

COMMITTEE MINUTES

Finance, Administration & Operations Committee

Wednesday, December 08, 2010, 4:15 p.m.
City Hall, Council Chambers

Roll Call

Committee Members:

Councillor J. Fullarton, Chair
Councillor L. Bursey
Councillor L. Journal
Councillor D. LeSueur
Councillor M. McFall (arrived at 4:25 pm)

Staff:

Ms. V. Baker, Secretary - Clerk (Recording Secretary)
Mr. B. Casselman, City Manager
Ms. D. Cyr, Director of Finance
Ms. S. Seale, City Clerk

Others:

Mr. A. Bennett, Auditor

The Chair called the meeting to order at 4:15 p.m.

STAFF REPORTS

- 1 2010-162-12
 2010 Budget Mitigation Measures

Moved by: Councillor Bursey

THAT Report 2010-162-12 2010 Budget Mitigation Measures be received for information purposes.

CARRIED

Councillor McFall entered the meeting and Mr. Casselman departed the meeting (4:25 pm).

2. 2009 Financial Statements - Update

Moved by: Councillor Journal

THAT Council approve the revised Consolidated Financial Statements for the year ended December 31, 2009.

CARRIED

Ms. Cyr distributed revised 2009 budget and year-end Financial Statements. (A copy is attached to the minutes.)

Ms. Cyr and Mr. Bennett explained that the revisions related to the tangible capital assets and a transfer of some expenses from general government to recreation. The net impact of the changes is a reduction of tangible capital assets and accumulated surplus of approximately \$695,000. It was reported that there is no impact on the 2009 operating deficit as originally reported.

Councillor LeSueur asked if the PSAB thresholds should be adjusted (lowered or raised). Ms. Cyr responded that staff are reviewing the thresholds to determine if they are the optimum levels and should any adjustments be required, a report will be brought to the Committee for consideration.

3. 2010-170-12
2011 Interim Tax Levy and
Establishment of Due Dates

Moved by: Councillor Bursey

THAT Council authorize the 2011 interim tax levy with a due date of February 25th, 2011 and;

THAT Council establishes the due date of August 26th, 2011 for the second and final tax levy for 2011; and

THAT the necessary by-law be enacted.

CARRIED

4. 2010-173-12
Auditor Appointment for 2010 - 2012

Moved by: Councillor LeSueur

THAT Council appoint Bennett Lewis McMahon Stillar, Chartered Accountants, as the auditors for the City of Brockville for the three fiscal periods from January 1, 2010 to December 31, 2012 subject to performance.

CARRIED

Councillor Journal asked what the additional fees covered. Mr. Bennett explained that the additional fees were related to the auditing of the new financial system. He further explained that during the conversion from the old system to the new, that at times, the two systems were being audited. These additional fees are a onetime cost.

Councillor McFall asked about the auditing fees related to the implementation of PSAB. It was explained that the PSAB related fees were approximately \$8,000 and the estimated on-going annual fee related to tangible capital assets is \$3,000.

5. 2010-169-12
Temporary Borrowing By-Law

Moved by: Councillor Bursey

THAT Council hereby authorizes the passing of a Temporary By-Law providing for the Mayor and the Treasurer to borrow temporary working capital, as may be required for the Current Fund Operations, of up to \$5,000,000 for the year 2011.

CARRIED

6. 2010-171-12
Extension Agreement as Authorized by the
Municipal Act

Moved by: Councillor McFall

THAT Council authorize the entering into a Tax Sale Extension Agreement with the property owners of 541 Stewart Boulevard to extend the period of time in which the cancellation price is to be paid; and

THAT the necessary By-Law and Schedule for such agreement be enacted.

CARRIED

CONSENT AGENDA

Moved by: Councillor Journal

THAT the following items be forwarded to Council on the Consent Agenda:

1. 2009 Financial Statements – Update
2. 2010-170-12
2011 Interim Tax Levy and Establishment of Due Dates
3. 2010-173-12
Auditor Appointment for 2010 - 2012
4. 2010-169-12
Temporary Borrowing By-Law
5. 2010-171-12
Extension Agreement as Authorized by the Municipal Act

CARRIED

The meeting adjourned at 4:49 p.m.

MEMO

File No. F03-05
F10-01

To: Mayor David J. Henderson
Members of Council

From: Donna Cyr, Director of Finance

cc: SMT
Lynda Ferguson, Supervisor of Accounting Services

Date: December 8, 2010

Re: Revision to Report 2010-159-11
2009 Budget and Year- End Financial Statements

Staff presented to Council at its meeting held on November 23rd, 2010 the audited financial statements and Treasurer's information pertaining to the 2009 year-end financial position for approval.

The statements were delayed in being presented to Council due to the changes in PSAB requirements commencing with the 2009 statements. These changes are:

- To account for and report the City's tangible capital assets on the statement of financial position at historical cost
- To move to a full accrual accounting from the previous modified accrual format
- To revise the financial statement formats to reflect the above changes

Upon further review of the statements, there are three (3) changes required to the financial statements as previously presented to Council which pertain specifically to tangible capital assets. The net impact of these changes is a reduction of tangible capital assets and accumulated surplus of about \$695,000. It is important to note that there is no impact on the 2009 operating deficit, as originally reported.

The changes are as follows:

1. An increase to tangible capital assets of \$1,235,245 which represents additions in 2007 and 2008 that were identified but not entered into the database.
2. A decrease to tangible capital assets of \$1,832,539 which represents operating expenses that were funded and paid through the capital fund in 2009. These costs were included in capital assets as part of work-in-progress in the original financial statements and are now included as operating expenses.
3. An increase in amortization expenses of approximately \$86,000
4. A redistribution of expenses among functions.

Due to the dollar value associated with these changes, both staff and the City auditor feel it necessary to request that Council approve the revised statements prior to their release.

Donna Cyr

Consolidated Financial Statements of

**CORPORATION OF THE
CITY OF BROCKVILLE**

Year ended December 31, 2009

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AUDITORS' REPORT

**To the Members of Council, Inhabitants and Ratepayers
Corporation of the City of Brockville**

We have audited the consolidated statement of financial position of the Corporation of the City of Brockville as at December 31, 2009 and the consolidated statements of operations, change in net financial liabilities and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

**Brockville, Canada
November 19, 2010**

CORPORATION OF THE CITY OF BROCKVILLE

Consolidated Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	2009	2008 (as restated - note 2)
Financial assets		
Cash and short-term investments (note 3)	\$ 17,800,260	\$ 24,419,214
Taxes receivable	1,818,366	1,676,155
Accounts receivable	2,476,906	2,201,151
Investment in own debentures	235,260	356,892
	<u>22,330,792</u>	<u>28,653,412</u>
Financial liabilities		
Accounts payable and accrued liabilities	5,297,278	4,055,668
Accrued interest on long-term liabilities	279,062	294,662
Deferred revenue - obligatory reserve funds (note 4)	2,432,403	2,209,794
Other deferred revenues	456,600	2,680,804
Employee future benefits (note 5)	4,219,122	4,256,578
Solid waste landfill closure and post-closure liabilities (note 6)	3,710,000	3,370,000
Net long-term liabilities (note 7)	25,713,608	26,614,208
	<u>42,108,073</u>	<u>43,481,714</u>
Net financial liabilities	(19,777,281)	(14,828,302)
Non-financial assets		
Tangible capital assets (note 8)	59,606,888	-
Inventory of supplies	570,488	568,279
Prepaid expenses	723,296	771,652
	<u>60,900,672</u>	<u>1,339,931</u>
Commitments (note 9)		
Contingencies (notes 7(a) and 10)		
Accumulated surplus (deficit) (note 11)	\$ 41,123,391	\$ (13,488,371)

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE CITY OF BROCKVILLE

Consolidated Statement of Operations

Year ended December 31, 2009, with comparative figures for 2008

	Budget 2009 (unaudited)	Actual 2009	Actual 2008 (as restated - note 2)
Revenues:			
Property taxation	\$ 27,457,107	\$ 27,374,337	\$ 26,237,833
Taxation from other governments	429,330	406,363	424,862
User charges	10,824,926	10,712,296	11,033,931
Charges to other municipalities	970,638	1,014,689	1,046,994
Government grants	16,728,896	7,708,249	5,465,648
Contributions from developers	20,000	137,949	870,000
Penalties and interest on taxes	300,000	316,501	300,330
Investment income	270,178	225,961	813,364
Donations	50,900	938,349	355,369
Sale of property and equipment	-	102,166	1,252
Sale of History of Brockville book	-	-	7,557
Recovery of expenses and miscellaneous	140,588	416,486	283,714
	57,192,563	49,353,346	46,840,854
Expenses:			
General government	3,133,265	3,605,122	3,054,627
Protection to persons and property	11,189,298	12,164,961	11,450,933
Transportation services	3,044,604	4,955,401	3,524,036
Environmental services	8,044,648	9,603,343	8,322,460
Health services	1,660,131	1,657,578	1,546,333
Social and family services	5,535,877	5,577,593	5,632,659
Social housing	808,374	788,451	691,353
Library	655,034	693,935	723,532
Other recreation and cultural services	2,890,581	4,385,151	3,153,178
Planning and development	2,182,354	1,869,015	1,783,536
Tangible capital assets	-	-	4,860,472
	39,144,166	45,300,550	44,743,121
Excess of revenues over expenses	\$ 18,048,397	4,052,796	2,097,733
Accumulated surplus (deficit), beginning of year, as restated (note 2)		37,070,595	(15,586,104)
Accumulated surplus (deficit), end of year		\$ 41,123,391	\$ (13,488,371)

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE CITY OF BROCKVILLE

Consolidated Statement of Change in Net Financial Liabilities

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Excess of revenue over expenses	\$ 4,052,798	\$ 2,097,733
Acquisition of tangible capital assets	(11,564,512)	-
Amortization of tangible capital assets	2,467,879	-
Gain on sale of tangible capital assets	(96,021)	-
Proceeds from sale of tangible capital assets	144,732	-
	(4,995,126)	2,097,733
Change in inventory	(2,209)	(24,321)
Change in prepaid expenses	48,356	(385,412)
Change in net financial liabilities	(4,948,979)	1,688,000
Net financial liabilities, beginning of year	(14,828,302)	(16,516,302)
Net financial liabilities, end of year	\$ (19,777,281)	\$ (14,828,302)

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE CITY OF BROCKVILLE

Consolidated Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	\$ 4,052,796	\$ 2,097,733
Items not involving cash:		
Amortization of tangible capital assets	2,467,879	-
Gain on sale of tangible capital assets	(96,021)	-
Increase in taxes receivable	(142,211)	(68,297)
Decrease (increase) in accounts receivable	(275,755)	477,310
Increase (decrease) in accounts payable and accrued liabilities	1,241,610	(1,332,698)
Decrease in accrued interest on long-term liabilities	(15,600)	(12,218)
Increase (decrease) in deferred revenues	(2,001,595)	1,719,907
Increase (decrease) in employee future benefits	(37,456)	126,985
Increase in solid waste landfill closure and post-closure liabilities	340,000	120,000
Increase in inventory of supplies	(2,209)	(24,321)
Decrease (increase) in prepaid expenses	48,356	(385,412)
	5,579,794	2,718,989
Financing activities:		
Net proceeds from debentures	1,217,175	456,060
Principal payments on long-term liabilities	(1,996,143)	(1,928,632)
	(778,968)	(1,472,572)
Capital activities:		
Proceeds from sale of tangible capital assets	144,732	-
Cash used to acquire tangible capital assets	(11,564,512)	-
	(11,419,780)	-
Increase (decrease) in cash and short-term investments	(6,618,954)	1,246,417
Cash and short-term investments, beginning of year	24,419,214	23,172,797
Cash and short-term investments, end of year	\$ 17,800,260	\$ 24,419,214
Non-cash financing activities:		
Principal payments on own debentures	\$ 121,632	\$ 62,108

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2009

The Corporation of the City of Brockville (the "City") is a municipality in the Province of Ontario, Canada. It conducts its operations under the direction of its elected Council, guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant accounting policies:

The consolidated financial statements of the City are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant accounting policies are as follows:

(a) Reporting entity:

(i) Consolidated entities:

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the municipal Council and which are owned or controlled by the City.

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

(ii) Accounting for School Board transactions:

The taxation, other revenues, expenses, assets and liabilities with respect to the local school boards are not reflected in these consolidated financial statements.

(iii) Trust funds:

Trust funds and their related operations administered by the City are not included in the consolidated financial statements but are reported separately.

(b) Investments:

Investments are recorded at cost.

(c) Revenue recognition:

Property tax billings are prepared by the City based on an assessment roll prepared by Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government and taxation revenues are recorded at the time tax billings are issued. Any supplementary billing adjustments made necessary by assessment appeals submitted by the ratepayers and changes to assessed value reflecting new construction are recognized in the year they are determined.

Government grants are recognized as revenue in the year in which the events giving rise to the grant occur, providing the grants are authorized, any eligible criteria have been met, and reasonable estimates of the amounts can be made.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2009

1. Significant accounting policies (continued)

(c) Revenue recognition (continued):

User charges, with the exception of development charges, are recognized as revenue in the year the goods and services are provided.

Development charges, payments in lieu of parkland and funding received under public transit and gasoline tax programs are received under the authority of federal and provincial legislation and the use of these funds is restricted to applicable capital expenditures. They are recorded as deferred revenue (obligatory reserve funds) and included in revenue in the year that they are applied to qualifying capital expenditures.

Investment income earned on development charges and parkland reserve funds is recorded as deferred revenue (obligatory reserve funds) and included in municipal revenues in the year that they are applied to qualifying capital expenditures. Other investment income is reported in revenue in the period earned.

(d) Vacation pay:

Vacation pay is accrued for all employees as entitlement to these payments is earned in accordance with the City's benefit plan for vacation.

(e) Employee future benefits:

The City accrues its obligations under employee benefit plans as the employees render the services necessary to earn non-pension post-retirement benefits. The cost of such benefits earned by the employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of the retirement ages of employees.

Actuarial valuations are prepared every three years, or more often at the discretion of management. In the years between valuations, an extrapolation is used to compute the expected accrued benefits obligation and related expenditures.

Actuarial gains or losses on the accrued benefit obligation arise from the difference between actual and expected experiences and from changes in actuarial assumptions used to determine the obligation. These gains or losses are amortized on a straight-line basis over the average remaining service period of active employees.

The City also accrues its obligations for post-employment benefits when an event that obligates the City occurs such as parental and short-term sick leaves.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2009

1. Significant accounting policies (continued)

(f) 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.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life – years
General capital:	
Land improvements	15 – 50 years
Buildings	5 – 50 years
Machinery, furniture and equipment	3 – 30 years
Vehicles	6 – 25 years
Infrastructure:	
Plants and facilities	10 – 60 years
Road networks	20 – 75 years
Water and wastewater networks	50 – 75 years

Amortization is charged from the date of acquisition to the date of disposal. Assets under construction are not amortized until the asset is put into service.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Capitalized interest:

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

(g) 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 expenses during the reporting period. Significant items subject to such estimates and assumptions include amortization of tangible capital assets and employee future benefits and solid waste landfill closure and post-closure liabilities. Actual results could differ from these estimates.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2009

2. Changes in accounting policies:

The City has implemented Public Sector Accounting Board ("PSAB") sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets.

Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. This change has been applied retroactively with restatement of comparative figures but there were no changes to the comparative financial assets, financial liabilities, revenues or expenses.

Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

The financial information recorded includes the actual or estimated historical cost and accumulated amortization of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The City applied a consistent method of estimating the replacement cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, the Consumer Price Index and the Non-residential Building Consumer Index and other generally accepted price indices were used to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

For Section 3150 this change has been applied retroactively and prior periods have not been restated. This change in accounting policy has been applied to opening balances as follows:

Accumulated surplus at January 1, 2009:

Water, waste water and library supplies	\$ 3,993,846
Capital fund	4,421,521
Reserves	2,789,526
Reserve funds	9,842,184
Amounts to be recovered	(34,535,448)
Accumulated surplus (deficit), as previously reported	(13,488,371)
Net book value of tangible capital assets recorded	50,558,966
Accumulated surplus, as restated	\$ 37,070,595

3. Cash and short-term investments:

Included in cash and short-term investments was \$9,000,000 invested in cashable guaranteed investment certificates at December 31, 2009.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2009

4. Deferred revenue – obligatory reserve funds:

Public sector accounting principles require that obligatory reserve funds are reported as deferred revenue as provincial legislation or agreements restrict how these funds may be used. The balances in the obligatory reserve funds of the City are summarized as follows:

	2009	2008
Development charges	\$ 619,299	\$ 732,725
Parkland	275	273
	619,574	732,998
Provincial public transit funds	-	36,292
Federal public transit funds	-	8,759
	-	45,051
Provincial gasoline tax	78,561	122,619
Federal gasoline tax	1,734,268	1,309,126
	1,812,829	1,431,745
	\$ 2,432,403	\$ 2,209,794

5. Employee future benefits:

Employee future benefits consist of the following:

	2009	2008
Post-retirement medical and life insurance (note 3(a))	\$ 3,328,895	\$ 3,307,747
Unused sick leave (note 3(b))	653,262	741,323
Self-funded pension	-	12,304
Workplace Safety and Insurance Board costs (note 3(c))	236,965	195,204
	\$ 4,219,122	\$ 4,256,578

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2009

5. Employee future benefits (continued):

- (a) The City has defined benefit plans providing post-retirement medical and life insurance benefits covering substantially all retirees and employees.

An actuarial valuation was prepared as at December 31, 2009. The significant actuarial assumptions adopted in measuring the City's accrued employee future benefits liabilities are as follows:

	2009	2008
Discount rate	4.5%	5.5%
Rate of compensation increase	3.0%	3.5%

The assumed medical cost trend rate at December 31, 2009 was 8% decreasing to 5.0% by 2030 (2008 – 9.10% decreasing to 5% by 2016).

Information about the City's defined contribution post-retirement benefit plans is as follows:

	2009	2008
Accrued benefits obligation, beginning of year	\$ 2,782,280	\$ 2,683,538
Current service cost	116,590	111,038
Interest on accrued benefits	154,773	149,259
Benefits payments	(169,633)	(130,073)
Actuarial gain (loss)	482,173	(31,482)
Accrued benefits obligation, end of year	3,366,183	2,782,280
Unamortized actuarial gains	37,288	525,467
Accrued employee future benefits liability, end of year	\$ 3,328,895	\$ 3,307,747

Actuarial gains and losses are being amortized over 12 year periods.

- (b) Some employees of the City can accumulate unused sick leave and may become entitled to a cash payment when they leave the City's employment.

Significant actuarial assumptions adopted in measuring the City's accrued benefits under this plan are similar to those listed in (a) above.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2009

5. Employee future benefits (continued):

(b) Information about the City's sick leave benefit plans is as follows:

	2009	2008
Accrued benefits obligation, beginning of year	\$ 741,323	\$ 671,684
Current service cost, interest on accrued benefits and actuarial gain	22,218	72,551
Benefits payments	(110,279)	(2,912)
Accrued benefits obligation, end of year	\$ 653,262	\$ 741,323

(c) The Workplace Safety and Insurance Board has estimated future benefits costs related to workplace injuries to be \$236,965 (2008 - \$195,204).

6. Solid waste landfill closure and post-closure liabilities:

The City ceased to operate its solid waste landfill site on December 31, 2000, but is required to complete certain closure procedures and to conduct post-closure procedures.

The main components of the closure plan are final capping and landscaping. The post-closure care will involve surface water and ground water monitoring and venting gas.

The recorded liabilities are the present value of future cash flows associated with the closure and post-closure costs, discounted using an average long-term borrowing rate of 5.0% and an annual inflation rate of 2.0%. The estimated undiscounted future cash flows associated with post-closure care for a 24 year period are \$5,650,000, of which \$1,940,000 will be recognized in future years.

	2009	2008
Estimated costs to complete closure	\$ 320,000	\$ 320,000
Recorded post-closure costs	3,390,000	3,050,000
	\$ 3,710,000	\$ 3,370,000

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2009

7. Net long-term liabilities:

- (a) The net long-term liabilities reported on the Consolidated Statement of Financial Position represent debentures issued by the City and are made up of the following:

	2009	2008
Total long-term liabilities incurred by the City	\$ 36,810,187	\$ 38,165,185
Less amounts assumed by other municipalities with respect to St. Lawrence Lodge	(11,096,579)	(11,550,977)
	<u>\$ 25,713,608</u>	<u>\$ 26,614,208</u>

Included in total long-term liabilities are global debentures totaling \$27,918,397 (2008 - \$29,066,375) issued during 2004 and 2005 with respect to St. Lawrence Lodge. They include direct obligations of the City in respect of the principal amount and also include distinct joint and several obligations of the Corporation of the City of Brockville and each of the United Counties of Leeds and Grenville, the Town of Prescott and the Town of Gananoque ("participating municipalities").

The joint and several obligations of the three municipalities amount to \$11,096,579 (2008 - \$11,550,977). As the participating municipalities have assumed responsibility for repayment of these obligations, they have been deducted from the City's net-long term liabilities.

The City is contingently liable for the long-term liabilities assumed by the participating municipalities.

- (b) Principal is due on net long-term liabilities as follows:

2010	\$ 2,325,310
2011	2,340,689
2012	2,035,915
2013	2,130,125
2014	2,186,473
Thereafter	14,695,096
	<u>\$ 25,713,608</u>

- (c) Interest rates on the long-term liabilities range from 2.69% to 6.8% (4.71% to 5.606% on the global debentures with respect to St. Lawrence Lodge) payable semi-annually. Interest on long-term liabilities amounted to \$1,256,936 (2008 - \$1,343,383).
- (d) 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.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2009

8. Tangible capital assets:

Cost	Balance January 1, 2009 (note 2)	Additions	Disposals	Balance December 31, 2009
General Capital:				
Land	\$ 4,647,578	\$ -	\$ 3,212	\$ 4,644,366
Land improvements	2,695,953	243,343	26,288	2,913,008
Buildings	11,138,489	2,217,529	32,519	13,323,499
Machinery, furniture and equipment	6,327,103	704,470	462,521	6,569,052
Vehicles	5,001,742	690,436	191,505	5,500,672
Infrastructure:				
Plants and facilities	10,084,900	451,522	-	10,536,422
Roads infrastructure	50,580,776	1,189,447	105,338	51,664,885
Water and sewer infrastructure	12,544,030	1,756,621	-	14,300,651
Assets under construction	-	4,311,145	-	4,311,145
Total	\$103,020,571	\$ 11,564,512	\$ 821,383	\$113,763,700

Accumulated amortization	Balance January 1, 2009 (note 2)	Additions	Disposals	Balance December 31, 2009
General Capital:				
Land improvements	\$ 1,902,435	\$ 64,989	\$ 26,288	\$ 1,941,116
Buildings	8,333,604	249,797	13,333	8,570,068
Machinery, furniture and equipment	4,093,592	439,691	462,521	4,070,762
Vehicles	3,633,260	361,889	191,505	3,803,644
Infrastructure:				
Plants and facilities	8,829,690	123,836	-	8,953,526
Roads infrastructure	21,872,947	1,047,120	79,025	22,841,042
Water and sewer infrastructure	3,796,077	180,577	-	3,976,654
Total	\$ 52,461,605	\$ 2,467,879	\$ 772,672	\$ 54,156,812

	Net book value January 1, 2009 (note 2)	Net book value December 31, 2009
General Capital:		
Land	\$ 4,647,578	\$ 4,644,366
Land improvements	793,518	971,892
Buildings	2,804,885	4,753,431
Machinery, furniture and equipment	2,233,511	2,498,290
Vehicles	1,368,482	1,697,028
Infrastructure:		
Plants and facilities	1,255,210	1,582,896
Roads infrastructure	28,707,829	28,823,843
Water and sewer infrastructure	8,747,953	10,323,997
Assets under construction	-	4,311,145
Total	\$ 50,558,966	\$ 59,606,888

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2009

8. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$4,311,145 have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made or where there was no future benefit related to the asset, the tangible capital asset was recognized at a nominal value. Land, buildings and machinery, furniture and equipment are the categories where nominal values were assigned.

(c) Works of art and historical treasures:

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets.

9. Commitments:

(a) The City has entered into a contract for waste removal through to 2010. In May 2006 the agreement was amended, effective July 1, 2006, to provide a price adjustment based on diesel fuel prices. The estimated annual cost of the amended contract is \$687,000.

(b) The City has agreed to contribute \$1.5 million towards the construction of a destination tourist site to be called the Maritime Discovery Centre. The City has also agreed to contribute \$150,000 annually to the operation of the Maritime Discovery Centre in addition to in-kind contributions of insurance and water charges.

10. Contingencies:

The nature of the City's activities is such that there is usually litigation pending or in prospect at any time. Management is of the opinion that the City has valid defenses and appropriate insurance coverage in place for claims for damages and related costs.

At December 31, 2009 there are three claims seeking punitive damages which aggregate to \$2,000,000 and which are not covered by insurance. Management is of the opinion that these claims are without substantial merit and, accordingly, has made no provision for them.

In addition, the City owns various properties that have previously been used in commercial activities and is subject to environmental laws and regulation with regard to these properties. Provisions have been made where it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated.

Further costs, if any, that may arise will be accounted for in the year that they are identified.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2009

11. Accumulated surplus (deficit):

The accumulated surplus (deficit) consists of:

	2009	2008
Operating surplus:		
Water treatment and distribution system	\$ 2,214,190	\$ 2,379,815
Waste water treatment system	1,345,902	1,584,997
Library board	64,736	29,034
	<u>3,624,828</u>	<u>3,993,846</u>
Reserve and reserve funds (note 12):		
Fiscal policy reserve (after reduction of \$454,184 for 2009 operating deficit)	660,738	1,681,445
Other reserves	1,156,877	1,108,081
Reserve funds	<u>8,896,673</u>	<u>9,842,184</u>
	<u>10,714,288</u>	<u>12,631,710</u>
Investment in tangible capital assets	59,693,794	-
Funds available for acquisition of capital assets:		
Projects in progress	1,099,179	4,535,376
Completed projects	-	63,768
Unfunded costs:		
Capital projects	-	(177,623)
Employee future benefits	(4,219,122)	(4,256,578)
Landfill liabilities	(3,710,000)	(3,370,000)
Net long-term liabilities	(25,713,608)	(26,614,208)
Accrued interest on long-term liabilities	(279,062)	(294,662)
	<u>\$ 41,210,297</u>	<u>\$(13,488,371)</u>

12. Reserves and reserve funds:

Reserve and reserve funds consist of:

	2009	2008
Reserves:		
Working capital	\$ 430,373	\$ 430,373
Fiscal policy (to reduce future taxation)	660,738	1,680,460
Projects deferred to the following year	726,504	678,693
	<u>1,817,615</u>	<u>2,789,526</u>
Reserve funds:		
Landfill site	453,933	642,114
Specific reserve funds for acquisition of capital assets	728,847	821,674
Specific reserve funds to provide for future operating expenditures	776,285	1,201,832
Repayment of debt	-	515
Parking facilities	320,410	323,537
Hydro One proceeds management	6,617,198	6,852,512
	<u>8,896,673</u>	<u>9,842,184</u>
	<u>\$ 10,714,288</u>	<u>\$ 12,631,710</u>

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2009

13. Pension agreement:

Substantially all of the employees of the City are members of the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer defined benefit pension plan. The plan specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay.

Contributions to the plan made during the year by the City on behalf of its employees amounted to \$1,173,780 (2008 - \$1,134,994).

The most recent actuarial valuation was at December 31, 2009 and the December 31, 2009 financial statements of OMERS report net assets of \$47 billion and an actuarial funding deficit of \$1,519 million.

14. Trust funds:

Trust funds administered by the City amounting to \$1,084,821 (2008 - \$1,043,569) have not been included in the consolidated statement of financial position nor have their financial activities been included in the consolidated statement of operations.

15. Public sector salary disclosure:

Under the Public Sector Salary Disclosure Act, 1996 the City is required to disclose the name, position, salary and taxable benefits of employees with annual salaries of \$100,000 or more.

For 2009 the employees who met the requirements for disclosure were as follows:

<u>Name</u>	<u>Position</u>	<u>Salary</u>	<u>Taxable Benefits</u>
Robert Casselman	City Manager	\$ 148,545	\$ 1,377
Adrian Geraghty	Police Chief	\$ 136,192	\$ 1,291
Lee MacArthur	Deputy Police Chief	\$ 128,739	\$ 1,171
Conal Cosgrove	Director, Operations	\$ 123,700	\$ 1,191
Paul Ladoucer	Detective Sergeant	\$ 122,193	\$ 887
Mark Noonan	Police Investigator	\$ 113,969	\$ 868
Harry Jones	Fire Chief	\$ 110,070	\$ 1,061
Shawn Bergferd	1 st Class Police Constable	\$ 109,417	\$ 782
Paul Smith	Police Investigator	\$ 108,600	\$ 898
Robert Ferguson	1 st Class Police Constable	\$ 107,261	\$ 792
Scott Fraser	Police Inspector	\$ 106,406	\$ 994
Christopher Dwyre	Deputy Fire Chief	\$ 104,341	\$ 999
Douglas Locke	Police Sergeant	\$ 104,048	\$ 898
D. Thomas Fournier	Police Investigator 1	\$ 103,393	\$ 878
Maureen Pascoe-Merkley	Director, Planning	\$ 101,972	\$ 984
Edmund Stone	Staff Sergeant	\$ 100,767	\$ 953

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2009

16. Expenses by object:

The following is a summary of the expenses by object:

	2009	2008
Salaries, wages and benefits	\$ 21,346,550	\$ 20,745,856
Interest on long-term liabilities	1,256,935	1,331,166
Materials and supplies	6,258,001	5,842,318
Contracted services	6,826,293	5,067,901
Rents and financial	29,321	32,103
Transfer payments	7,115,571	6,863,305
Amortization of tangible capital assets	2,467,879	-
Tangible capital assets	-	4,860,472
	\$ 45,300,550	\$ 44,743,121

17. Financial instruments:

The City's financial instruments include cash and short-term investments, accounts receivable, accounts payable and accrued liabilities and net long-term liabilities.

Management estimates that the fair value of the net long-term liabilities does not differ materially from the carrying value. Due to their nature or capacity for prompt liquidation, the fair values of the other financial instruments approximate their carrying values.

The City invests its cash with one or more Canadian Schedule I Banks.

Provision is made for losses on collection of accounts receivable, when management determines it is necessary.