| Trade accounts payable | \$839,140 | \$891,157 |
| Payables to other governments | 280,471 | 630,078 |
| Payroll liabilities | 50,663 | 57,361 |
| Accrued liabilities | 68,978 | 65,791 |
| Refundable deposits | 9,783 | 30,988 |
| | <u>\$1,249,035</u> | <u>\$1,675,375</u> |

THE CORPORATION OF THE TOWNSHIP OF BROCK
Notes to the Consolidated Financial Statements
December 31, 2006

7. DEFERRED REVENUE

| | <u>2006</u> | <u>2005</u> |
|---|---------------------------|--------------------|
| Obligatory reserve funds | | |
| Development charges | \$896,605 | \$705,468 |
| Parkland | 285,418 | 245,727 |
| Parking | 7,171 | 6,900 |
| Federal gas tax revenue | <u>241,748</u> | <u>118,069</u> |
| | 1,430,942 | 1,076,164 |
| Other Deferred Revenue | <u>33,886</u> | <u>81,482</u> |
| | <u>\$1,464,828</u> | <u>\$1,157,646</u> |
| | | |
| Obligatory reserve funds | | |
| Balance, beginning of year | \$1,076,164 | \$778,420 |
| Subdividers contributions | 337,459 | 268,690 |
| Federal gas tax revenues | 118,069 | 118,069 |
| Interest earned | <u>40,794</u> | <u>17,832</u> |
| | 1,572,486 | 1,183,011 |
| Internal loans repaid from obligatory Reserve Funds | (19,544) | (13,847) |
| Earned revenue transferred to operations | <u>(122,000)</u> | <u>(93,000)</u> |
| Total obligatory deferred revenue | 1,430,942 | 1,076,164 |
| Other deferred revenue | <u>33,886</u> | <u>81,482</u> |
| | <u>\$1,464,828</u> | <u>\$1,157,646</u> |

8. NET LONG-TERM LIABILITIES

| | <u>2006</u> | <u>2005</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 | \$723,360 | \$436,605 |
| | | |
| 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>(194,870)</u> | <u>(221,488)</u> |
| | | |
| Net long-term liabilities at the end of the year | <u>\$528,490</u> | <u>\$215,117</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: | | |

| | |
|------------|----------------|
| 2007 | \$43,628 |
| 2008 | 44,627 |
| 2009 | 45,628 |
| 2010 | 46,627 |
| 2011 | 48,628 |
| Thereafter | <u>299,352</u> |
| | <u>528,490</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, 2006 is \$194,870 (2005 - \$221,488) and is not recorded on the "Consolidated Statement of Financial Position".

9. EMPLOYEE POST EMPLOYMENT BENEFITS

Under the provisions of certain employee benefit plans, an employee who, has achieved the magic number of 85 (age + years of service with the municipality), is eligible for a retirement pension from OMERS, and is under the age of 65 will be provided with Extended Health (drug, 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 \$ 577,257 (2005 - \$ 522,652) and is reported on the Consolidated Statement of Financial Position.

The benefit liability at December 31, 2006 of \$ 577,257 was determined using a discount rate of 5.00%.

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

| | <u>2006</u> | <u>2005</u> |
|---|-------------------------|------------------|
| Accrued benefits liability, beginning of year | \$522,652 | \$534,855 |
| Expense (recovery) for the period | 82,093 | (3,606) |
| Benefits paid during the period | (27,489) | (8,597) |
| Accrued benefits liability, end of year | <u>\$577,256</u> | <u>\$522,652</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 2008 and thereafter.

(b) Interest (discount) rate

The present values as at December 31, 2006 of the post employment benefits was determined using a discount rate of 5.00%. This corresponds to the assumed CPI rate plus an assumed of return of 2.5%.

(c) Health and dental costs

Health and dental costs were assumed to increase at a weighted average increase of 4.0% in 2008 and every year thereafter.

10. AMOUNTS TO BE RECOVERED

| | <u>2006</u> | <u>2005</u> |
|--|---------------------------|--------------------|
| Internal loans from obligatory Reserve Funds | \$113,156 | \$132,700 |
| Net Long-Term Liabilities (Note 8) | 528,490 | 215,117 |
| Employee Post Employment Benefits (Note 9) | 577,256 | 522,652 |
| Pay Equity - Public Library Board | <u>350,668</u> | <u>394,502</u> |
| | 1,569,570 | 1,264,971 |
| Less amount previously funded through operations | <u>(65,000)</u> | <u>(65,000)</u> |
| TOTAL AMOUNTS TO BE RECOVERED | <u>\$1,504,570</u> | <u>\$1,199,971</u> |

THE CORPORATION OF THE TOWNSHIP OF BROCK
Notes to the Consolidated Financial Statements
December 31, 2006

11. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR

| | <u>2006</u> | <u>2005</u> |
|--|---------------------------|---------------------------|
| (a) Operating Fund Balance | | |
| (Increase) reduction in general area taxation | | |
| Township | \$221,347 | \$173,231 |
| Library | 9,792 | (8,200) |
| Benefiting landowners related to special charges and special rates | <u>(12,171)</u> | <u>8,021</u> |
| | <u>\$218,968</u> | <u>\$173,052</u> |
| (b) Capital fund balance | | |
| Unfinanced capital expenditures | | |
| To be financed by debenture proceeds | \$ - | (330,000) |
| Reserves | <u>-</u> | <u>(120,801)</u> |
| | <u>\$ -</u> | <u>\$(450,801)</u> |
| (c) Reserves and Reserve Funds | | |
| Reserves | | |
| Reserves set aside for specific purposes by Council for: | | |
| Acquisition of fixed assets | \$1,612,824 | \$1,509,825 |
| Municipal projects | 806,972 | 1,207,252 |
| Future elections | - | 30,000 |
| Working capital | <u>382,128</u> | <u>382,128</u> |
| | <u>2,801,924</u> | <u>3,129,205</u> |
| Reserve Funds | | |
| Reserve funds set aside for specific purposes by Council for: | | |
| Insurance purposes | 118,456 | 110,771 |
| Acquisition of fixed assets | 3,564,718 | 3,178,181 |
| Road construction | <u>738,502</u> | <u>182,505</u> |
| | <u>4,421,676</u> | <u>3,471,457</u> |
| Total Reserves and Reserve Funds | <u>7,223,600</u> | <u>6,600,662</u> |
| TOTAL MUNICIPAL FUND BALANCES | <u>\$7,442,568</u> | <u>\$6,322,913</u> |

12. GRANTS

| | <u>2006</u> | <u>2005</u> |
|---|--------------------|------------------|
| Government of Canada | <u>\$117,361</u> | <u>\$17,231</u> |
| Province of Ontario | | |
| Ministry of Municipal Affairs - Ontario Municipal Partnership Fund | \$761,788 | \$741,000 |
| Ministry of Municipal Affairs - Municipal Pay Equity | 3,113 | 3,113 |
| Ministry of Natural Resources - Aggregate Resources Act | 71,942 | 59,829 |
| Canada/Ontario Infrastructure Program - Provincial Share | - | 4,383 |
| Canada/Ontario Municipal Rural Infrastructure Fund - Provincial Share | 103,409 | - |
| Ministry of Transportation - Move Ontario Grant | 514,640 | - |
| Ontario Fire Services Grant | 70,000 | - |
| South Lake Community Futures Development Program | 10,000 | - |
| Ministry of Culture & Recreation - Library Operating Grant | 21,717 | 21,717 |
| Trillium Grant - Library | 41,600 | - |
| Literacy Foundation Grant | 11,623 | 3,374 |
| GO Transit Funding | <u>-</u> | <u>96,170</u> |
| | <u>\$1,609,832</u> | <u>\$929,586</u> |

THE CORPORATION OF THE TOWNSHIP OF BROCK
Notes to the Consolidated Financial Statements
December 31, 2006

13. 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>2006</u> | <u>2005</u> |
|--------------------|------------------------|-----------------|
| Principal payments | \$16,627 | \$16,628 |
| Interest | 30,457 | 29,125 |
| | <u>\$47,084</u> | <u>\$45,753</u> |

14. TRUST FUNDS

Trust funds administered by the municipality amounting to \$ 372,470 (2005 - \$ 356,321) 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.

15. PENSION AGREEMENTS

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, which as of December 31, 2006 was on behalf of 38 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 \$114,264 (2005 - \$109,369) was paid to OMERS on behalf of its members.

16. BUDGET FIGURES

The approved operating and capital budgets for 2006 are reflected on the Schedule of Operating Fund Financial Activities and Fund Balance, Schedule of Capital Fund Activities and Fund Balance and the Consolidated Statement of Financial Activities and Fund Balance. The budgets established for the capital fund operations are on a project-oriented basis, the cost of which may be carried out over one or 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>2006</u> | <u>2005</u> |
|---------------------------------------|---------------------------|--------------------|
| Salaries, wages and employee benefits | \$3,330,130 | \$3,236,566 |
| Operating materials and supplies | 2,676,452 | 2,171,038 |
| Contracted services | 157,182 | 177,317 |
| Rents and financial expenses | 18,945 | 17,994 |
| External transfers to others | 12,020 | 36,505 |
| Tangible Capital assets | 2,639,212 | 2,694,232 |
| Debt services | 30,457 | 29,125 |
| Total expenditures by object | <u>\$8,864,398</u> | <u>\$8,362,777</u> |

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.

THE CORPORATION OF THE TOWNSHIP OF BROCK
Consolidated Schedule of Operating Fund Activities and Fund Balance
Year ended December 31, 2006

Schedule 1

| | <u>2006</u> <u>Budget</u> <u>(Note 16)</u> | <u>2006</u> <u>Actual</u> | <u>2005</u> <u>Actual</u> |
|--|--|------------------------------|------------------------------|
| REVENUES | | | |
| Taxation - all classes | \$17,295,575 | \$17,290,167 | \$16,378,286 |
| Less: amounts received for Region and School Boards | <u>(11,313,606)</u> | <u>(11,286,666)</u> | <u>(10,606,534)</u> |
| | 5,981,969 | 6,003,501 | 5,771,752 |
| | | | |
| User fees and charges | 920,107 | 977,085 | 922,910 |
| Grants | | | |
| Government of Canada | 3,300 | 13,952 | 17,231 |
| Province of Ontario | 868,004 | 870,183 | 833,416 |
| Investment income | 70,000 | 127,913 | 60,596 |
| Penalties and interest on taxes | 320,000 | 322,440 | 326,186 |
| Sale of land | 200,000 | 208,219 | 16,942 |
| Other | <u>8,500</u> | <u>12,703</u> | <u>8,465</u> |
| | | | |
| TOTAL REVENUES | <u>8,371,880</u> | <u>8,535,996</u> | <u>7,957,498</u> |
| | | | |
| EXPENDITURES | | | |
| OPERATING | | | |
| General government | 1,622,285 | 1,646,914 | 1,361,196 |
| Protection to persons and property | 1,107,145 | 1,031,242 | 996,448 |
| Transportation services | 1,989,805 | 1,945,191 | 1,899,738 |
| Environmental services | 42,000 | 45,609 | 30,027 |
| Health services | 106,200 | 101,644 | 68,869 |
| Recreation and cultural services | 1,476,875 | 1,380,820 | 1,209,013 |
| Planning and development | <u>89,100</u> | <u>73,766</u> | <u>103,254</u> |
| | 6,433,410 | 6,225,186 | 5,668,545 |
| | | | |
| NET REVENUES | <u>1,938,470</u> | <u>2,310,810</u> | <u>2,288,953</u> |
| | | | |
| FINANCING AND TRANSFERS | | | |
| Decrease in employee post employment benefits | - | 54,605 | (12,203) |
| Increase (decrease) in amounts to be recovered - other | - | (43,834) | (43,834) |
| Debt Principal Repayments | (16,628) | (16,628) | (16,628) |
| Transfers (to) Reserves & Reserve Funds | 264,485 | 306,239 | (557,815) |
| Transfers (to) Capital Fund | <u>(2,359,379)</u> | <u>(2,565,276)</u> | <u>(1,904,906)</u> |
| NET FINANCING AND TRANSFERS | <u>(2,111,522)</u> | <u>(2,264,894)</u> | <u>(2,535,386)</u> |
| | | | |
| CHANGE IN OPERATING FUND | (173,052) | 45,916 | (246,433) |
| | | | |
| OPERATING FUND, BEGINNING OF YEAR | <u>173,052</u> | <u>173,052</u> | <u>419,485</u> |
| | | | |
| OPERATING FUND, END OF YEAR | <u>\$ -</u> | <u>\$218,968</u> | <u>\$173,052</u> |

THE CORPORATION OF THE TOWNSHIP OF BROCK
Consolidated Schedule of Capital Fund Activities and Fund Balance
Year ended December 31, 2006

Schedule 2

| | <u>2006</u> <u>Budget</u> (Note 16) | <u>2006</u> <u>Actual</u> | <u>2005</u> <u>Actual</u> |
|---|---|------------------------------|------------------------------|
| REVENUES | | | |
| Grants | | | |
| Government of Canada | \$454,019 | \$103,409 | \$ - |
| Province of Ontario | 932,190 | 739,649 | 96,171 |
| Developer Contributions Earned | <u>122,000</u> | <u>141,544</u> | <u>106,847</u> |
| Total Revenue | <u>1,508,209</u> | <u>984,602</u> | <u>203,018</u> |
| EXPENDITURES | | | |
| General government | 284,230 | 174,376 | 76,742 |
| Protection to persons and property | 1,200,466 | 391,680 | 507,710 |
| Transportation services | 2,615,000 | 1,688,033 | 1,931,554 |
| Environmental services | 5,000 | - | - |
| Health services | 62,000 | 40,484 | 11,377 |
| Recreation and cultural services | 457,000 | 334,959 | 166,849 |
| Planning and development | <u>15,000</u> | <u>9,680</u> | <u>-</u> |
| | <u>4,638,696</u> | <u>2,639,212</u> | <u>2,694,232</u> |
| NET EXPENDITURES | <u>(3,130,487)</u> | <u>(1,654,610)</u> | <u>(2,491,214)</u> |
| FINANCING AND TRANSFERS | | | |
| Transfers from operating fund | 2,359,379 | 2,565,276 | 1,904,906 |
| Transfer from (to) reserves & reserve funds | 91,909 | (770,321) | 149,355 |
| Internal loan repaid | <u>-</u> | <u>(19,544)</u> | <u>(13,848)</u> |
| NET FINANCING AND TRANSFERS | <u>2,451,288</u> | <u>1,775,411</u> | <u>2,040,413</u> |
| CHANGE IN CAPITAL FUND | <u>(679,199)</u> | <u>120,801</u> | <u>(450,801)</u> |
| DEBENTURE PROCEEDS | 1,130,000 | 330,000 | <u>-</u> |
| CAPITAL FUND, BEGINNING OF YEAR | <u>(450,801)</u> | <u>(450,801)</u> | <u>-</u> |
| CAPITAL FUND, END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$(450,801)</u> |

THE CORPORATION OF THE TOWNSHIP OF BROCK

**Consolidated Schedule of Reserves and Reserve Fund Activities and Fund Balance
Year ended December 31, 2006**

Schedule 3

| | <u>2006</u> <u>Budget</u> <u>(Note 16)</u> | <u>2006</u> <u>Actual</u> | <u>2005</u> <u>Actual</u> |
|---|--|------------------------------|------------------------------|
| REVENUES | | | |
| Investment Income | \$ - | \$141,478 | \$113,575 |
| Provincial Funding | - | - | - |
| Donations | - | <u>17,378</u> | <u>23,447</u> |
| | - | <u>158,856</u> | <u>137,022</u> |
| NET TRANSFERS (TO) FROM OTHER FUNDS | | | |
| Capital Fund | (91,909) | 770,321 | (149,355) |
| Operating Fund | <u>(264,485)</u> | <u>(306,239)</u> | <u>557,815</u> |
| | <u>(356,394)</u> | <u>464,082</u> | <u>408,460</u> |
| CHANGE IN RESERVES AND RESERVE FUNDS | (356,394) | 622,938 | 545,482 |
| RESERVES AND RESERVE FUNDS, BEGINNING OF YEAR | <u>6,600,662</u> | <u>6,600,662</u> | <u>6,055,180</u> |
| RESERVES AND RESERVE FUNDS, END OF YEAR | <u>\$6,244,268</u> | <u>\$7,223,600</u> | <u>\$6,600,662</u> |