
<u>Committee Members</u>	<u>Areas of Responsibility:</u>	
Councillor D. Beatty, Chair	Clerk's Office	CRCA
Councillor J. Earle	Environmental	Cemetery
Councillor J. Fullarton	Services	Health Unit
Councillor D. LeSueur	Finance Department	Joint Services Committee
Councillor M. McFall	Fire Department	PLMG
Mayor D. Henderson, Ex-Officio	Human Resources Dept.	Police Services Board
	Operations Department	Safe Communities Coalition
	Airport Commission	St. Lawrence Lodge Management Board
	Arena Advisory Board	Volunteer Awards
	Brockville Municipal Accessibility Advisory Committee (BMAAC)	All legal matters [excepting the purchase and sale of land]

AGENDA

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DISCLOSURE OF INTEREST

STAFF REPORTS

- | | |
|--------|---|
| 3 - 6 | 1. 2012-142-08
2011 Annual Investment Report |
| | <i>THAT Council receive the 2011 Annual Investment Report.</i> |
| 7 - 43 | 2. 2012-143-08
2011 Budget and Year End Financial Statements |
| | <i>THAT Audited Financial Statements and Treasurer's Information pertaining to the 2011 Year-End Financial Position be received (Attachment 1 to Report 2012-143-08); and</i> |
| | <i>THAT expenses beyond the initial 2011 budget be ratified; and</i> |
| | <i>THAT the surplus variance be transferred to the Fiscal Policy Reserve; and</i> |

THAT the Audited Financial Statements for the Board of Management, Downtown Business Improvement Area of the Corporation of the City of Brockville be received (Attachment 2 to Report 2012-143-08); and

THAT the Audited Statements for Corporation of the City of Brockville Trust Funds be received (Attachment 3 to Report 2012-143-08).

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3. 2012-144-08
City Auditor Matters to be Communicated with Members of Council

THAT the Finance Administration & Operations Committee receive and review the City auditor's "Matters to be Communicated with Members of Council" for the year ended December 31, 2011 (Attachment 1 to Report 2012-144-08).

NEW BUSINESS

Nil.

FAO - CONSENT AGENDA

ADJOURNMENT

August 16, 2012

**REPORT TO FINANCE ADMINISTRATION & OPERATIONS COMMITTEE
– August 28, 2012**

**2012-142-08
2011 ANNUAL INVESTMENT REPORT
FILE: F12-00**

**D. CYR
DIRECTOR OF FINANCE
D. GORDON
FINANCIAL ANALYST – GENERAL**

RECOMMENDATION

THAT Council receive the 2011 Annual Investment Report.

PURPOSE

To provide Council with an annual Investment Report, in conjunction with the annual audited Financial Statements, as per the City of Brockville's Investment Policy.

BACKGROUND

Council adopted a formal Investment Policy in July 2010 as the framework for the investment of surplus funds. Section VIII of the Policy requires that an annual Investment Report be brought to Council, together with the annual audited City Financial Statements.

ANALYSIS

At 2011 year-end, the outstanding investments of all funds amounted to \$107,456 of which the Trust Fund had \$36,695 in Scotia Trust Mutual Funds and \$70,761 was invested in City of Brockville debentures (Hydro Funds) as summarized below:

Issued By-Law	Amount \$	Interest Rate %	Maturity Date	Term
91-2005	1,000.00	4.00	Dec 2012	7 years
124-2003	69,761.52	4.00	Dec 2013	10 years

The City's ability to create an investment portfolio is limited due to minimal balances within the Reserve Funds and the Fiscal Policy Reserve. As well, the City is currently involved in two of the largest projects to be taken on by the City – the Water Pollution Control Centre upgrade and the Aquatarium (MDC). Both of these projects have funding from the Provincial and Federal governments, but these are back-ended funding agreements which create a strain on the City's finances. Thus, with the exception of the Trust Fund's Mutual Funds, 100% of the City's investments are short-term in nature which is consistent with previous years.

Monies were invested for all funds (Current and Reserves; Capital; Reserve Funds including Hydro One Funds; and Trust Funds) taking into consideration cash flow requirements. This resulted in an additional \$49,800 of interest revenue above what would have been earned by leaving the funds in the bank.

Attachment #1 to Report 2012-142-08 illustrates the portfolio summary at year end as well as the investments made throughout the year.

TREASURER'S STATEMENT

City Funds

All investment activities for City of Brockville funds were made in accordance with the investment policies and goals adopted by the City. All investments adhered to statutory requirements and were sufficiently liquid to meet cash flow requirements while attempting to maximize the rate of return earned on available funds. A competitive process was completed for the purchase of investments with the five major Canadian banks.

Due to the known short-term nature of the investments, emphasis was placed upon maximizing the rate of return rather than a diversification of the investments.

Trust Funds

All investment activities for Trust Funds held by the City were made in accordance with the investment policies and goals adopted by the City. All investments adhered to statutory requirements and were sufficiently liquid to meet cash flow requirements while attempting to maximize the rate of return earned on available funds. A competitive process was completed for the purchase of investments with the five major Canadian banks.

The Cemetery Trust Fund has had Scotia Trust mutual fund investments for a minimum of 10 years. Even though municipal funds legislatively cannot be invested in mutual funds, with the exception of the "ONE – the Public Section Group of Funds", this type of investment is allowed for the Cemetery Trust monies under the Trustees Act as well as through the exemption provision in the City's Investment Policy.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

POLICY IMPLICATIONS

This report has been prepared to adhere to the City's Investment Policy.

CONCLUSION

Staff has been diligent to maximize the amount of return on available monies while adhering to the City's Investment Policy.



D. Gordon, Financial Analyst – General



D. Cyr, Director of Finance



B. Casselman, City Manager

INVESTMENT PORTFOLIO SUMMARY at December 31, 2011

City of Brockville Debentures	\$	70,761	66%
Guaranteed Investment Certificates	\$	-	0%
Mutual Funds (Trust Funds)	\$	36,695	34%
	\$	107,456	100%

2011 INVESTMENT TRANSACTIONS

Type of Security	Purchase Date	Interest Rate %	Term	Amount \$	Redeemed Date	Redeemed Amount \$	Interest Received \$
BNS Cashable GIC	22-Sep-10	1.85%	1 year	5,700,000	22-Oct-10	2,500,000	3,801.36
					22-Jul-11	500,000	7,653.42
					16-Aug-11	150,000	2,493.70
					22-Sep-11	2,550,000	47,200.43
						5,700,000	61,149
BNS Short Term Non-Redeemable GIC	4-Mar-11	1.59%	31 days	12,000,000	3-Apr-11	12,000,000	16,204.93
BNS Cashable GIC	5-Apr-11	1.59%	1 year	12,000,000	6-May-11	1,500,000	2,025.62
					26-May-11	500,000	1,110.82
					6-Jun-11	750,000	3,071.96
					16-Jun-11	3,000,000	9,409.31
					27-Jun-11	4,250,000	15,551.51
					22-Jul-11	2,000,000	8,175.54
						12,000,000	39,345
BNS Short Term Non-Redeemable GIC	8-Sep-11	2.20%	30 days	3,000,000	8-Oct-11	3,000,000	5,424.66

August 22, 2012

**REPORT TO FINANCE ADMINISTRATION & OPERATIONS COMMITTEE
– August 28, 2012**

**2012-143-08
2011 BUDGET AND YEAR-END
FINANCIAL STATEMENTS
FILE: F03-05 & F10-01**

**D. CYR
DIRECTOR OF FINANCE
L. FERGUSON
SUPERVISOR OF ACCOUNTING
SERVICES**

RECOMMENDATION

THAT Audited Financial Statements and Treasurer's information pertaining to the 2011 Year-End Financial Position be received [Attachment 1 to Report 2012-143-08]; and

THAT expenses beyond the initial 2011 budget be ratified; and

THAT the surplus variance be transferred to the Fiscal Policy Reserve; and

THAT the Audited Financial Statements for the Board of Management, Downtown Business Improvement Area of the Corporation of the City of Brockville be received [Attachment 2 to Report 2012-143-08]; and

THAT the Audited Statements for Corporation of the City of Brockville Trust Funds be received [Attachment 3 to Report 2012-143-08];

PURPOSE

To report to Council the final audited statements for the City of Brockville, for the year ended December 31, 2011, including the audited financial statements of the Board of Management, Downtown Business Improvement Area and the City Trust Funds.

BACKGROUND

As outlined in the Municipal Act:

Section 294.1... "A municipality shall, for each fiscal year, prepare annual financial statements for the municipality in accordance with generally accepted accounting principles for local governments as recommended, from time to time, by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants."

Section 295.1... "within 60 days after receiving the audited financial statements of the municipality for the previous year, the Treasurer of the municipality, (a) shall publish in a newspaper having general circulation in the municipality, a copy of the audited financial statements, the notes to the financial statements, the auditor's report and the tax rate information for the current and previous year as contained in the financial review, or, (b) a notice that a copy will be made available at no cost to the tax payer or resident upon request."

The Finance and Administration Committee monitored the budget process throughout the year by reviewing the Variance Analysis reports. The corporate-wide Variance Analysis was provided with the December 31, 2011 Interim Treasurers Report (Report 2012-036-02) on February 21, 2012.

PSAB Requirements

Beginning with the fiscal year 2009, the City of Brockville has amended the preparation and presentation of its financial statements in conjunction with the changes of PSAB regulations to reflect a full accrual basis of accounting and the reporting of the City's Tangible Capital Assets (TCA) on the Statement of Financial Position at historical cost. At the end of 2011, the City's TCAs have a net book value of approximately \$101 million. Prior to 2009 all TCA were expensed in the year of purchase and were not reflected on the Statement of Financial Position but on the Consolidated Statement of Operations.

Prior to 2009 the budget figures on the Consolidated Statement of Operations would be the combined total of the operating and capital budgets. Since 2009, this budget column only reflects the operating budget figures and any budgets associated with TCA would not be included in the operating budgets.

Municipalities maintain many items within their capital budgets for projects which, by accounting definition, are of an operating nature rather than a true capital project. The main reason for this is an attempt to smooth the costs on the levy and thus to the tax payer. Examples of these types of expenditures are major building repairs, or maintenance to equipment that is only conducted every 3 to 5 years. Each year staff must review all capital projects and determine which costs are true TCA that will be amortized over the life of the asset and which projects are actually operating in nature and must be reflected as such on the financial statements.

The Accumulated Surplus/Deficit on the Consolidated Statement of Financial Position reflects the Fund Balances (Water, Wastewater, Capital, Reserves, and Reserve Funds) which were shown in the "Municipal Position" section in statements prior to 2009.

In accordance with the PSAB changes, the Consolidated Statement of Financial Activities no longer segregates the fund activities.

ANALYSIS / FINANCIAL IMPLICATIONS

Operating Fund

The Operating fund ended the year with a surplus of \$248,037 that has been transferred to the Fiscal Policy Reserve. The increase from the reported surplus on the December interim report of \$155,954 is mainly attributable to the Joint Services surplus of \$38,568 and the dispatch fee reconciliation that pertains to 2010 of \$35,213 and 2011 additional surplus of \$5,058.

Fiscal Policy Reserve

As a result of the year-end surplus, the balance of the Fiscal Policy Reserve at December 31, 2011 was \$405,227.

Capital Fund

The Capital Fund, with respect to those capital projects that have been completed and closed has been presented to Council in a separate report.

The following chart illustrates the changes to the Consolidated Statement of Operations for the 2011 total Capital Expenses to attain full accrual accounting for the operating expenses.

Total Consolidated Expenses-includes general, capital, water, wastewater and library	\$67,726,348
Less Capital Fund Expenses	(26,671,639)
Plus Capital Expenses that are Operating in Nature	2,294,246
Plus Amortization of TCA	2,895,449
Plus Capital Expenses through Current	69,660
Less Loss on Disposal of Assets	(59,115)
Consolidate Expenses-Full Accrual	<u>\$46,254,949</u>

There are minimal changes to the revenues received within the Capital Fund to report them as full accrual. The only change on the Consolidated Statement of Operations is the elimination of revenues received on the sale of a TCA, and the inclusion of a gain on the sale of a TCA. The gain on a sale of a TCA is calculated as the difference between the revenues received for the TCA and the net book value of it. The net book value is the difference of the historical cost and the accumulated amortization. For 2011 the gain on the sale of TCA is \$19,727.

Water and Wastewater Rate Administration

The year-end surplus on the Water Rate Administration is higher than the projected surplus of \$138,001 by \$274,678 for a total surplus of \$413,678. This difference is mainly attributed to the transfer of \$218,265 from the Capital Fund for projects that have closed out with a surplus and an adjustment to the contribution to Capital for water treatment plant projects that reduced the contribution by \$32,300.

The year-end surplus on the Wastewater Rate Administration is \$420,470 over the projected deficit of \$(229,860) for a net surplus of \$190,610. This is mainly attributed to the transfer of \$387,879 from the Capital Fund for projects that have closed out with a surplus and a reimbursement for Aird & Berlis invoices from Torbear totaling \$33,612.

Tax Collections

The percentage of tax levies receivable has increased from 8.83% in 2010 to 9.00% in 2011. The following chart illustrates the outstanding taxes for the City at December 31, 2011 compared to December 31, 2010.

	At December 31, 2011		At December 31, 2010	
	Amount	% to Total Outstanding	Amount	% to Total Outstanding
of Current Year's Taxes	\$1,366,097	68.96%	\$1,699,702	68.35%
of Previous Year's Taxes	955,783	35.98%	560,063	22.52%
of 2 nd Year's Taxes	254,296	9.57%	202,452	8.14%
of 3 rd & Prior Years' Taxes	80,472	3.03%	24,461	0.98%
	<u>\$2,656,649</u>	<u>100.00%</u>	<u>\$2,486,678</u>	<u>100.00%</u>
% of current Year's Levy + o/s arrears		<u>9.00%</u>		<u>8.83%</u>

The slight increase can partially be attributed to the state of the economy and the supplemental billings happening late November.

Accounting Practices

The City's budgeting and accounting system continues to be integrated and centralized with respect to monitoring and reporting on variances, purchasing standards, fiscal accounting and financial planning. All Boards and Committees, except for the Library, use the City's process. These integrations allow for efficiencies in process as well as cost. As well, the ability to provide common standards and value of reporting on a regular basis to Council, Board Directors and Department Heads is enhanced.


Representatives of the City's Auditors – Bennett Lewis McMahon Stillar Chartered Accountants, will be available at the meeting to answer any questions with respect to the audit of the Financial Statements.

POLICY IMPLICATIONS

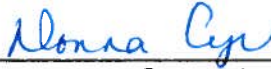
There are no policy implications at this time.

CONCLUSION

As per the Municipal Act these reports will be made available to the public on the City website, or by hard copy if requested.



D. Cyr, Director of Finance



for L. Ferguson, Supervisor of Accounting
Services



B. Casselman, City Manager

Consolidated Financial Statements of

CORPORATION OF THE CITY OF BROCKVILLE

Year ended December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the City of Brockville, which comprise the consolidated statement of financial position as at December 31, 2011 and the consolidated statements of operations, change in net financial liabilities and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Brockville as at December 31, 2011 and the results of its operations, change in its net financial liabilities and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

_____, 2012
Brockville, Canada

CORPORATION OF THE CITY OF BROCKVILLE

Consolidated Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
Financial assets		
Cash and short-term investments (note 2)	\$ 6,207,413	\$ 10,223,545
Taxes receivable	2,999,053	2,760,179
Accounts receivable	11,328,792	14,829,951
Investment in own debentures	70,761	203,643
	<u>20,606,019</u>	<u>28,017,318</u>
Financial liabilities		
Accounts payable and accrued liabilities	12,133,497	12,383,097
Accrued interest on net long-term liabilities	248,995	262,685
Short-term credit facility (note 3)	8,500,000	6,400,000
Deferred revenues - obligatory reserve funds (note 4)	1,775,086	1,814,409
Other deferred revenues	476,193	481,910
Employee future benefits (note 5)	5,786,917	5,289,134
Solid waste landfill closure and post-closure liabilities (note 6)	3,520,000	3,590,000
Net long-term liabilities (note 7)	21,047,609	23,388,297
	<u>53,488,297</u>	<u>53,609,532</u>
Net financial liabilities	(32,882,278)	(25,592,214)
Non-financial assets		
Tangible capital assets (note 8)	101,319,872	79,966,838
Inventory of supplies	620,668	602,211
Prepaid expenses	437,877	408,833
	<u>102,378,417</u>	<u>80,977,882</u>
Subsequent event (note 9(a))		
Commitments (note 9)		
Contingencies (notes 7(a) and 10)		
Accumulated surplus (note 11)	\$ 69,496,139	\$ 55,385,668

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

CORPORATION OF THE CITY OF BROCKVILLE

Consolidated Statement of Operations

Year ended December 31, 2011, with comparative figures for 2010

	Budget 2011 (unaudited - note 12)	Actual 2011	Actual 2010
Revenues:			
Property taxation	\$ 29,900,031	\$ 30,059,935	\$ 28,598,218
Taxation from other governments	418,200	406,490	410,344
User charges	11,018,499	10,977,453	10,912,987
Charges to other municipalities	1,039,050	1,262,542	919,659
Government grants	11,712,951	14,574,513	20,770,522
Contributions from developers	283,241	593,241	145,808
Penalties and interest on taxes	392,501	529,053	419,517
Investment income	116,500	177,527	126,057
Donations	48,800	669,768	216,164
Gain on disposal of tangible capital assets	—	19,727	22,119
Recovery of expenses and miscellaneous	309,014	1,213,400	850,375
	55,238,787	60,483,649	63,391,770
Expenses:			
General government	3,294,221	4,014,529	3,721,842
Protection	12,717,748	14,261,184	14,041,416
Transportation services	4,941,235	7,145,086	7,397,506
Environmental services	7,293,732	8,152,424	7,939,797
Health services	1,718,830	1,721,855	1,725,202
Social and family services	3,999,575	3,433,235	4,507,659
Social housing	934,591	897,258	764,041
Recreation and cultural services	3,740,792	4,646,461	5,904,930
Planning and development	1,796,757	2,101,146	3,127,100
	40,437,481	46,373,178	49,129,493
Excess of revenues over expenses	\$ 14,801,306	14,110,471	14,262,277
Accumulated surplus, beginning of year		55,385,668	41,123,391
Accumulated surplus, end of year		\$ 69,496,139	\$ 55,385,668

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

CORPORATION OF THE CITY OF BROCKVILLE

Consolidated Statement of Change in Net Financial Liabilities

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Excess of revenues over expenses	\$ 14,110,471	\$ 14,262,277
Acquisition of tangible capital assets	(24,307,732)	(23,169,768)
Amortization of tangible capital assets	2,895,450	2,685,135
Loss on disposal of roads infrastructure	59,115	104,461
Gain on disposal of other tangible capital assets	(19,727)	(22,119)
Proceeds from disposal of tangible capital assets	19,860	42,341
	(7,242,563)	(6,097,673)
Change in inventory of supplies	(18,457)	(31,723)
Change in prepaid expenses	(29,044)	314,463
Change in net financial liabilities	(7,290,064)	(5,814,933)
Net financial liabilities, beginning of year	(25,592,214)	(19,777,281)
Net financial liabilities, end of year	\$ (32,882,278)	\$ (25,592,214)

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

CORPORATION OF THE CITY OF BROCKVILLE

Consolidated Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used for):		
Operating activities:		
Excess of revenues over expenses	\$ 14,110,471	\$ 14,262,277
Items not involving cash:		
Amortization of tangible capital assets	2,895,450	2,685,135
Loss on disposal of roads infrastructure	59,115	104,461
Gain on disposal of other tangible capital assets	(19,727)	(22,119)
Employee future benefits	723,541	1,579,654
Solid waste landfill closure and post-closure expenses	133,458	106,406
Increase in taxes receivable	(238,874)	(941,813)
Decrease (increase) in accounts receivable	3,501,159	(12,353,045)
(Decrease) increase in accounts payable and accrued liabilities	(249,600)	7,085,819
Decrease in accrued interest on net long-term liabilities	(13,690)	(16,377)
Decrease in deferred revenues	(45,040)	(592,684)
Increase in inventory of supplies	(18,457)	(31,723)
(Increase) decrease in prepaid expenses	(29,044)	314,463
	20,808,762	12,180,454
Financing activities:		
Proceeds from short-term credit financing	2,100,000	6,400,000
Payments for employee future benefits	(225,758)	(509,642)
Payments for solid waste landfill closure and post closure liabilities	(203,458)	(226,406)
Principal payments on net long-term liabilities	(2,207,806)	(2,293,694)
	(537,022)	3,370,258
Capital activities:		
Proceeds from disposal of tangible capital assets	19,860	42,341
Acquisition of tangible capital assets	(24,307,732)	(23,169,768)
	(24,287,872)	(23,127,427)
Decrease in cash and short-term investments	(4,016,132)	(7,576,715)
Cash and short-term investments, beginning of year	10,223,545	17,800,260
Cash and short-term investments, end of year	\$ 6,207,413	\$ 10,223,545
Non-cash financing activities:		
Principal payments on own debentures	\$ 132,882	\$ 31,617

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

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

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 2001, Municipal Affairs Act and related legislation.

1. Summary of 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, revenues 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, committees and local boards are eliminated.

(ii) Accounting for School Board transactions:

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of 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. Receipts which are restricted by legislation of senior governments are reported as deferred revenues - obligatory reserve funds and included in revenues in the year that they are applied to qualifying expenditures.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

1. Summary of 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 revenues - obligatory reserve funds and included in revenues in the year that they are applied to qualifying capital expenditures.

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

(f) Solid waste landfill closure and post-closure liabilities:

The City accrues landfill closure costs including final covering and landscaping of the site, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liabilities have been recognized based on management's best estimate of future expenses, long-term inflation rates and discount rates.

Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liabilities, and would be recognized prospectively, as a change in estimates, when applicable.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

1. Summary of significant accounting policies (continued)

(g) Inventories of supplies:

Inventories of supplies are held for consumption and are stated at the lower of cost and replacement cost.

(h) Tangible capital assets:

- (i) Tangible capital assets are recorded at cost (or estimated cost when historical cost records are not available) 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
Roads	20 – 75 years
Water and wastewater	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) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value can not be made or where there is no future benefit related to the asset, the tangible capital asset is recognized at a nominal value.

(iii) 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.

(iv) Capitalized interest:

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

(v) 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.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

1. Summary of significant accounting policies (continued)

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and 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.

2. Cash and short-term investments:

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

3. Short-term credit facility:

The City has obtained short-term credit facilities from the Ontario Infrastructure Land Corporation (OILC) as bridge financing for the Water Pollution Control Centre Upgrade and construction of the Aquatorium facility (see note 9(b)). Advances bear interest at a floating rate per annum based on OILC's cost of funds plus OILC's prevailing spread assigned to the municipal sector with an effective rate during 2011 of 1.55% (2010 of 1.54%). The advances are repayable in full on the earlier of the date debenture financing is obtained for the projects or the facility termination date.

Credit Facility	Advances on facility		Facility termination date
	Water Pollution Control Centre Upgrade	Aquatorium facility	
\$ 6,400,000	\$ 6,400,000	\$ –	October 13, 2015
\$ 2,600,000	\$ 1,600,000	500,000	November 10, 2016
<u>\$ 9,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 500,000</u>	

4. Deferred revenues – obligatory reserve funds:

Public sector accounting standards require that obligatory reserve funds are reported as deferred revenues 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:

	2011	2010
Development charges	\$ 193,244	\$ 394,007
Parkland	4,478	4,473
	<u>197,722</u>	<u>398,480</u>
Provincial gasoline tax	21,698	99,564
Federal gasoline tax	1,555,666	1,316,365
	<u>1,577,364</u>	<u>1,415,929</u>
	<u>\$ 1,775,086</u>	<u>\$ 1,814,409</u>

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

5. Employee future benefits:

	2011	2010
Post-retirement medical and life insurance (note 5(a))	\$ 3,616,547	\$ 3,468,887
Unused sick leave (note 5(b))	783,183	640,459
Workplace Safety and Insurance Board costs (note 5(c))	1,387,187	1,179,788
	\$ 5,786,917	\$ 5,289,134

- (a) The City has defined benefit plans providing post-retirement medical (until age 65) and life insurance benefits covering substantially all retirees and employees.

An actuarial valuation was prepared as at December 31, 2009 and extrapolated forward to estimate the obligations as at December 31, 2011. The significant actuarial assumptions adopted in measuring the City's accrued post-retirement benefits liability are as follows:

	2011	2010
Discount rate	3.5%	4.5%
Rate of compensation increase	3.0%	3.0%

The assumed medical cost trend rate at December 31, 2011 was 7.7% decreasing to 5.0% by 2030 (2010 – 7.85% decreasing to 5.0% by 2030).

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

	2011	2010
Accrued benefits obligation, beginning of year	\$ 3,546,576	\$ 3,366,183
Current service cost	166,384	159,334
Interest on accrued benefits	163,884	155,621
Benefit payments	(142,208)	(134,562)
Actuarial loss	600,046	–
Accrued benefits obligation, end of year	4,334,682	3,546,576
Unamortized actuarial losses	718,135	77,689
Accrued liability, end of year	\$ 3,616,547	\$ 3,468,887

Actuarial gains and losses are being amortized over a 12 year period.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

5. Employee future benefits (continued):

- (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.

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

	2011	2010
Accrued benefits obligation, beginning of year	\$ 640,459	\$ 653,262
Current service cost, interest on accrued benefits and actuarial losses (gain)	154,176	(9,941)
Benefit payments	(11,452)	(2,862)
Accrued benefits obligation, end of year	\$ 783,183	\$ 640,459

- (c) The City was a Schedule 2 employer with respect to the Workplace Safety and Insurance Board ("WSIB") during the period from February 2003 to February 2008. As a result, the City is responsible for the cost of employee accident claims that arose during that period. The WSIB administers the claims and bills accident costs plus an administration fee to the City. The Workplace Safety and Insurance Board has estimated future benefits costs related to workplace injuries to be \$1,387,187 (2010 - \$1,179,788).

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 4.0% and an annual inflation rate of 2.0%. The estimated undiscounted future cash flows associated with closure and post-closure care are \$5,280,000, of which \$1,760,000 will be recognized in future years.

	2011	2010
Estimated costs to complete closure	\$ 320,000	\$ 320,000
Recorded post-closure costs	3,200,000	3,270,000
	\$ 3,520,000	\$ 3,590,000

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

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:

	2011	2010
Total long-term liabilities incurred by the City	\$ 31,157,176	\$ 34,001,783
Less amounts assumed by other municipalities with respect to St. Lawrence Lodge	(10,109,567)	(10,613,486)
	<u>\$ 21,047,609</u>	<u>\$ 23,388,297</u>

Included in total long-term liabilities are global debentures totaling \$25,439,274 (2010 - \$26,707,314) 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 \$10,109,567 (2010 - \$10,613,486). 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:

2012	\$ 2,035,915
2013	2,130,125
2014	2,186,474
2015	1,544,090
2016	1,490,863
Thereafter	11,660,142
	<u>\$ 21,047,609</u>

- (c) Interest rates on the long-term liabilities range from 2.69% to 6.25% (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 \$1,092,040 (2010 - \$1,205,378).
- (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, 2011

8. Tangible capital assets:

Cost	Balance December 31, 2010	Additions (net of transfers)	Disposals	Balance December 31, 2011
General Capital:				
Land	\$ 4,644,366	\$ 725,988	\$ -	\$ 5,370,354
Land improvements	2,969,589	-	-	2,969,589
Buildings	13,753,516	142,588	-	13,896,104
Machinery, furniture and equipment	7,473,512	2,385,861	181,952	9,677,421
Vehicles	5,216,484	537,524	389,081	5,364,927
Infrastructure:				
Plants and facilities	10,525,163	-	-	10,525,163
Roads	44,773,739	584,310	642,805	44,715,244
Water and waste water	22,792,766	533,778	6,824	23,319,720
Assets under construction	23,427,509	19,397,683	-	42,825,192
Total	\$ 135,576,644	\$ 24,307,732	\$ 1,220,662	\$ 158,663,714

Accumulated amortization	Balance December 31, 2010	Additions	Disposals	Balance December 31, 2011
General Capital:				
Land improvements	\$ 2,013,105	\$ 66,273	\$ -	\$ 2,079,378
Buildings	8,886,338	334,935	-	9,221,273
Machinery, furniture and equipment	4,282,918	523,334	181,952	4,624,300
Vehicles	3,526,814	416,064	382,896	3,559,982
Infrastructure:				
Plants and facilities	9,165,765	208,529	-	9,374,294
Roads	21,595,393	1,013,461	591,157	22,017,697
Water and waste water	6,139,473	332,854	5,409	6,466,918
Total	\$ 55,609,806	\$ 2,895,450	\$ 1,161,414	\$ 57,343,842

	Net book value December 31, 2010	Net book value December 31, 2011
General Capital:		
Land	\$ 4,644,366	\$ 5,370,354
Land improvements	956,484	890,211
Buildings	4,867,178	4,674,831
Machinery, furniture and equipment	3,190,594	5,053,121
Vehicles	1,689,670	1,804,945
Infrastructure:		
Plants and facilities	1,359,398	1,150,869
Roads	23,178,346	22,697,547
Water and waste water	16,653,293	16,852,802
Assets under construction	23,427,509	42,825,192
Total	\$ 79,966,838	\$ 101,319,872

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

9. Commitments:

- (a) Subsequent to the year end the City entered into a 10 year contract for waste removal through to 2022. The annual cost of this contract is estimated at \$908,000.
- (b) The City has entered into a partnership agreement to construct a destination tourist site to be called the Aquatarium (previously to be called Maritime Discovery Centre). The total project costs are estimated to be \$18 million and an additional \$2.2 million for parking facilities. The City has agreed to contribute \$1.5 million towards the construction of the Aquatarium and \$1,070,000 for parking facilities.

The total project costs incurred as at December 31, 2011 were \$3,835,000 on the Aquatarium and \$726,000 on additional parking facilities.

The City has also committed to complete additional capital infrastructure improvements on Broad Street in the amount of \$350,000.

- (c) The City has entered into a contract for the upgrade to the Water Pollution Control Centre for a total cost of approximately \$46 million. Grants from the Federal government in the amount of \$22,997,500 and \$7,669,200 from the provincial government have been approved. The City is financing its 1/3 share of the costs as follows:

Estimated Debenture issue	\$ 8,000,000
Contribution from Hydro One reserve fund	6,323,333
Development charges	1,154,999

The total costs incurred as at December 31, 2011 were \$40,059,370. The upgrade is expected to be completed by September 2012.

10. Contingencies:

- (a) 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.

In addition, the City owns various properties that have previously been used in commercial activities and is subject to environmental laws and regulation with respect 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.

- (b) The City has appealed certain expenses that have been paid to the Workplace Safety and Insurance Board (note 5(c)) and has estimated a recovery of \$250,000 of amounts previously billed and a reduction of the liability for future WSIB costs. To the extent that the eventual resolution of the appeal results in a settlement, the difference will be reflected as a reduction of expenses in the year that a settlement is reached.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

11. Accumulated surplus:

The accumulated surplus consists of:

	2011	2010
Operating surplus (deficit):		
Operations of the City	\$ -	\$ (327,617)
Water treatment and distribution system	2,751,917	2,330,234
Waste water treatment system	1,609,285	1,221,407
Library board	70,855	61,257
	<u>4,432,057</u>	<u>3,285,281</u>
Reserves and reserve funds (note 13):		
Fiscal policy reserve (after increase of \$248,037 for 2011 operating surplus)	405,226	-
Other reserves	540,591	882,452
Reserve funds	<u>1,640,329</u>	<u>2,476,600</u>
	<u>2,586,146</u>	<u>3,359,052</u>
Investment in tangible capital assets	101,319,872	79,966,838
Funds available for acquisition of capital assets:		
Projects in progress	2,159,775	2,766,607
Completed projects	40,522	40,522
Acquisition of capital assets to be recovered from:		
Taxation and user fees	(569,087)	(267,428)
Issue of long-term liabilities	<u>(9,869,625)</u>	<u>(1,235,088)</u>
	<u>(8,238,415)</u>	<u>1,304,613</u>
Unfunded costs:		
Employee future benefits (note 10(b))	(5,786,917)	(5,289,134)
Landfill liabilities	(3,520,000)	(3,590,000)
Net long-term liabilities	(21,047,609)	(23,388,297)
Accrued interest on long-term liabilities	<u>(248,995)</u>	<u>(262,685)</u>
	<u>(30,603,521)</u>	<u>(32,530,116)</u>
	<u>\$ 69,496,139</u>	<u>\$ 55,385,668</u>

12. Budget:

The unaudited budgeted expenses presented in the consolidated statement of operations do not include amortization of tangible capital assets, adjustments to employee future benefits liabilities and facility maintenance projects that are included in the annual capital fund budget.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

13. Reserves and reserve funds:

Reserves and reserve funds consist of:

	2011	2010
Reserves:		
Working capital	\$ 430,373	\$ 430,373
Fiscal policy (to reduce future taxation)	405,226	–
Projects deferred to the following year	110,218	452,079
	945,817	882,452
Reserve funds:		
Landfill site	21,960	204,333
Specific reserve funds for acquisition of capital assets	678,702	630,971
Specific reserve funds to provide for future operating expenses	733,719	750,188
Parking facilities	189,786	387,062
Hydro One proceeds management	16,162	504,046
	1,640,329	2,476,600
	\$ 2,586,146	\$ 3,359,052

14. 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 \$1,539,756 (2010 - \$1,226,395) and are included as expenses in the consolidated statement of operations.

The most recent actuarial valuation was at December 31, 2011 and the December 31, 2011 financial statements of OMERS report net assets of \$57 billion and an actuarial funding deficit of \$7,290 million.

15. Trust funds:

Trust funds administered by the City amounting to \$1,188,638 (2010 - \$1,261,404) have not been included in the consolidated statement of financial position and their financial activities have not been included in the consolidated statement of operations.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

16. 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 2011 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	\$ 150,407	\$ 1,284
Lee MacArthur	Deputy Police Chief	\$ 141,842	\$ 1,148
Scott Fraser	Inspector – Operations Division	\$ 131,714	\$ 991
Conal Cosgrove	Director, Operations	\$ 130,016	\$ 1,114
Paul Ladoucer	Detective Sergeant	\$ 124,350	\$ 872
D. Thomas Fournier	Police Investigator 1	\$ 123,871	\$ 821
Christopher Dwyre	Deputy Fire Chief	\$ 123,034	\$ 927
Shawn Borgford	1 st Class Police Constable	\$ 122,105	\$ 703
Douglas Locke	Police Sergeant	\$ 121,408	\$ 846
Paul Smith	Police Investigator 1	\$ 117,549	\$ 846
Harry Jones	Fire Chief	\$ 115,835	\$ 986
John Inglis	Fire Captain	\$ 115,498	\$ 803
Mark Noonan	Police Investigator 1	\$ 113,239	\$ 821
Robert Ferguson	1 st Class Police Constable	\$ 112,720	\$ 745
Donna Cyr	Director, Finance	\$ 112,575	\$ 961
Craig Mason	Fire Captain	\$ 111,550	\$ 783
Edmund Stone	Staff Sergeant	\$ 111,519	\$ 889
Travis Cauley	Fire Captain	\$ 111,343	\$ 783
Royal Metcalfe	Fire Captain	\$ 110,788	\$ 783
Robin Ashton	Fire Captain	\$ 110,708	\$ 783
Adrian Geraghty	Police Chief	\$ 110,688	\$ 577
David Jeggo	1 st Class Police Constable	\$ 110,653	\$ 677
Peter Buell	Sergeant	\$ 110,277	\$ 846
Peter Jonker	Fire Captain	\$ 110,150	\$ 791
Maureen Pascoe-Merkley	Director, Planning	\$ 110,072	\$ 944
John Paul	Fire Captain	\$ 109,598	\$ 803
Peter Raabe	Director, Environmental Services	\$ 108,864	\$ 464
Andrew Harvie	Police Sergeant	\$ 108,651	\$ 804
Alan Ranger	Sergeant	\$ 107,869	\$ 846
Randy Burke	Chief Fire Prevention Officer	\$ 107,549	\$ 803
Keith Fleury	1 st Class Constable	\$ 107,338	\$ 720
Todd Bertrend	Sergeant	\$ 106,257	\$ 821
Renny Rayner	Fire Captain	\$ 105,861	\$ 783
Darryl Boyd	1 st Class Constable	\$ 105,795	\$ 677
Greg Watt	Fire Captain	\$ 105,137	\$ 783
Mark Heffernan	1 st Class Constable	\$ 104,681	\$ 694
Graham Coe	Investigator 1	\$ 102,685	\$ 736
Greg Healy	Fire Prevention Officer	\$ 101,028	\$ 763
Michael Grant	1 st Class Constable	\$ 100,102	\$ 703

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

17. Expenses by object:

The following is a summary of the expenses by object:

	2011	2010
Salaries, wages and benefits	\$ 23,920,575	\$ 23,606,808
Interest on long-term liabilities	1,092,040	1,201,804
Materials and supplies	7,335,315	6,896,046
Contracted services	5,786,560	8,433,604
Rents and financial	39,970	52,444
Transfer payments	5,244,154	6,149,190
Amortization of tangible capital assets	2,895,450	2,685,136
Loss on disposal of roads infrastructure	59,114	104,461
	\$ 46,373,178	\$ 49,129,493

18. Comparative figures:

Certain comparative figures have been restated to conform with the financial statement presentation adopted for the current year.

19. Future accounting changes:

During 2011 the Canadian Accounting Standards Board issued the following new accounting standards for public reporting entities which are required to be adopted by the City by 2016:

- PS 1201 Financial Statement Presentation
- PS 2601 Foreign Currency
- PS 3041 Portfolio Investments
- PS 3450 Financial Instruments

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

20. Segmented information:

Segmented information has been provided in accordance with the functional lines of service that are presented in the consolidated statement of operations. The activities that are included in each functional line of services are as follows:

General government consists of the Mayor and Council, the City Manager and administrative services which include the Clerk, Finance, Human Resources and Information Technology departments.

Protection consists of Fire, Police and By-law Enforcement departments as well as contributions to the Cataraqui Region Conservation Authority.

Transportation services include engineering, road and sidewalk construction and maintenance, winter control, traffic operations and parking.

Environmental services included the operations of waterworks, sanitary and storm sewers, wastewater treatment, solid waste disposal and recycling.

Health services consists of cemetery management and maintenance and transfers to the local Health Unit.

Social and family services consists of transfers to the United Counties of Leeds and Grenville for social and family services, transfers to St Lawrence Lodge and interest on net long-term liabilities with respect to St Lawrence Lodge.

Social housing consists of transfers to the United Counties of Leeds and Grenville.

Recreational and cultural services is comprised primarily of parks services and the operation of recreational facilities, the library and the museum.

Planning and development is comprised of planning and zoning, and economic development.

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

20. Segmented information (continued):

2011	General Government	Protection	Transportation Services	Environmental Services	Health Services	Social Services	Recreational and Cultural Services		Planning and Development	Total
Revenues:										
Property taxation	\$ 29,790,351	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 269,584	\$ 30,059,935
Taxation from other governments	354,483	-	12,750	34,903	-	-	-	4,354	-	406,490
User charges	180,771	1,111,832	866,233	6,923,698	131,258	-	-	1,530,152	233,509	10,977,453
Charges to other municipalities	29,662	607,051	-	117,862	-	507,967	-	-	-	1,262,542
Government grants	2,344,349	200,130	1,305,718	10,202,297	-	-	-	345,420	176,599	14,574,513
Contributions from developers	-	-	483,241	110,000	-	-	-	-	-	593,241
Penalties and interest on taxes	474,805	-	-	54,248	-	-	-	-	-	529,053
Investment income	157,374	-	-	18,792	-	-	-	1,361	-	177,527
Donations	284,190	31,200	-	-	-	-	-	348,388	5,990	669,768
Gain on disposal of tangible capital assets	-	800	7,152	7,000	-	-	-	2,775	2,000	19,727
Recovery of expenditures and miscellaneous	496,503	358,413	67,362	92,366	53,965	-	-	38,088	106,703	1,213,400
	\$ 34,112,488	\$ 2,309,426	\$ 2,742,456	\$ 17,561,166	\$ 185,233	\$ 507,967	\$ 2,270,538	\$ 794,385	\$ 60,483,649	
Expenses:										
Wages and benefits	\$ 1,823,010	\$ 12,305,652	\$ 2,633,099	\$ 3,617,500	\$ 194,068	\$ -	\$ 2,291,741	\$ 1,055,505	\$ 23,920,575	
Interest on long-term liabilities	-	26,321	156,316	133,515	-	767,835	8,053	-	-	1,092,040
Materials and supplies	1,400,778	1,040,090	1,174,296	2,191,636	50,392	-	1,064,884	413,239	7,335,315	
Contracted services	594,080	395,090	1,729,515	1,534,510	13,236	-	888,456	631,673	5,786,560	
Rent and financial services	2,971	544	2,616	11,755	-	-	21,355	729	39,970	
Transfer payments	4,994	156,618	-	-	1,454,092	3,562,658	65,792	-	5,244,154	
Amortization	188,696	330,817	1,397,175	662,515	10,067	-	306,180	-	2,895,450	
Loss on disposal of roads infrastructure	-	6,052	52,069	993	-	-	-	-	-	59,114
	\$ 4,014,529	\$ 14,261,184	\$ 7,145,086	\$ 8,152,424	\$ 1,721,855	\$ 4,330,493	\$ 4,646,461	\$ 2,101,146	\$ 46,373,178	

CORPORATION OF THE CITY OF BROCKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2011

20. Segmented information (continued):

	General Government	Protection	Transportation Services	Environmental Services	Health Services	Social Services	Recreational and Cultural Services	Planning and Development	Total
2010									
Revenues:									
Property taxation	\$ 28,341,884	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,334	\$ 28,598,218
Taxation from other governments	349,744	-	14,905	40,728	-	-	4,967	-	410,344
User charges	228,817	1,158,689	741,196	6,709,432	158,324	-	1,734,684	181,845	10,912,987
Charges to other municipalities	46,760	236,379	-	126,605	-	509,915	-	-	919,659
Government grants	878,034	174,019	2,709,078	14,733,699	-	-	1,128,099	1,147,593	20,770,522
Contributions from developers	-	-	-	145,808	-	-	-	-	145,808
Penalties and interest on taxes	369,406	-	-	50,111	-	-	-	-	419,517
Investment income	112,980	-	-	12,247	-	-	830	-	126,057
Donations	-	2,400	-	-	-	-	126,436	87,328	216,164
Gain on sale of tangible capital assets	-	(575)	28,470	(964)	(5,112)	-	300	-	22,119
Recovery of expenditures and miscellaneous	213,358	61,762	54,397	6,052	42,212	-	133,066	339,528	850,375
	\$ 30,540,983	\$ 1,632,674	\$ 3,548,046	\$ 21,823,718	\$ 195,424	\$ 509,915	\$ 3,128,382	\$ 2,012,628	\$ 63,391,770
Expenses:									
Wages and benefits	\$ 1,812,118	\$ 12,388,334	\$ 2,375,445	\$ 3,421,365	\$ 198,679	\$ -	\$ 2,384,829	\$ 1,026,038	\$ 23,606,808
Interest on long-term liabilities	-	31,152	191,560	165,608	-	804,507	8,977	-	1,201,804
Materials and supplies	1,232,649	888,072	1,092,648	2,103,558	48,171	-	1,139,340	391,608	6,896,046
Contracted services	527,720	251,959	2,389,828	1,550,405	23,261	-	1,981,751	1,708,680	8,433,604
Rent and financial services	1,819	536	2,875	26,185	-	-	20,255	774	52,444
Transfer payments	4,154	136,679	-	-	1,443,155	4,467,193	98,009	-	6,149,190
Amortization	143,382	344,684	1,292,913	620,452	11,936	-	271,769	-	2,685,136
Loss on disposal of roads infrastructure	-	-	52,237	52,224	-	-	-	-	104,461
	\$ 3,721,842	\$ 14,041,416	\$ 7,397,506	\$ 7,939,797	\$ 1,725,202	\$ 5,271,700	\$ 5,904,930	\$ 3,127,100	\$ 49,129,493

Financial Statements of

**THE BOARD OF MANAGEMENT,
DOWNTOWN BUSINESS
IMPROVEMENT AREA OF THE
CORPORATION OF THE CITY OF
BROCKVILLE**

Year ended December 31, 2011

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Members of Council and Ratepayers
Downtown Business Improvement Area of the Corporation of the City of Brockville

We have audited the accompanying financial statements of the Board of Management, Downtown Business Improvement Area of the Corporation of the City of Brockville, which comprise the statement of financial position as at December 31, 2011 and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Downtown Business Improvement Area of the Corporation of the City of Brockville as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

Brockville, Canada

THE BOARD OF MANAGEMENT, DOWNTOWN BUSINESS IMPROVEMENT AREA OF THE CORPORATION OF THE CITY OF BROCKVILLE

Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
Financial assets		
Cash	\$ 22,580	\$ 12,154
Receivable from City of Brockville	18,555	10,005
Net financial assets, being accumulated surplus (note 2)	\$ 41,135	\$ 22,159

Statement of Operations

Year ended December 31, 2011, with comparative figures for 2010

	Budget (unaudited)	2011	2010 Actual
Revenues:			
Taxation	\$ 228,482	\$ 230,554	\$ 219,565
Parking levy	39,029	39,029	36,769
Interest	403	421	100
	267,914	270,004	256,434
Expenses:			
Salaries and benefits	72,053	72,379	70,115
Materials, supplies and services	145,429	127,620	133,044
Transfer to City of Brockville	45,029	51,029	43,170
	262,511	251,028	246,329
Excess of revenues over expenses	5,403	18,976	10,105
Accumulated surplus, beginning of year		22,159	12,054
Accumulated surplus, end of year		\$ 41,135	\$ 22,159

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

THE BOARD OF MANAGEMENT, DOWNTOWN BUSINESS IMPROVEMENT AREA OF THE CORPORATION OF THE CITY OF BROCKVILLE

Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used for):		
Operating activities:		
Excess of revenues over expenditures	\$ 18,976	\$ 10,105
Change in non-cash operating working capital:		
Increase in receivable from City of Brockville	(8,550)	(5,866)
Increase in cash	10,426	4,239
Cash, beginning of year	12,154	7,915
Cash, end of year	\$ 22,580	\$ 12,154

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

THE BOARD OF MANAGEMENT, DOWNTOWN BUSINESS IMPROVEMENT AREA OF THE CORPORATION OF THE CITY OF BROCKVILLE

Notes to Financial Statements

Year ended December 31, 2011

1. Basis of presentation and accounting:

The Board of Management, Downtown Business Improvement Area is a Board of the Corporation of the City of Brockville. The Board's consolidated financial statements have been 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 aspects of the accounting policies adopted by the Board are as follows:

(a) Fund accounting:

These statements reflect the assets, liabilities, revenue and expenditures of the operating and reserve funds.

(b) 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 adjustment made necessary by assessment appeals submitted by the ratepayers and changes to assessed value reflecting new construction will be 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, all eligible criteria have been met and reasonable estimates can be made.

User charges and fees are recognized as revenue in the year the services are provided.

2. Accumulated surplus:

The accumulated surplus consists of a reserve fund that was established by the Corporation of the City of Brockville on behalf of the Board.

3. Commitment:

The Board has a commitment to repay the City of Brockville for capital expenditures for the Hardy Park Outdoor Skating Park funded from the Fiscal Policy Reserve. The annual amount to be repaid is as follows:

2012	\$	6,000
2013		6,000
		<hr/>
		\$ 12,000

Financial Statements of

**CORPORATION OF THE
CITY OF BROCKVILLE
TRUST FUNDS**

Year ended December 31, 2011

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the trust funds of the Corporation of the City of Brockville, which comprise the statement of financial position as at December 31, 2011 and the statement of continuity of trust funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the funds held in trust by the Corporation of the City of Brockville as at December 31, 2011 and the changes in its net financial liabilities and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

Brockville, Canada

CORPORATION OF THE CITY OF BROCKVILLE

TRUST FUNDS

Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	Cemeteries			St. Lawrence Lodge Partners Trust	2011 Total	2010 Total
	Perpetual Care	C. Babcock	Deferred Interments			
Financial assets						
Cash	\$ 902,252	\$ 1,882	\$ 76,087	\$ 31,607	\$ 1,011,828	\$ 421,545
Receivable from City of Brockville	–	–	–	140,115	140,115	–
Investments	36,695	–	–	–	36,695	839,859
	938,947	1,882	76,087	171,722	1,188,638	1,261,404
Financial liabilities						
Payable to City of Brockville	30,045	–	–	–	30,045	133,875
Net financial assets	\$ 908,902	\$ 1,892	\$ 76,087	\$ 171,722	\$ 1,158,593	\$ 1,127,529
Trust balances						
Capital	\$ 851,829	\$ 500	\$ 76,087	\$ 171,722	\$ 1,100,138	\$ 1,074,012
Accumulated income	57,073	1,382	–	–	58,455	53,517
	\$ 908,902	\$ 1,882	\$ 76,087	\$ 171,722	\$ 1,158,593	\$ 1,127,529

Statement of Changes in Net Financial Assets

Year ended December 31, 2011, with comparative figures for 2010

	Cemeteries			St. Lawrence Lodge Partners Trust	2011 Total	2010 Total
	Perpetual Care	C. Babcock	Deferred Interments			
Capital receipts	\$ 20,357	\$ –	\$ 5,300	\$ –	\$ 25,657	\$ 51,853
Partners' contributions	–	–	–	336,277	336,277	336,277
Investment income	11,987	22	886	2,470	15,365	15,207
	32,344	22	6,186	338,747	377,299	403,337
Expenditures	7,071	–	2,887	336,277	346,235	341,105
Change in net financial assets	25,273	22	3,299	2,470	31,064	62,232
Balance, beginning of year	883,629	1,860	72,788	169,252	1,127,529	1,065,297
Balance, end of year	\$ 908,902	\$ 1,882	\$ 76,087	\$ 171,722	\$ 1,158,593	\$ 1,127,529

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

CORPORATION OF THE CITY OF BROCKVILLE

TRUST FUNDS

Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used for):		
Operating activities:		
Change in net financial assets	\$ 31,064	\$ 62,232
Change in non-cash operating working capital:		
(Increase) decrease in receivable from City of Brockville	(140,115)	56,046
(Decrease) increase in payable to City of Brockville	(103,830)	114,351
	(212,881)	232,629
Investing activities:		
Decrease (increase) in investments	803,164	(2,657)
Increase in cash	590,283	229,972
Cash, beginning of year	421,545	191,573
Cash, end of year	\$1,011,828	\$ 421,545

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

CORPORATION OF THE CITY OF BROCKVILLE TRUST FUNDS

Notes to Financial Statements

Year ended December 31, 2011

1. Summary of significant accounting policies:

The trust fund statements 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) capital receipts are reported on the cash basis of accounting.
- (b) expenditures and investment income are reported on the accrual basis of accounting.

2. Investments:

Investments are stated at their fair market value.

3. Trust balances:

The accumulated incomes of the cemetery funds are available to offset cemetery operating costs.

4. Adoption of new accounting standards:

Effective January 1, 2011 the City of Brockville retrospectively adopted Canadian public sector accounting standards for its trust funds. The adoption of public sector accounting standards did not result in any changes to the amounts previously reported.

AUGUST 22, 2012

**REPORT TO FINANCE ADMINISTRATION & OPERATIONS COMMITTEE –
AUGUST 28, 2012**

2012-144-08

**CITY AUDITOR'S "MATTERS TO BE COMMUNICATED
WITH MEMBERS OF COUNCIL"**

**D. CYR
DIRECTOR OF FINANCE**

FILE: F03-06

RECOMMENDED

THAT the Finance Administration & Operations Committee receive and review the City Auditor's "Matters to be Communicated with Members of Council" for the year ended December 31, 2011 [**Attachment 1 to Report # 2012-144-08**].

PURPOSE

To file the City Auditor's "Matters to be Communicated with Members of Council" for the year ended December 31, 2011 to the Finance and Administration Committee in conjunction with auditing requirements.

BACKGROUND

This report, which was presented in prior years as the "Audit Findings Report", is required by generally accepted auditing standards to be filed directly by all Auditors to those designated by Council for having the responsibility for oversight on financial matters.


The scope and purpose is contained in the Auditor's Report.

CONCLUSION

Mr. Alvin Bennett, representative of Bennett Lewis McMahon Stillar, will be available at the meeting to answer any questions with respect to the "Matters to be Communicated with Members of Council".



D. Cyr
Director of Finance



B. Casselman
City Manager

**Bennett
Lewis
McMahon
Stillar**

Chartered Accountants

46-48 King Street East
PO Box 459 Stn Main
Brockville ON K6V 5V6

Telephone (613) 342-8424
Telefax (613) 342-1714

Corporation of the City of Brockville

Matters to be Communicated with Members of Council

Year ended December 31, 2011

PURPOSE OF THE REPORT

This report is presented in order to promote effective communication between ourselves and members of Council, to address matters that are required to be communicated and to assist members of Council in carrying out their responsibilities with respect to their review and approval of the consolidated financial statements of The Corporation of the City of Brockville for the year ended December 31, 2011. This report summarizes our significant audit findings arising from the audit and other matters which we believe should be brought to your attention. Canadian generally accepted auditing standards do not require that we design procedures for the purpose of identifying matters to be communicated to Council. Accordingly, this Report is a by-product of the audit and is therefore a derivative communication. The audit would not necessarily identify all matters that may be of interest to the members of Council in fulfilling its responsibilities.

RESPONSIBILITIES

Our responsibility is to form and express an opinion on the financial statements that have been prepared by management, with the oversight of the members of Council. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement

The preparation of the financial statements, including the accompanying notes, is the responsibility of management. This includes the selecting the significant accounting policies, for applying judgment in preparing accounting estimates and for the preparation of the financial statements in accordance with Canadian generally accepted accounting principles.

Council is responsible for oversight of management with regards to the preparation of financial statements.

An audit of the financial statements does not relieve management or Council of their responsibilities.

PLANNING

An overview of the planned scope and timing of the audit, as well as a discussion of audit risk and materiality was previously communicated to you in correspondence dated February 10, 2012

INDEPENDENCE

We confirm that we are not aware of any relationship or non-audit services that would impair our independence for purposes of expressing an opinion on the financial statements.

SIGNIFICANT AUDIT FINDINGS

SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

Significant accounting principles and policies are disclosed in the notes to the financial statements. Within the context of the audit, management has represented to us that there have not been any material changes in the accounting principles and policies during the year. We have not noted any changes and have not recommended any changes for the current reporting period.

During 2011 (as in 2010) the construction costs for the Aquitarium (formerly the Maritime Discovery Centre) were included in expenses. We examined the funding and other agreements with respect to the Aquitarium and, based on the terms of the agreements, concluded that the costs don't meet the definition of tangible capital assets in the public sector accounting standards.

ACCOUNTING ESTIMATES

Management has the responsibility for applying judgment in preparing the accounting estimates and disclosures contained within the financial statements.

Significant judgments and estimates were as follows:

- Accrual for employee future benefits of \$5,787,000
- Solid waste landfill liabilities of \$3,520,000
- Amortization of tangible capital assets

Subject to your consideration, we accept management's conclusions as to these estimates.

In addition to the current year estimates, many of the cost figures for tangible capital assets are based on estimates, as described in the accounting policy note to the consolidated financial statements.

MISSTATEMENTS AND SIGNIFICANT AUDIT ADJUSTMENTS

Misstatements represent audit findings for which we do not agree with the amount, classification, presentation or disclosure of items in the financial statements.

In conducting our procedures, we may identify misstatements that require adjustments to the recorded amounts. These audit adjustments are discussed with management, who in consultation with us, determine if an adjustment should be recorded.

Significant adjustment that were recorded as a result of our audit findings include the accrual of \$225,000 of grant revenue related to the construction of a tangible capital asset and the accrual of \$100,000 of costs related to a capital project. Neither of those adjustment affected operating surplus

The unadjusted misstatements that we detected during the audit would result in a \$42,000 decrease in the excess of revenue over expense for the year. The effect of uncorrected misstatements related to prior periods would result in a \$55,000 increase in the excess of revenue over expense. Those adjustments are summarized in the attachment to this report. The impact on the operating surplus as at December 31, 2011 is an increase of \$3,000.

Subject to the consideration of Council, we are willing to accept management's opinion that the unrecorded misstatements, individually and in aggregate, are not significant to the financial statements.

Canadian generally accepted auditing standards require that we request that uncorrected misstatements be corrected.

Difficulties

We did not encounter any serious difficulties in the performance of the audit. We received the full cooperation of management and employees of the Corporation and, to our knowledge, had complete access to the accounting records and other documents that we needed in order to carry out our audit. We have had no disagreements with management, and have resolved all auditing, accounting and presentation issues to our satisfaction.

CONTROL DEFICIENCIES

The responsibility for the design and maintenance of an appropriate system of internal controls to provide reasonable assurance that the accounting systems provide timely, accurate and reliable financial information and to safeguard the Corporation's assets, is part of management's overall responsibility for the day-to-day operations of the Corporation.

We obtain a sufficient understanding of internal controls that are relevant to the preparation of the financial statements to design audit procedures that are appropriate in the circumstances. We only evaluate, and test, those internal controls on which we plan to rely during our audit. Our audit is not designed to allow us to provide an opinion on the systems of internal controls, nor should it be expected to.

No major control issues were noted during the course of the audit.

OTHER MATTERS

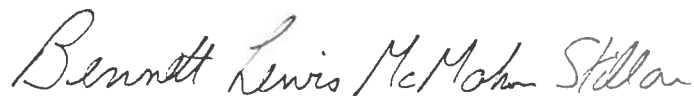
We are not aware of any other matters that require the attention of Council before you approve the financial statements.

Current Accounting and Reporting Developments

New developments in accounting standards

There are three new accounting standards for governments that have been put in place, that require implementation in 2016. They deal with foreign currency and complex financial instruments, such as derivatives and would have limited impact on your financial statements, if they were to be applied at this time. We will continue to keep management informed of these standards as the implementation time approaches or in the event that you enter into more complex financial instrument contracts.

There are a number of projects currently in progress by The Public Sector Accounting Board that may have implications to future financial reporting. They include projects that address, environmental cleanup and tax revenues. We will continue to keep you updated regarding the progress of these studies.



Chartered Accountants, Licensed Professional Accountants

Brockville, Canada

August 22, 2012

Corporation of the City of Brockville
Summary of Uncorrected Financial Statement Misstatements
December 31, 2011

	Effect on	Effect on
	Financial	Statement of
	Position	Operations
Individual misstatements greater than \$20,000		
Unrecorded accrued liability (Brockville Centre Development Invoice)	(40,208)	40,208
	<u>(40,208)</u>	<u>40,208</u>
Summary of other misstatements		
Unrecorded bank deposits	8,251	(8,251)
Estimated overstatement of grant revenue RinC program regarding Youth Arena	(5,345)	5,345
Estimated understatement of allowance for doubtful accounts	(5,235)	5,235
	<u>(2,329)</u>	<u>2,329</u>
<i>Affect of prior year carry forward misstatements, impacting operating deficit</i>		(9,099)
<i>Affect of prior year carry forward misstatements, impacting revenue of capital projects</i>		64,550
Aggregate of uncorrected misstatements	<u>(42,537)</u>	<u>97,988</u>
	As of end of 2011	during 2011
Impact of above on operating deficit	3,016	(12,115)
Impact of above on revenue for capital projects	(45,553)	110,103
Audit Materiality	<u><u>500,000</u></u>	