

# **The Corporation of Norfolk County**

## **Consolidated Financial Statements**

December 31, 2011



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# The Corporation of Norfolk County

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December 31, 2011

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## Independent Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of  
**The Corporation of Norfolk County**

We have audited the accompanying consolidated financial statements of The Corporation of Norfolk County which comprise of the consolidated statement of financial position as at December 31, 2011 and the consolidated statements of operations, changes in net financial assets and cash flow 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 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 of 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 our 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, we consider 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 consolidated financial position of The Corporation of Norfolk County as at December 31, 2011 and its consolidated results of operations, consolidated changes in net financial assets and consolidated cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Budget figures are provided for comparative purposes and have not been subject to audit procedures. Accordingly, we do not express any opinion regarding the budget figures.

Simcoe, Ontario  
November 9, 2012

*Millard, Rowe & Riceby LLP*

Chartered Accountants  
Licensed Public Accountants



## Management's Responsibility for Financial Reporting

The consolidated financial statements of The Corporation of Norfolk County have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of The Corporation of Norfolk County's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The County Manager is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements before they are submitted to Council.

The consolidated financial statements have been audited on behalf of the members of council, inhabitants and ratepayers of The Corporation of Norfolk County by Millard, Rouse & Rosebrugh LLP, in accordance with generally accepted auditing standards.



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Keith Robicheau, County Manager



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John Ford, Treasurer/CFO

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# The Corporation of Norfolk County

## Consolidated Statement of Financial Position

As at December 31,	2011	2010
<b>Financial Assets</b>		
Cash	\$ 7,342,607	\$ 11,753,228
Investments (note 3)	13,174,875	24,408,526
Taxes receivable	13,197,313	12,258,061
Accounts receivable	29,033,824	20,871,641
Other financial assets	11,001	12,809
Investment in Norfolk Power Inc. (note 4)	<u>31,218,289</u>	<u>29,411,945</u>
	<u>93,977,909</u>	<u>98,716,210</u>
<b>Liabilities</b>		
Accounts payable	21,087,128	20,154,834
Employee benefits liability (note 5)	3,528,460	3,875,873
Deferred revenue (note 6)	11,047,682	10,425,208
Solid waste landfill closure and post-closure liability (note 7)	15,240,037	14,861,630
Long term liabilities (note 8)	<u>45,724,447</u>	<u>49,378,023</u>
	<u>96,627,754</u>	<u>98,695,568</u>
<b>Net Financial Assets (Liabilities)</b>	<u>(2,649,845)</u>	<u>20,642</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (note 9)	484,200,722	464,504,168
Prepaid expenses	415,117	177,587
Inventory of supplies	<u>262,852</u>	<u>350,887</u>
	<u>484,878,691</u>	<u>465,032,642</u>
<b>Accumulated Surplus (note 10)</b>	<u>\$482,228,846</u>	<u>\$465,053,284</u>

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



# The Corporation of Norfolk County

## Consolidated Statement of Operations

For the Year Ended December 31,	Budget 2011	2011	2010
	(note 14)		
<b>Revenue</b>			
Taxation	\$ 67,255,600	\$ 65,918,384	\$ 63,500,882
Government grants - Federal (note 11)	113,900	7,942,418	7,496,469
Government grants - Provincial (note 12)	44,889,100	48,687,401	72,429,827
Recoveries from other municipalities	3,712,300	3,530,664	4,133,661
User charges	24,230,600	29,215,525	27,592,008
Other income (note 13)	<u>10,286,100</u>	<u>14,420,063</u>	<u>9,397,376</u>
	<u>150,487,600</u>	<u>169,714,455</u>	<u>184,550,223</u>
<b>Expenses</b>			
General government	7,216,036	11,951,613	12,190,185
Protection services	19,675,118	19,171,934	17,773,377
Transportation services	27,669,070	29,333,645	31,871,398
Environmental services	19,319,698	19,250,146	13,519,461
Health services	16,092,397	15,038,136	14,765,229
Social and family services	36,255,297	35,110,466	62,901,270
Social housing	5,703,900	5,507,627	5,001,436
Recreation and cultural services	14,041,484	12,757,519	11,960,400
Planning and development	<u>4,593,965</u>	<u>4,417,807</u>	<u>3,841,945</u>
	<u>150,566,965</u>	<u>152,538,893</u>	<u>173,824,701</u>
<b>Annual surplus (deficit)</b>	<b>\$ <u>(79,365)</u></b>	<b>17,175,562</b>	<b>10,725,522</b>
<b>Accumulated surplus, beginning of year</b>		<b><u>465,053,284</u></b>	<b><u>454,327,762</u></b>
<b>Accumulated surplus, end of year</b>		<b><u>\$482,228,846</u></b>	<b><u>\$465,053,284</u></b>

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



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# The Corporation of Norfolk County

## Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31,	2011	2010
<b>Annual surplus</b>	<b>\$ 17,175,562</b>	<b>\$ 10,725,522</b>
Acquisition of tangible capital assets	(38,513,867)	(47,714,626)
Amortization of tangible capital assets	18,297,566	17,810,258
Loss on disposal of tangible capital assets	350,426	3,190,308
Proceeds from sale of tangible capital assets	<u>169,321</u>	<u>200,948</u>
	<u>(2,520,992)</u>	<u>(15,787,590)</u>
(Acquisition) disposition of prepaid expenses	(237,530)	27,697
(Acquisition) disposition of inventory of supplies	<u>88,035</u>	<u>(149,504)</u>
	<u>(149,495)</u>	<u>(121,807)</u>
<b>Net change in net financial assets</b>	<b>(2,670,487)</b>	<b>(15,909,397)</b>
Net financial assets, beginning of year	<u>20,642</u>	<u>15,930,039</u>
<b>Net financial assets, end of year</b>	<b>\$ <u>(2,649,845)</u></b>	<b>\$ <u>20,642</u></b>

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



# The Corporation of Norfolk County

## Consolidated Statement of Cash Flow

For the Year Ended December 31,

2011

2010

**Cash provided by (used in):**

**Operating transactions**

Annual surplus	\$ 17,175,562	\$ 10,725,522
Amortization of tangible capital assets	18,297,566	17,810,258
Loss on disposal of tangible capital assets	350,426	3,190,308
Change in equity - Norfolk Power Inc.	<u>(1,806,344)</u>	<u>(1,475,857)</u>
	<b>34,017,210</b>	<b>30,250,231</b>
Changes in non-cash operating balances:		
Taxes receivable	(939,252)	761,095
Accounts receivable	(8,162,183)	(4,555,461)
Other financial assets	1,808	130,673
Accounts payable	932,294	4,783,844
Employee benefits liability	(347,413)	2,307,758
Deferred revenue	622,474	2,195,469
Short term financing	-	(1,493,319)
Solid waste landfill closure and post-closure liability	378,407	(673,201)
Prepaid expenses	(237,530)	27,697
Inventory of supplies	<u>88,035</u>	<u>(149,504)</u>
	<b><u>26,353,850</u></b>	<b><u>33,585,282</u></b>

**Capital transactions**

Acquisition of tangible capital assets	(38,513,867)	(47,714,626)
Proceeds from sale of tangible capital assets	<u>169,321</u>	<u>200,948</u>
	<b><u>(38,344,546)</u></b>	<b><u>(47,513,678)</u></b>

**Financing transactions**

Short term financing debentured	-	1,493,319
Long term debt issued	-	21,491,187
Long term debt repaid	<u>(3,653,576)</u>	<u>(2,333,365)</u>
	<b><u>(3,653,576)</u></b>	<b><u>20,651,141</u></b>

**Net change in cash and cash equivalents**

**(15,644,272)**      6,722,745

Cash and cash equivalents, beginning of year

36,161,754      29,439,009

**Cash and cash equivalents, end of year**

**\$ 20,517,482**      **\$ 36,161,754**

**Cash and cash equivalents consists of:**

Cash	\$ 7,342,607	\$ 11,753,228
Investments	<u>13,174,875</u>	<u>24,408,526</u>
	<b><u>\$ 20,517,482</u></b>	<b><u>\$ 36,161,754</u></b>

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



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# The Corporation of Norfolk County

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2011

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### 1. Incorporation

Effective January 1, 2001, Norfolk County was incorporated as a single tier municipality. Norfolk County assumed all assets, liabilities and operations of the former Town of Simcoe, Township of Norfolk and Township of Delhi, and some of the assets, liabilities and operations of the former City of Nanticoke and former Regional Municipality of Haldimand-Norfolk.

Based upon the provisions of the Fewer Municipal Politicians Act (1999) and regulations passed under this Act, Norfolk County was given the administrative responsibility as the Consolidated Municipal Service Manager, as well as the Board of Health, for the provision of Public Health and Social Services to both Haldimand County and Norfolk County. An Advisory Board (the Joint Health and Social Services Advisory Committee) made up of 3 Council representatives from each County provides recommendations to Norfolk County. Haldimand County has been given the administrative responsibility over investments and long term debt of the former regional municipality as at December 31, 2000, some of which are to be shared with Norfolk County.

### 2. Summary of significant accounting policies

The consolidated financial statements of The Corporation of Norfolk County are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Significant aspects of the accounting policies adopted by The Corporation of Norfolk County are as follows:

#### a) Reporting entity

##### (i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, changes in accumulated surplus, and changes in net financial assets of the reporting entity. The consolidated financial statements include the activities of all committees of Council and local boards, municipal enterprises and utilities which are owned or controlled by the County. These consolidated financial statements include:

*Norfolk County Public Library Board  
Simcoe Business Improvement Area  
Delhi Business Improvement Area*

All inter-departmental and inter-organizational transactions and balances between these organizations have been eliminated.

The investments in government business enterprises are accounted for using the modified equity basis which is consistent with the Canadian generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the County and inter-organizational transactions and balances are not eliminated.

The following government business enterprise is reflected in these consolidated financial statements:

*Norfolk Power Inc.*



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# The Corporation of Norfolk County

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2011

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### 2. Summary of significant accounting policies (continued)

#### (ii) Joint local boards

As explained in Note 1, Norfolk County has been given administrative responsibility for the following joint local boards:

*Joint Health and Social Services Advisory Committee*

Amounts paid to Norfolk County for Haldimand County's proportionate share of Health, Social and Family Services and Social Housing are recorded as recoveries from other municipalities on the Consolidated Statement of Operations.

#### (iii) Accounting for school board transactions

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these financial statements. The taxation revenue collected and remitted on behalf of the school boards amounted to \$20,367,970 (2010 - \$20,371,946).

#### (iv) Trust funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet".

#### (v) Programs reported on provincial fiscal year basis

The following 100% funded programs are administered by Norfolk County as the designated Board of Health. These programs are reported on a provincial fiscal year ending March 31. Accordingly, these programs are not included in the Consolidated Statement of Operations.

*Preschool Speech and Language Program  
Nurse Practitioner Program*

#### (vi) Provincial offences fines

Norfolk County administers the Provincial Offences Act (POA) on behalf of the Ministry of the Attorney General for the Norfolk County Court Service Area.

Fine revenue is recognized as the payment is received. Fine revenue includes all monies received less payments made to other municipalities for monies received on their behalf, less payments made to the Ministry of the Attorney General for victim fine surcharges and dedicated fines. Revenue also includes outstanding transfers of fine receipts collected by other municipalities.

A receivable for the value of fines issued but unpaid as at the year-end date amounts to \$5,148,232 (2010 - \$4,852,464) and is not recorded in these consolidated financial statements.

#### b) Basis of presentation

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of goods or services and the creation of a legal obligation to pay.



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# The Corporation of Norfolk County

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2011

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### 2. Summary of significant accounting policies (continued)

#### c) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Costs include all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing the year the asset is available for productive use. Half the normal rate of amortization is recorded in the initial year of productive use. Amortization rates are as follows:

Land improvements	4 to 75 years
Buildings and structures	10 to 75 years
Infrastructure	10 to 75 years
Vehicles, machinery and equipment	4 to 35 years

#### d) Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. Investments consist of authorized investments pursuant to provisions of the Municipal Act and comprise of government bonds, debentures, pooled investment funds and short term instruments of various financial institutions.

Investment income earned on available current funds, reserves and reserve funds (other than obligatory funds) are reported in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

#### e) Inventory

Inventory of supplies held for consumption is valued at the lower of cost and replacement value.

#### f) Deferred revenue

The municipality receives funds for specific purposes which are externally restricted by legislation, regulation or agreement. These restricted funds are not available for general municipal purposes and are recognized as revenue in the fiscal year the funds are used for the specified purpose.

#### g) Government transfers

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

#### h) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future.



# The Corporation of Norfolk County

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2011

### 3. Investments

Investments, as at December 31, consist of the following:

	2011		2010	
	Market Value \$	Carrying Value \$	Market Value \$	Carrying Value \$
Government bonds and GICs	12,181,855	<b>12,068,614</b>	17,148,312	17,179,695
Money market instruments	863,739	<b>863,739</b>	6,783,329	6,783,329
Other	<u>242,522</u>	<u>242,522</u>	<u>445,502</u>	<u>445,502</u>
	<u>13,288,116</u>	<u>13,174,875</u>	<u>24,377,143</u>	<u>24,408,526</u>

Included in the County's other investments are internal debentures with a coupon rate range of 5% to 6% (2010 - 5% to 6%) with a carrying value of \$242,522 (2010 - \$445,502).

### 4. Investment in Norfolk Power Inc.

Norfolk County owns 100% of Norfolk Power Inc.. Condensed financial information of Norfolk Power Inc. as at December 31, 2011 and for the year then ended is as follows:

	2011 \$	2010 \$
Current assets	<b>13,406,529</b>	11,258,197
Property, plant and equipment	<b>52,664,770</b>	51,718,531
Other assets	<u>7,168,893</u>	<u>6,404,770</u>
	<u>73,240,192</u>	<u>69,381,498</u>
Current liabilities	<b>8,192,555</b>	11,113,985
Long term liabilities	<u>33,829,248</u>	<u>28,855,568</u>
	<b>42,021,803</b>	39,969,553
Equity	<u>31,218,289</u>	<u>29,411,945</u>
	<u>73,240,092</u>	<u>69,381,498</u>
Revenue for the year	<b>46,321,484</b>	44,050,758
Expenses for the year	<u>43,865,140</u>	<u>41,774,901</u>
Net income for the year	<b>2,456,344</b>	2,275,857
Dividends issued to Norfolk County	<u>(650,000)</u>	<u>(800,000)</u>
Net increase in equity	<u>1,806,344</u>	<u>1,475,857</u>



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# The Corporation of Norfolk County

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2011

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### 5. Employee benefits liability

a) The municipality provides certain employee benefits which will require funding in future periods and is comprised of the following:

	2011	2010
	\$	\$
Vested sick leave	2,547,393	2,728,539
Post retirement benefits	<u>981,067</u>	<u>1,147,334</u>
	<u>3,528,460</u>	<u>3,875,873</u>

The County is also liable for accrued severances. These liabilities as at December 31, 2011 are \$761,026 (2010 - \$727,462) and are recorded in accounts payable.

Haldimand County also administers a reserve fund for employee benefits, in trust, from the former Regional Municipality of Haldimand-Norfolk, which has a gross amount of \$284,053 (2010 - \$363,049) which is to be shared with Norfolk County.

#### b) *Liability for vested sick leave benefits*

Under the sick leave benefit plan, unused sick leave can be accumulated and some employees may become entitled to a cash payment when they leave the municipality's employment.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amount to \$2,547,393 (2010 - \$2,728,539).

The amount paid to employees who left the County's employment during the year amounted to \$100,830 (2010 - \$254,992). Anticipated payments in 2012 and subsequent years to employees who are eligible to retire are estimated as follows:

	\$
2012 - 2016	1,561,219
2017 - 2021	239,748
2022 and beyond	<u>746,426</u>
	<u>2,547,393</u>

#### c) *Workers' compensation*

Norfolk County is a Schedule 2 employer under the Workplace Safety and Insurance Act and follows a policy of self-insurance for its employees and those of its Boards. The funding mechanism adopted provides for the full funding of all incurred claims and administered costs. The County has established a reserve fund for WSIB costs, which has a balance of \$2,682,278 (2010 - \$2,539,306). Of this balance, \$33,283 (2010 - \$35,238) is a reserve fund, in trust, from the former City of Nanticoke which is to be shared with Haldimand County.

Haldimand County also administers a reserve fund for workers' compensation, in trust, from the former Regional Municipality of Haldimand-Norfolk, which has a gross amount of \$516,630 (2010 - \$392,295) which is to be shared with Norfolk County.



# The Corporation of Norfolk County

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2011

### 6. Deferred revenue

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in deferred revenue including obligatory reserve funds of The Corporation of Norfolk County are as follows:

	Opening Balance	Contributions Received	Investment Income	Revenue Recognized	Ending Balance
Recreational land	\$ 27,107	\$ 58,275	\$ 439	\$ (59,061)	\$ 26,760
Development charges	1,687,322	1,292,750	25,127	(244,508)	2,760,691
Lot levies	137,330	-	1,443	-	138,773
Federal gas tax	7,958,887	3,838,240	92,245	(4,375,845)	7,513,527
Other	<u>614,562</u>	<u>537,376</u>	<u>766</u>	<u>(544,773)</u>	<u>607,931</u>
	\$ <u>10,425,208</u>	\$ <u>5,726,641</u>	\$ <u>120,020</u>	\$ <u>(5,224,187)</u>	\$ <u>11,047,682</u>

### 7. Solid waste landfill closure and post-closure liability

Haldimand County is responsible for the operation of the Tom Howe landfill site. The landfill site is jointly owned by Norfolk County and Haldimand County and is available for use by local residents. The site has capacity of approximately 2,300,000 cubic metres with approximately 204,921 cubic metres of capacity remaining. At current average fill rates, the site has a remaining operating life of approximately four years.

The costs of closing and maintaining the landfill site are shared by both Norfolk County and Haldimand County. It is estimated that Norfolk County's share of the total cost to close and maintain the site is approximately \$16,730,675 with \$15,240,037 recognized in the financial statements and \$1,490,638 to be recognized as the capacity of the site is used up. Norfolk County has not designated any specific assets to assist with the cost of closing the site. Once the site has reached full capacity it is estimated that post-closure activities would continue for approximately 50 years.

Key assumptions in determining the liability at December 31, 2011 for the Tom Howe landfill site are as follows:

Tom Howe landfill site is expected to reach capacity in August 2015	
Remaining capacity of Tom Howe as at December 31, 2011	204,921 cubic metres
Inflation rate	2.0%
Discount rate	4.0%
Estimated time for post-closure site rehabilitation and monitoring	50 years

	2011	2010
	\$	\$
Capital costs upon closure	550,165	532,046
Closed landfill site rehabilitation and monitoring	<u>14,689,872</u>	<u>14,329,584</u>
	<u>15,240,037</u>	<u>14,861,630</u>



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# The Corporation of Norfolk County

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2011

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### 8. Long term liabilities

a) Long term liabilities reported on the Consolidated Statement of Financial Position is comprised of the following:

	<b>2011</b>	2010
	<b>\$</b>	<b>\$</b>
Total long term liabilities issued or assumed by the municipality and outstanding at the end of the year amounts to:	<b>45,373,564</b>	48,773,818
Total long term loans from reserve funds and outstanding at the end of the year amounted to:	<u><b>350,883</b></u>	<u>604,205</u>
	<u><b>45,724,447</b></u>	<u>49,378,023</u>

b) Of the long term liabilities reported above, principal payments are recoverable from general municipal revenues and are repayable as follows:

	<b>\$</b>
2012	<b>7,228,381</b>
2013	<b>3,594,904</b>
2014	<b>2,828,942</b>
2015	<b>2,953,246</b>
2016	<b>2,495,882</b>
Thereafter	<u><b>26,623,092</b></u>
	<u><b>45,724,447</b></u>

The above long term liabilities have maturity dates ranging from 2012 to 2025 with interest rates varying between 1.65% to 6.00%.

c) The long term liabilities in part (a) have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayments and limits prescribed by the Ministry of Municipal Affairs and Housing.



## The Corporation of Norfolk County

### Notes to the Consolidated Financial Statements

Year Ended December 31, 2011

#### 9. Tangible capital assets

	Land \$	Land Improvements \$	Buildings and Structures \$	Infrastructure \$	Vehicles, Machinery and Equipment \$	Assets Under Construction \$	2011 \$
Cost, beginning of year	10,191,438	20,404,008	112,226,618	459,275,635	42,507,372	37,231,012	<b>681,836,083</b>
Additions	5,339	1,414,529	14,658,714	19,899,211	2,890,390	32,877,253	<b>71,745,436</b>
Disposals	-	-	(15,180)	(548,485)	(2,088,195)	-	<b>(2,651,860)</b>
Transfer to capital assets	-	-	-	-	-	(33,231,569)	<b>(33,231,569)</b>
Cost, end of year	<u>10,196,777</u>	<u>21,818,537</u>	<u>126,870,152</u>	<u>478,626,361</u>	<u>43,309,567</u>	<u>36,876,696</u>	<b><u>717,698,090</u></b>
Accumulated amortization, beginning of year	-	11,224,305	33,359,829	151,496,313	21,251,468	-	<b>217,331,915</b>
Amortization	-	412,393	2,752,615	11,918,003	3,214,555	-	<b>18,297,566</b>
Disposals	-	-	(12,144)	(59,829)	(2,060,140)	-	<b>(2,132,113)</b>
Accumulated amortization, end of year	<u>-</u>	<u>11,636,698</u>	<u>36,100,300</u>	<u>163,354,487</u>	<u>22,405,883</u>	<u>-</u>	<b><u>233,497,368</u></b>
Net carrying amount, end of year	<u>10,196,777</u>	<u>10,181,839</u>	<u>90,769,852</u>	<u>315,271,874</u>	<u>20,903,684</u>	<u>36,876,696</u>	<b><u>484,200,722</u></b>



## The Corporation of Norfolk County

### Notes to the Consolidated Financial Statements

Year Ended December 31, 2011

#### 9. Tangible capital assets (continued)

	Land \$	Land Improvements \$	Buildings and Structures \$	Infrastructure \$	Vehicles, Machinery and Equipment \$	Assets Under Construction \$	2010 \$
Cost, beginning of year	9,583,173	20,213,751	107,871,242	445,833,981	38,887,606	18,539,954	640,929,707
Additions	608,265	190,257	4,387,238	19,225,877	4,611,931	44,256,620	73,280,188
Disposals	-	-	(31,862)	(5,784,223)	(992,165)	-	(6,808,250)
Transfer to capital assets	-	-	-	-	-	(25,565,562)	(25,565,562)
Cost, end of year	<u>10,191,438</u>	<u>20,404,008</u>	<u>112,226,618</u>	<u>459,275,635</u>	<u>42,507,372</u>	<u>37,231,012</u>	<u>681,836,083</u>
Accumulated amortization, beginning of year	-	10,752,680	30,781,074	142,217,597	19,187,300	-	202,938,651
Amortization	-	471,625	2,599,240	11,696,928	3,042,465	-	17,810,258
Disposals	-	-	(20,485)	(2,418,212)	(978,297)	-	(3,416,994)
Accumulated amortization, end of year	<u>-</u>	<u>11,224,305</u>	<u>33,359,829</u>	<u>151,496,313</u>	<u>21,251,468</u>	<u>-</u>	<u>217,331,915</u>
Net carrying amount, end of year	<u>10,191,438</u>	<u>9,179,703</u>	<u>78,866,789</u>	<u>307,779,322</u>	<u>21,255,904</u>	<u>37,231,012</u>	<u>464,504,168</u>



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# The Corporation of Norfolk County

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2011

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### 10. Accumulated surplus

The Corporation of Norfolk County segregates its accumulated surplus into the following categories:

	<u>2011</u>	<u>2010</u>
Investment in tangible capital assets	\$ 484,200,722	\$ 464,504,168
Long term liabilities	(45,724,447)	(49,378,023)
Unfinanced capital	<u>(2,916,239)</u>	<u>(384,301)</u>
Net investment in tangible capital assets	435,560,036	414,741,844
Investment in Norfolk Power Inc.	31,218,289	29,411,945
Operating surplus	202,988	-
Delhi BIA surplus	19,407	14,554
Reserves		
Contingencies	7,758,068	7,798,562
Capital purposes	273,850	4,692,224
Other	<u>1,651,302</u>	<u>1,692,332</u>
	9,683,220	14,183,118
Reserve funds		
Capital replacement - sewer	4,947,719	6,159,966
Capital replacement - water	8,775,039	8,619,324
Waste management	1,713,584	1,536,753
WSIB	2,682,278	2,539,306
Other	<u>2,666,323</u>	<u>2,708,104</u>
	20,784,943	21,563,453
Unfunded liability - solid waste landfill liabilities	<u>(15,240,037)</u>	<u>(14,861,630)</u>
	<u>\$ 482,228,846</u>	<u>\$ 465,053,284</u>

# The Corporation of Norfolk County

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2011

### 11. Government grants - Federal

	<u>Budget</u> (note 14)	<u>2011</u>	<u>2010</u>
Federal transfers			
Operating			
Conditional	\$ 113,900	\$ 157,280	\$ 242,158
Capital			
Infrastructure funding	-	3,409,293	4,795,720
Federal gas tax revenue	-	4,375,845	2,458,591
	<u>\$ 113,900</u>	<u>\$ 7,942,418</u>	<u>\$ 7,496,469</u>

### 12. Government grants - Provincial

	<u>Budget</u> (note 14)	<u>2011</u>	<u>2010</u>
Provincial transfers			
Operating			
Ontario municipal partnership fund	\$ 6,915,400	\$ 8,946,400	\$ 8,694,700
Conditional	37,973,700	37,242,047	60,253,469
Capital			
Infrastructure funding	-	2,498,954	3,481,658
	<u>\$ 44,889,100</u>	<u>\$ 48,687,401</u>	<u>\$ 72,429,827</u>

### 13. Other income

	<u>Budget</u> (note 14)	<u>2011</u>	<u>2010</u>
Licenses, permits, rents, and concessions	\$ 4,280,300	\$ 1,389,641	\$ 1,273,325
Provincial offences and other fines	1,130,200	967,448	1,094,099
Penalties and interest on taxes	1,300,000	1,588,329	1,505,976
Investment income	1,004,400	1,318,568	1,480,782
Developer contributed assets	-	5,704,008	3,953,586
Proceeds from sale of land and other assets	385,600	101,507	142,776
Loss on disposal of tangible capital assets	-	(350,426)	(3,190,308)
Income from Norfolk Power Inc. (note 4)	400,000	1,806,344	1,475,857
Donations	111,800	650,515	656,974
Other	1,673,800	1,244,129	1,004,309
	<u>\$ 10,286,100</u>	<u>\$ 14,420,063</u>	<u>\$ 9,397,376</u>

### 14. Budget figures

The operating budgets adopted by Norfolk County Council were not prepared on a basis consistent with the reporting requirements of the Public Sector Accounting Board. Council did receive a supplementary budget presentation which provided the operating budgets in accordance with the PSAB reporting requirements but did not approve the budget in this format. The budget figures presented in the Consolidated Financial Statements present the operating budgets based upon the supplementary budget presentation provided to Council.



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# The Corporation of Norfolk County

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2011

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### 15. Contractual obligations

a) *Veolia Water Canada*

Norfolk County has entered into an agreement with Veolia Water Canada for the operation and maintenance of the County's wastewater treatment facilities and pumping stations. The contract expires July 1, 2013. The annual cost of this contract for 2011 was \$2,332,458 (2010 - \$2,118,608).

b) *Landfill sites*

Under the terms of an interim agreement between Norfolk County and Haldimand County, Haldimand County is responsible for the operation of two landfill sites within the geographic boundaries of Haldimand County, which are available for the use of both Counties. Norfolk County operates the Material Recovery Facility (MRF) located in Simcoe, on behalf of both Counties. Ownership of all facilities is vested jointly through Provincial legislation and/or asset allocation through the Arbitrator's Report following restructuring.

c) *Ontario Provincial Police contract*

Norfolk County has entered into a five-year agreement with the Solicitor General of Ontario for the provision of police services. The five-year term expires in December 2013. The annual cost of this contract for 2011 was \$12,537,871 (2010 - \$11,972,548).

### 16. Public liability insurance

Norfolk County has a program of risk identification, evaluation and control to minimize the risk of injury to its employees and to third parties and to minimize the risk of damage to its property and the property of others. It uses a combination of the self-insurance and purchased insurance to protect itself financially against the risk that it cannot reasonably control. The municipality is self-insured for public liability claims up to \$10,000 for any individual claim and \$10,000 for multiple claims arising out of a single occurrence. Purchased insurance coverage is in place for claims in excess of these limits to a maximum of \$20,000,000 with the exception of certain environmental liability claims, should such claims arise.

At December 31, 2011 there are outstanding legal and liability claims against Norfolk County. Any insured amounts have not been provided for in the financial statements, as the outcome of the related claim(s) is not in excess of insurance coverage. For claims not covered by purchased insurance, a reserve has been established by Norfolk County (post restructuring), which has a balance at December 31, 2011 of \$1,007,960 (2010 - \$542,509).

### 17. Pension agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefits to be received by the employees based on length of service and rate of pay.

The amount contributed to OMERS for current service is included as an expenditure on the Consolidated Statement of Operations. The amount contributed to OMERS for 2011 was \$6,076,584 (2010 - \$5,121,975). Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the municipality does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.



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# The Corporation of Norfolk County

## Segmented Information

Year Ended December 31, 2011

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The Corporation of Norfolk County is a single-tier municipality that provides a wide range of services to its residents. The major services chosen for segmented disclosure are the five departments which consume the greatest amount of the County's total operating expenses. The revenue and expenses reported for each segment includes directly attributable amounts as well as internal charges and recoveries allocated on a reasonable basis.

A description of each major service and the activities each provide are as follows:

### **Protection services**

The protection services includes fire, police, conservation authority, protection inspection and control, emergency measures, and Provincial Offences Act.

### **Transportation services**

The transportation services department is responsible for the safe and efficient movement of people and goods within The Corporation of Norfolk County. Responsibilities include road construction and maintenance, traffic signals and signs, winter control, developing parking and traffic by-laws, and implementation and maintenance of street lighting.

### **Environmental services**

This segment includes sanitary sewer system, storm sewer system, waterworks system, waste collection and disposal, recycling and administration.

### **Social and family services**

Social and family services includes general assistance for Ontario Works, assistance to aged persons for Norview Lodge, and child care.



# The Corporation of Norfolk County

## Segmented Information

Year Ended December 31, 2011

	Protection Services \$	Transportation Services \$	Environmental Services \$	Social and Family Services \$	Other Services [1] \$	Consolidated 2011 \$
<b>Revenue</b>						
Taxation and payments in lieu	-	-	-	-	65,918,384	<b>65,918,384</b>
Grants	146,624	648,555	8,629,397	22,575,929	24,630,314	<b>56,630,819</b>
User charges	200,264	841,629	16,982,991	5,459,166	5,731,475	<b>29,215,525</b>
Other revenue [2]	868,053	-	100,463	1,540,222	13,634,645	<b>16,143,383</b>
Norfolk Power Inc.	-	-	-	-	1,806,344	<b>1,806,344</b>
<b>Total revenue</b>	<b><u>1,214,941</u></b>	<b><u>1,490,184</u></b>	<b><u>25,712,851</u></b>	<b><u>29,575,317</u></b>	<b><u>111,721,162</u></b>	<b><u>169,714,455</u></b>
<b>Expenses</b>						
Salaries, wages and benefits	3,746,922	8,286,416	3,240,216	15,222,298	26,873,181	<b>57,369,033</b>
Materials	896,361	5,876,766	1,043,879	1,684,264	4,752,700	<b>14,253,970</b>
Contracted services	13,545,423	3,885,669	8,365,198	1,460,432	6,659,089	<b>33,915,811</b>
External transfers	16,230	-	1,700,812	14,851,656	6,662,743	<b>23,231,441</b>
Financial expenses	64,023	164,036	155,100	191,313	2,625,052	<b>3,199,524</b>
Interest on long term liabilities	72,585	61,746	966,983	1,113,010	57,224	<b>2,271,548</b>
Amortization	830,390	11,059,012	3,777,958	587,493	2,042,713	<b>18,297,566</b>
<b>Total expenses</b>	<b><u>19,171,934</u></b>	<b><u>29,333,645</u></b>	<b><u>19,250,146</u></b>	<b><u>35,110,466</u></b>	<b><u>49,672,702</u></b>	<b><u>152,538,893</u></b>
<b>Annual surplus (deficit)</b>	<b><u>(17,956,993)</u></b>	<b><u>(27,843,461)</u></b>	<b><u>6,462,705</u></b>	<b><u>(5,535,149)</u></b>	<b><u>62,048,460</u></b>	<b><u>17,175,562</u></b>

[1] Other services - Includes general government, health services, social housing, recreation and cultural services and planning and development.

[2] Other revenue - Includes fines, penalties and interest on taxes, recoveries from other municipalities, investment income, sale of assets, prepaid special charges and donations.



# The Corporation of Norfolk County

## Segmented Information

Year Ended December 31, 2010

	Protection Services \$	Transportation Services \$	Environmental Services \$	Social and Family Services \$	Other Services [1] \$	Consolidated 2010 \$
<b>Revenue</b>						
Taxation and payments in lieu	-	-	-	-	63,500,882	63,500,882
Grants	126,395	3,292,936	6,138,956	47,896,820	22,471,189	79,926,296
User charges	316,236	781,047	16,746,057	4,828,725	4,919,943	27,592,008
Other revenue [2]	978,731	-	-	2,392,093	8,684,356	12,055,180
Norfolk Power Inc.	-	-	-	-	1,475,857	1,475,857
<b>Total revenue</b>	<u>1,421,362</u>	<u>4,073,983</u>	<u>22,885,013</u>	<u>55,117,638</u>	<u>101,052,227</u>	<u>184,550,223</u>
<b>Expenses</b>						
Salaries, wages and benefits	3,468,118	8,321,170	3,607,836	14,759,522	27,020,181	57,176,827
Materials	564,191	9,138,073	1,125,571	1,550,421	4,234,975	16,613,231
Contracted services	12,871,351	3,242,384	3,264,265	1,570,344	5,984,460	26,932,804
External transfers	22,884	-	1,451,441	43,255,451	6,010,754	50,740,530
Financial expenses	60,977	159,525	61,255	39,552	2,614,739	2,936,048
Interest on long term liabilities	59,438	84,025	303,391	1,127,359	40,790	1,615,003
Amortization	726,418	10,926,221	3,705,702	598,621	1,853,296	17,810,258
<b>Total expenses</b>	<u>17,773,377</u>	<u>31,871,398</u>	<u>13,519,461</u>	<u>62,901,270</u>	<u>47,759,195</u>	<u>173,824,701</u>
<b>Annual surplus (deficit)</b>	<u>(16,352,015)</u>	<u>(27,797,415)</u>	<u>9,365,552</u>	<u>(7,783,632)</u>	<u>53,293,032</u>	<u>10,725,522</u>

[1] Other services - Includes general government, health services, social housing, recreation and cultural services and planning and development.

[2] Other revenue - Includes fines, penalties and interest on taxes, recoveries from other municipalities, investment income, sale of assets, prepaid special charges and donations.



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# The Corporation of Norfolk County

## Library Division - Schedule of Operations

Year Ended December 31,	2011	2010
<b>Revenue</b>		
Grants	\$ 170,045	\$ 181,003
Fees and service charges	58,170	61,086
Financial charges and investment income	1,150	345
Other revenue	<u>11,741</u>	<u>7,999</u>
	<u>241,106</u>	<u>250,433</u>
<b>Expenses</b>		
Salaries, wages and benefits	1,436,445	1,302,708
Materials and supplies	206,928	458,338
Services	210,130	218,469
Interdepartmental charges and interest	205,536	194,179
Amortization	<u>197,247</u>	<u>184,117</u>
	<u>2,256,286</u>	<u>2,357,811</u>
<b>Excess (deficiency) of revenue over expenses before undernoted items</b>	<b>(2,015,180)</b>	<b>(2,107,378)</b>
Transfer from reserves	-	32,910
Transfer to reserves	(246,000)	(135,249)
Debt principal repayments	<u>(55,335)</u>	<u>-</u>
<b>Excess (deficiency) of revenue over expenses for the year financed by net municipal levy</b>	<b>\$ <u>(2,316,515)</u></b>	<b>\$ <u>(2,209,717)</u></b>

The above financial information is included in the consolidated financial statements of Norfolk County.



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# The Corporation of Norfolk County

## Museum Division - Schedule of Operations

Year Ended December 31,	2011	2010
<b>Revenue</b>		
Grants	\$ 54,667	\$ 56,411
Fees and service charges	<u>111,649</u>	<u>78,790</u>
	<u>166,316</u>	<u>135,201</u>
<b>Expenses</b>		
Salaries, wages and benefits	459,572	432,737
Materials and supplies	96,034	89,535
Services	86,669	52,436
Interdepartmental charges and interest	29,313	30,445
Amortization	<u>60,145</u>	<u>44,231</u>
	<u>731,733</u>	<u>649,384</u>
<b>Excess (deficiency) of revenue over expenses before undernoted items</b>	<b>(565,417)</b>	<b>(514,183)</b>
Transfer to reserves	<u>(18,661)</u>	<u>-</u>
<b>Excess (deficiency) of revenue over expenses for the year financed by net municipal levy</b>	<b>\$ <u>(584,078)</u></b>	<b>\$ <u>(514,183)</u></b>

The above financial information is included in the consolidated financial statements of Norfolk County.



# Independent Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of  
**The Corporation of Norfolk County**

We have audited the accompanying financial statements of trust funds of The Corporation of Norfolk County which comprise of the balance sheet as at December 31, 2011 and the statement of continuity 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 public sector accounting standards, and for such internal control as management determines 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 of 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 our 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, we consider 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 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, these financial statements present fairly, in all material respects, the financial position of The Corporation of Norfolk County's trust funds as at December 31, 2011 and the results of their operations and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Simcoe, Ontario  
November 9, 2012

*Millard, Rose & Rosebush LLP*

Chartered Accountants  
Licensed Public Accountants



# The Corporation of Norfolk County

## Balance Sheet - Trust Funds

Year Ended December 31, 2011

	Combined Cemetery Perpetual Care \$	Audrey Hellyer Trust \$	Mable Cattle Trust \$	W.P. Innes Trust \$	Arthur Mather Trust \$	Norview Residents Trust \$	Norview Bequest \$	OHRP \$	Museum Trust \$	Total 2011 \$	Total 2010 \$
<b>Net Assets</b>											
Cash	368,211	13,747	844	-	-	36,338	-	-	-	<b>419,140</b>	352,397
Investments (note 2)	232,989	-	-	38,000	51,000	52,823	-	-	-	<b>374,812</b>	464,960
Due from (to) Norfolk County	282,623	(19)	-	(61)	(3)	20,255	42,563	18,062	10,000	<b>373,420</b>	285,958
Accounts receivable (payable)	<u>(1,161)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,062)</u>	<u>-</u>	<b><u>(19,223)</u></b>	<u>(19,553)</u>
<b>Total Net Assets</b>	<b><u>882,662</u></b>	<b><u>13,728</u></b>	<b><u>844</u></b>	<b><u>37,939</u></b>	<b><u>50,997</u></b>	<b><u>109,416</u></b>	<b><u>42,563</u></b>	<b><u>-</u></b>	<b><u>10,000</u></b>	<b><u>1,148,149</u></b>	<b><u>1,083,762</u></b>
<b>Trust Fund Balance</b>	<b><u>882,662</u></b>	<b><u>13,728</u></b>	<b><u>844</u></b>	<b><u>37,939</u></b>	<b><u>50,997</u></b>	<b><u>109,416</u></b>	<b><u>42,563</u></b>	<b><u>-</u></b>	<b><u>10,000</u></b>	<b><u>1,148,149</u></b>	<b><u>1,083,762</u></b>



## The Corporation of Norfolk County

### Statement of Continuity - Trust Funds

Year Ended December 31, 2011

	Combined Cemetery Perpetual Care \$	Audrey Hellyer Trust \$	Mable Cattle Trust \$	W.P. Innes Trust \$	Arthur Mather Trust \$	Norview Residents Trust \$	Norview Bequest \$	OHRP \$	Museum Trust \$	Total 2011 \$	Total 2010 \$
<b>Receipts</b>											
Sale of plots and markers	61,764	-	-	-	-	-	-	-	-	<b>61,764</b>	55,867
Investment income	12,942	142	-	1,628	1,403	803	-	-	86	<b>17,004</b>	17,123
Resident contributions	-	-	-	-	-	215,964	-	-	-	<b>215,964</b>	195,486
	<u>74,706</u>	<u>142</u>	<u>-</u>	<u>1,628</u>	<u>1,403</u>	<u>216,767</u>	<u>-</u>	<u>-</u>	<u>86</u>	<b><u>294,732</u></b>	<u>268,476</u>
<b>Disbursements</b>											
Transfer to cemetery boards	12,271	-	-	-	-	-	-	-	-	<b>12,271</b>	13,386
Transfer to others	-	-	-	1,628	1,403	214,957	-	-	86	<b>218,074</b>	247,123
	<u>12,271</u>	<u>-</u>	<u>-</u>	<u>1,628</u>	<u>1,403</u>	<u>214,957</u>	<u>-</u>	<u>-</u>	<u>86</u>	<b><u>230,345</u></b>	<u>260,509</u>
<b>Net Receipts for the Year</b>	62,435	142	-	-	-	1,810	-	-	-	<b>64,387</b>	7,967
<b>Trust Fund Balance</b>											
- beginning of year	<u>820,227</u>	<u>13,586</u>	<u>844</u>	<u>37,939</u>	<u>50,997</u>	<u>107,606</u>	<u>42,563</u>	<u>-</u>	<u>10,000</u>	<b><u>1,083,762</u></b>	<u>1,075,795</u>
<b>Trust Fund Balance</b>											
- end of year	<u>882,662</u>	<u>13,728</u>	<u>844</u>	<u>37,939</u>	<u>50,997</u>	<u>109,416</u>	<u>42,563</u>	<u>-</u>	<u>10,000</u>	<b><u>1,148,149</u></b>	<u>1,083,762</u>



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# The Corporation of Norfolk County

## Notes to the Trust Funds Financial Statements

Year Ended December 31, 2011

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### 1. Summary of significant accounting policies

#### a) *Basis of accounting*

Revenue and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods and services and the creation of a legal obligation to pay.

#### b) *Use of estimates*

The preparation of periodic financial statements occasionally requires management to make assumptions that affect reported amounts of certain assets and liabilities at the year-end date and certain revenue and expenses for the year then ended. Actual amounts may differ from those estimates.

### 2. Investments

The total investments of \$374,812 (2010 - \$464,960) are recorded at their fair market value which is the lower of cost and market value. Short term investments are comprised mainly of guaranteed investment certificates and term deposits.

### 3. Statement of cash flows

A statement of cash flows has not been provided as the information is readily available in the financial statements provided.