

Financial REPORT 2022

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A summary of
Norfolk County's
financial status



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norfolkcounty.ca

Norfolk
COUNTY 

A Message From the Chief Administrative Officer

Norfolk County continued its journey towards improved financial health for both today and tomorrow in 2022. As a growing single tier municipality, with both rural and urban areas requiring unique services, Norfolk continues to build on its strengths and proactively tackle its emerging challenges. Under Council's direction and guidance, staff will continue to be diligent in delivering this term of Council's priorities with a view to solidifying a financial foundation for future generations.

2022 highlights:

- With a new Council being elected in 2022, County Council adopted a new strategic plan, to guide our next four years, which includes a strategic priority entitled "Sustaining Norfolk" - creating a sustainable community and a positive legacy. For the financial landscape of the County, this means to ensure financial sustainability and to continue long-term planning that is realistic, affordable and sustainable. As evidenced in the 2022 financial statements, this priority continues to progress and is expected to do so in the coming years.
- In 2022, there was an improvement in net financial assets, which is positive for the County. Net financial assets are a measure of the municipality's requirement to generate future revenues to fund past services and transactions, and demonstrates its ability to settle existing liabilities. The County, having a positive net financial asset position means that the County has some savings in place for future needs. This positive position is important considering the County's significant planned capital investments required in future years, including replacing and expanding infrastructure assets and required water and wastewater improvements.
- Levy Operating budget ended the year with a \$8.4 million surplus. Significant one-time contributors to the surplus included residual COVID-19 funding from other levels of government, salaries and benefit variances throughout the year, less than budgeted expenditures in winter control and positive investment income. These impacts are not expected to carry forward into 2023, as they are the result of anticipated one-time savings.
- Water and wastewater budgets achieved a \$0.9 million surplus, which is considered within a reasonable range.
- The County's Rate and Levy Capital Reserves increased, year-over-year. This is positive considering the significant capital needs identified over the next 10 years - the 2023 Capital Plan outlined \$837.7 million of planned expenditures anticipated within the 10 year forecast period.

2023 and future:

- Due to significant capital expenditures on the horizon, the County projects to issue \$461.4 million in debentures over the next 10 years as the County's reserves are not in a position to finance total capital needs. Debt servicing will become an increasing challenge.
- Significant Water and Wastewater replacement and expansion needs are projected within the next 20 years, in addition staff are working to plan strategic investments for growth.
- Though financial improvements have been significant over the last number of years, the current financial statements do not signal the County is yet fully prepared for the financial future at this time, based on the projected needs. Additional financial planning and careful consideration of capital needs scheduling is required.
- Continued persistence and financial discipline will be required to build the financial reserves required to maintain, repair and replace significant assets that are aging and in need of replacement, while funding the efficient delivery of day-to-day services.
- The County will continue to gain a more accurate picture of needs as the asset management plan is continued to be developed and finalized, which is anticipated to place additional pressure on the level of capital investments required in the future.

Overall, the financial picture for Norfolk County is improving, but requires significant discipline and strategic planning to continue the trend. With historic capital investments on the horizon, and continued pressures on service delivery, Council and staff will need to remain focussed, with an eye on affordability and long-term requirements.



A Message From the General Manager, Corporate Services and the Treasurer

We are pleased to present the audited 2022 Consolidated Financial Statements and Annual Financial Report. These statements have been prepared by management in accordance with the Public Sector Accounting Standards as required by the Chartered Professional Accountants (CPA) Canada and the Municipal Act, 2001. The financial statements have been audited by the County's appointed auditor, Millards Chartered Professional Accountants, who have concluded that the statements present fairly the financial position of Norfolk County in all material respects.

The annual presentation of audited statements represent a key mechanism for the County to demonstrate accountability and transparency to its residents. The continued commitment to financial improvement is also demonstrated by Norfolk's new strategic plan priorities of serving and sustaining Norfolk, which include ensuring that the County is a fiscally responsible organization that will remain financially sustainable into the future. The results for 2022 continue previous years' trends of improvements in net financial assets, reserve and reserve fund balances, and annual operating surpluses.

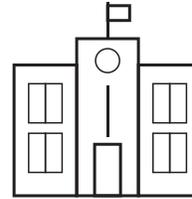
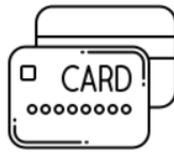
Challenges and Highlights from 2022 Include:

1. The establishment of minimum and maximum balances for the Contingency Reserve and the Water and Wastewater Capital Replacement Reserves. Setting balance targets for these reserves is important as these funds will help to protect the County during times of uncertainty or if emergency needs arise.
2. Significant progress on the financial analysis related to the County's Inter-Urban Water Supply project was made in 2022 and continues into 2023 as the details of the implementation are unfolding.
3. Sweeping legislative changes regarding Bills 109 and 23 were introduced in 2022 and the impacts and enactment timeframes have continued into 2023 and some are still unknown. Norfolk has now established an electronic process for recording Development Charge exemptions which will improve reporting in future years.
4. The economic landscape in 2022 was largely dominated by record setting inflation and resulting interest rate hikes by the Bank of Canada. This led to increasing costs for procuring goods and services along with higher interest rates on both debt and investments than had been seen in recent years. The status of interest rates in 2023 and beyond is up for debate as the pace of inflation has not slowed as much as was anticipated.
5. In 2022 Norfolk also began to accept online payments for property taxes and began the process of accepting online payments for other services as well.

In order to meet upcoming challenges and continue to improve our financial services Norfolk is committed to:

1. Building a comprehensive Asset Management Plan and integrating that plan into our budget processes. Council endorsed a budget initiative for this purpose in 2023 and that project is underway with collaboration between Environmental and Infrastructure Services and Financial Management and Planning.
2. The completion of a reserve and reserve fund study which will help Norfolk to rationalize its reserves and establish target balances. As further details are outlined regarding the County's infrastructure gap, it is anticipated that the required reserve amounts for capital needs will far outpace the County's ability to fund their balances increasing Norfolk's reliance on debt.
3. Continued efforts to foster highly functioning cross-departmental teams which will lead to improved development of alternative service delivery methods, cost recovery options, operational efficiencies, and organizational knowledge growth.
4. In summary, though progress continues on improving Norfolk's financial outlook, there remains a great deal of work to be done.





FINANCIAL ASSETS

What we own: Cash and assets that can be quickly converted to cash.

LIABILITIES

What we owe: Obligations that require future payments or service.

NET FINANCIAL ASSETS

The extent to which financial assets exceed all liabilities. A measure of savings in place to pay for future transactions and events.

NON-FINANCIAL ASSETS

Physical assets (TCA) that are owned and used to deliver future programs and services

ACCUMULATED SURPLUS

Indicator of the County's overall financial health



Budget Figures vs. Financial Statements

The budget reported in the consolidated financial statements differs from those approved by Council in the budget process undertaken each year.

Adjustments are needed to convert the budget, prepared on a modified accrual basis, to a full accrual basis as required for financial statement purposes.

These adjustments include the following items:

- Amortization, loss on disposal, landfill liability, unfunded post-employment benefits, and non-vested sick leave are included in the financial statements but not in the operating budgets.
- Debt principal payments are recognized as reductions to long-term debt in the financial statements. These are considered expenses in the operating budgets.
- Transfers to and from reserves are included in the both the capital and operating budgets but are not included in financial statements.
- Non-capitalized capital project costs are recorded as expenses in the financial statements, whereas all capital project outlays are included in the capital budget.



Audited Financial
STATEMENTS

The Corporation of Norfolk County

Consolidated Financial Statements

December 31, 2022



The Corporation of Norfolk County
Index to Consolidated Financial Statements
December 31, 2022

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITORS' REPORT	2 - 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Accumulated Surplus	5
Consolidated Statement of Remeasurement Gains and Losses	6
Consolidated Statement of Changes in Net Financial Assets	7
Consolidated Statement of Cash Flow	8
Notes to Consolidated Financial Statements	9 - 29
Library Division - Schedule of Operations	30
Museum Division - Schedule of Operations	31



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 Chief Administrative Officer 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 Canadian generally accepted auditing standards.



Al Meneses, Chief Administrative Officer



Amy Fanning, Treasurer

July 11, 2023
Simcoe, Ontario

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of The Corporation of Norfolk County (the Corporation), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, changes in net financial assets and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the financial statements).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2022, and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

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.

We draw our attention to Note 20 of the financial statements, which describes the effects of the coronavirus disease (COVID-19) on the Corporation. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

July 11, 2023
Simcoe, Ontario

Millard, Rouse & Rosebrugh LLP
Millard, Rouse & Rosebrugh LLP
Chartered Professional Accountants
Licensed Public Accountants

The Corporation of Norfolk County
Consolidated Statement of Financial Position
As at December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash	\$ 15,864,184	\$ 19,381,084
Investments (Note 4)	225,966,990	181,964,420
Taxes receivable	10,384,088	10,587,227
Accounts receivable	9,351,618	10,576,674
Other financial assets	86,523	68,914
	261,653,403	222,578,319
LIABILITIES		
Accounts payable	47,935,305	39,993,064
Employee benefits liability (Note 5)	11,761,343	12,170,598
Deferred revenue (Note 6)	37,037,548	36,058,262
Solid waste landfill closure and post-closure liability (Note 7)	21,959,544	21,559,253
Long-term liabilities (Note 8)	85,071,848	75,148,980
	203,765,588	184,930,157
NET FINANCIAL ASSETS	57,887,815	37,648,162
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	617,401,081	597,691,083
Prepaid expenses	1,492,697	1,486,789
Inventory	577,723	1,087,687
	619,471,501	600,265,559
ACCUMULATED SURPLUS	\$677,359,316	\$637,913,721
ACCUMULATED SURPLUS IS COMPRISED OF:		
Accumulated operating surplus (Note 10)	\$674,100,174	\$626,834,216
Accumulated rereasurement gains	3,259,142	11,079,505
	\$677,359,316	\$637,913,721

The accompanying notes are an integral part of the financial statements

The Corporation of Norfolk County
Consolidated Statement of Operations and Accumulated Surplus
Year ended December 31, 2022

	Budget 2022	2022	2021
	<i>(Note 17)</i>		
REVENUE			
Taxation	\$ 112,000,000	\$ 113,043,256	\$ 106,956,087
Government transfers - Federal <i>(Note 11)</i>	11,157,600	20,179,718	8,512,271
Government transfers - Provincial <i>(Note 12)</i>	64,304,700	73,248,939	73,416,131
Recoveries from other municipalities	3,187,800	2,785,735	2,613,816
User charges	34,593,000	35,222,025	32,264,540
Other income <i>(Note 13)</i>	9,379,100	19,834,498	17,042,542
	234,622,200	264,314,171	240,805,387
Expenses			
General government	25,059,704	23,539,818	19,211,806
Protection services	20,714,493	19,955,544	19,582,585
Transportation services	37,659,794	37,037,305	33,253,042
Environmental services	30,028,591	30,397,127	28,954,907
Health services	22,800,590	23,065,193	29,711,144
Social and family services	48,030,944	46,887,620	40,171,040
Social housing	7,404,600	17,799,460	7,978,353
Recreation and cultural services	15,787,989	14,736,235	13,268,149
Planning and development	3,837,132	3,629,911	3,501,207
	211,323,837	217,048,213	195,632,233
ANNUAL SURPLUS	\$ 23,298,363	47,265,958	45,173,154
Accumulated surplus - beginning of year	626,834,216	626,834,216	581,661,062
ACCUMULATED SURPLUS - END OF YEAR	\$ 650,132,579	\$ 674,100,174	\$ 626,834,216

The accompanying notes are an integral part of the financial statements

The Corporation of Norfolk County
Consolidated Statement of Remeasurement Gains and Losses
As at December 31, 2022

	2022	2021
Accumulated remeasurement gains - beginning of year	\$ 11,079,505	\$ 8,923,565
Unrealized gains (losses) attributed to:		
Investments	(7,621,627)	3,337,762
Amounts reclassified to the Consolidated Statement of Operations:		
Investments	(198,736)	(1,181,822)
Net remeasurement gains for the year	(7,820,363)	2,155,940
ACCUMULATED REMEASUREMENT GAINS - END OF YEAR	\$ 3,259,142	\$ 11,079,505

The accompanying notes are an integral part of the financial statements

The Corporation of Norfolk County
Consolidated Statement of Changes in Net Financial Assets
Year ended December 31, 2022

	Budget 2022	2022	2021
<i>(Note 17)</i>			
ANNUAL SURPLUS	\$ 23,298,363	\$ 47,265,958	\$ 45,173,154
Amortization of tangible capital assets	29,473,838	29,473,838	28,577,046
Purchase of tangible capital assets	(42,131,000)	(49,852,601)	(46,364,462)
Proceeds on disposal of tangible capital assets	-	2,038,247	2,616,475
Gain on disposal of assets	-	(1,369,482)	(2,294,048)
Increase in prepaid expenses	-	(5,908)	(158,087)
Decrease in inventory	-	509,964	206,822
Net remeasurement gains for the year	-	(7,820,363)	2,155,940
	(12,657,162)	(27,026,305)	(15,260,314)
INCREASE IN NET FINANCIAL ASSETS	10,641,201	20,239,653	29,912,840
Net financial assets - beginning of year	37,648,162	37,648,162	7,735,322
NET FINANCIAL ASSETS - END OF YEAR	\$ 48,289,363	\$ 57,887,815	\$ 37,648,162

The accompanying notes are an integral part of the financial statements

The Corporation of Norfolk County
Consolidated Statement of Cash Flow
Year ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Annual surplus	\$ 47,265,958	\$ 45,173,154
Items not affecting cash:		
Amortization of tangible capital assets	29,473,838	28,577,046
Gain on disposal of assets	(1,369,482)	(2,294,048)
Net remeasurement gains (losses) for the year	(7,820,363)	2,155,940
	67,549,951	73,612,092
Changes in non-cash working capital:		
Taxes receivable	203,139	370,313
Accounts receivable	1,225,056	(1,095,558)
Land held for resale	-	3,474,126
Other financial assets	(17,609)	(9,814)
Accounts payable	7,942,241	10,615,692
Employee benefits liability	(409,255)	(838,022)
Deferred revenue	979,286	7,218,941
Solid waste landfill closure and post-closure liability	400,291	(292,448)
Prepaid expenses	(5,908)	(158,087)
Inventory	509,964	206,822
	10,827,205	19,491,965
Cash flow from operating activities	78,377,156	93,104,057
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(49,852,601)	(46,364,462)
Proceeds from sale of tangible capital assets	2,038,247	2,616,475
Cash flow used by capital activities	(47,814,354)	(43,747,987)
FINANCING ACTIVITIES		
Long-term debt issued	16,439,500	-
Repayment of long-term debt	(6,516,632)	(6,818,928)
Cash flow from (used by) financing activities	9,922,868	(6,818,928)
INCREASE IN CASH FLOW	40,485,670	42,537,142
Cash - beginning of year	201,345,504	158,808,362
CASH - END OF YEAR	\$241,831,174	\$201,345,504
CASH CONSISTS OF:		
Cash	\$ 15,864,184	\$ 19,381,084
Investments	225,966,990	181,964,420
	\$241,831,174	\$201,345,504

The accompanying notes are an integral part of the financial statements

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

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 three 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 Chartered Professional Accountants of Canada.

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

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.

(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.

(continues)

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 \$18,615,311 (2021 - \$18,634,079).

(iv) Trust funds

Trust funds and their related operations administered by the municipality amounting to \$1,821,426 (2021 - \$1,745,673) are not consolidated, but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet".

(v) 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.

An accumulated receivable balance for the value of fines issued but unpaid as at the year-end date amounts to \$7,165,173 (2021 - \$6,788,245) and is not recorded in these consolidated financial statements.

(vi) Haldimand-Norfolk Housing Corporation

Bill 128 (the Social Housing Reform Act, 2000) provided for the formation of local housing corporations to be organized under the provisions of the Ontario Business Corporations Act with a municipal service manager as the sole shareholder. The Haldimand-Norfolk Housing Corporation was incorporated under the Ontario Business Corporations Act on December 14, 2000. The Corporation was deemed upon incorporation to have issued 100 common shares to The Corporation of Norfolk County. On July 12, 2001, 40 of those shares were transferred to The Corporation of Haldimand County. Haldimand-Norfolk Housing Corporation financial statements are not consolidated within these financial statements. The Haldimand-Norfolk Housing Corporation have their own audited financial statements reported separately.

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 receipt of goods or services and the creation of a legal obligation to pay.

Revenue recognition

(i) Taxation

Annually, the County bills and collects property tax revenue for municipal levy purposes as well as education taxes on behalf of the local school boards. The County has the authority to levy and collect property taxes under the Municipal Act, 2001.

(continues)

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amount of the total annual municipal property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class of property, in accordance with legislation and Council-approved policies, in order to raise the revenue needed to meet operating budget requirements.

The Municipal Property Assessment Corporation (MPAC), a not-for-profit corporation funded by all of Ontario's municipalities, is responsible for property assessments. MPAC provides the current value assessment (CVA) of each property in the returned assessment roll in December of each year. The amount of property tax levied on an individual property is the product of the CVA, the municipal tax rate by class, and the education tax rate by class.

Taxation revenue is recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year relating to; newly occupied properties, properties omitted in the December assessment roll, or other MPAC adjustments. Tax revenue can also be reduced if there are reductions in assessment values resulting from property assessment appeals. Taxes receivable are recognized net of allowance for uncollectible amounts, which was estimated to be \$2,100,000 (2021 - \$2,100,000) at year end.

(ii) Government transfers

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

(iii) User charges

User charges relate to various municipal programs and fees imposed based on specific activities. Examples of user charges include: recreation programs, water, wastewater and solid waste. Revenue is recognized when the activity is performed or when services are rendered.

(iv) Other income

Other income is recognized in the year that the events giving rise to the revenue occur and the revenue is earned. Amounts received which relate to revenue that will be earned in a future year are deferred and reported as liabilities on the "Consolidated Statement of Financial Position."

(continues)

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets

Tangible capital assets are stated 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. Assumed subdivisions are recorded at cost upon transfer to the County, less amortization to the date of the asset assumption, with a corresponding amount recorded in other income as developer contributed assets. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded in other income. 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

Investments

Investments consist of authorized investments pursuant to provisions of the Municipal Act and comprise of government bonds, pooled investment funds, principal protected notes and short-term instruments of various financial institutions. Government bonds and principal protected notes are recorded at amortized cost. Pooled investment funds and short-term instruments are held in portfolios and are quoted in an active market and are level 1 investments in the fair value hierarchy. There has been no significant transfers between level 1 and level 2 of the fair value hierarchy. These level 1 investments are recorded at fair market value less any amounts written off to reflect a permanent decline in value.

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. Changes in the fair market value of pooled investments and short-term instruments are recognized in the statement of remeasurement gains and losses in the period in which they occur.

Inventory

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

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.

(continues)

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Measurement uncertainty

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

Significant items subject to such estimates and assumptions include valuation allowances for taxes receivable, accounts receivable, accounts payable, employee benefits liability and solid waste landfill closure and post-closure liability. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the year which they become known.

Actual results could differ from management's best estimates as additional information becomes available in the future.

3. CONTAMINATED SITES

A contaminated site is an unproductive site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. A liability for remediation of contaminated sites is recognized when the County is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate for the amount can be made. All criteria must be met in order to recognize a liability. As at December 31, 2022, there is no liability recorded in the consolidated financial statements. The County will continue to review contaminated sites on an annual basis and when the criteria for recognition have been met, a liability will be recorded.

4. INVESTMENTS

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

	<u>2022</u>		<u>2021</u>	
	Market value	Carrying value	Market value	Carrying value
Government bonds and notes	\$ 21,936,953	\$ 22,561,060	\$ 5,738,221	\$ 5,400,270
GICs and short-term savings	121,214,578	121,214,578	91,389,890	91,389,890
ONE Fund Investments	85,180	85,180	83,436	83,436
ONE Fund Investments - Legacy	72,589,547	72,589,547	77,590,824	77,590,824
Principal protected notes	8,923,165	9,516,625	7,529,325	7,500,000
	\$224,749,423	\$225,966,990	\$182,331,696	\$181,964,420

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

5. EMPLOYEE BENEFITS LIABILITY

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

	2022	2021
Vested and non-vested sick leave	\$ 2,074,455	\$ 2,105,544
Post-employment and post-retirement benefits	5,153,662	5,611,584
Workers' compensation	4,533,226	4,453,470
	\$ 11,761,343	\$ 12,170,598

The County is also liable for accrued severances. These liabilities as at December 31, 2022, are \$1,577,345 (2021 - \$1,666,114) and are recorded in accounts payable.

(continues)

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

5. EMPLOYEE BENEFITS LIABILITY (continued)

a) Liability for vested and non-vested sick leave

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 amount paid to employees who left the County's employment during the year amounted to \$172,724 (2021 - \$77,002).

A comprehensive actuarial evaluation for the vested and non-vested sick leave benefits liability was conducted as at December 31, 2020. The report included projections for the years 2021 to 2023.

b) Liability for post-employment and post-retirement benefits

Norfolk County provides retirement benefits consisting of health care, dental, and life insurance to qualifying members.

A comprehensive actuarial evaluation for the employee benefits liability was conducted as at December 31, 2020. The report included projections for the years 2021 to 2023.

Significant assumptions used in the actuarial evaluation are:

Discount rate	3.25%
Inflation rate	1.75%
Dental rate	3.75%
Future health cost rate:	
Escalate at 5.4167% for 2022 vs. 2021, reducing by 0.3333% per year to 3.75% in 2027 vs. 2026 and 3.75% per year thereafter.	

(continues)

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

5. EMPLOYEE BENEFITS LIABILITY (continued)

c) Liability for workers' compensation

Norfolk County is self-insured for injured worker benefits with Workplace Safety and Insurance Board (WSIB) administering the benefits on behalf of the municipality as a schedule II employer.

A comprehensive actuarial evaluation for the future liability of WSIB benefits was conducted for the year ending December 31, 2020. The report includes projections for the years 2021 to 2023.

The significant assumptions used in the actuarial evaluation for the County's WSIB liabilities are:

Discount rate	2.75%
Inflation rate	1.75%
Future cost of loss of earnings benefit	2.50%
Future cost of health benefits	3.75%
Future cost of full indexed survivor benefits	1.75%
Future cost of non-economic loss benefits	1.75%

The allowance for future mortality improvements is set as a 1.75% negative adjustment to the above net future cost benefit rates.

The County has established a reserve fund for WSIB costs, which has a balance of \$3,068,636 (2021 - \$3,153,501).

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 \$358,477 (2021 - \$376,350), which is to be shared with Norfolk County.

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

6. DEFERRED REVENUE

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Professional 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	\$ 442,209	\$ 79,745	\$ 9,802	\$ (585)	\$ 531,171
Building permits	2,928,386	447,639	55,054	-	3,431,079
Development charges	13,738,367	3,802,211	277,475	(1,889,685)	15,928,368
Provincial OCIF	2,824,296	5,538,082	41,929	(6,132,127)	2,272,180
Provincial gas tax	326,900	244,393	10,740	(107,700)	474,333
Federal gas tax	14,091,481	4,062,331	180,872	(8,801,554)	9,533,130
Other	1,706,623	4,864,731	2,556	(1,706,623)	4,867,287
	\$ 36,058,262	\$ 19,039,132	\$ 578,428	\$ (18,638,274)	\$ 37,037,548

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

7. SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Tom Howe landfill site is jointly owned by Norfolk County and Haldimand County and, as anticipated, has reached its capacity of approximately 2,300,000 cubic metres in October 2015.

Canborough landfill site is also jointly owned by Norfolk County and Haldimand County. The Canborough landfill site was temporarily closed, to be re-opened and used once Tom Howe landfill site reached its capacity. In July 2014, it was decided by both counties that the Canborough landfill site would not be re-opened and would be permanently closed.

The costs of closing and maintaining the landfill sites are shared by both Norfolk County and Haldimand County. It is estimated that Norfolk County's share of the total costs to close and maintain the sites are approximately \$21,959,544. The estimated costs are calculated at net present value. Norfolk County has not designated any specific assets to assist with the cost of closing the sites. Post-closure activities will continue for 87 years for Tom Howe landfill site and 63 years for Canborough landfill site.

Key assumptions in determining the liability at December 31, 2022, for the sites are as follows:

Inflation rate	2.0%
Discount rate	4.0%
Estimated time for post-closure site rehabilitation and monitoring	
- Tom Howe landfill site	95 years
- Canborough landfill site	77 years

	2022	2021
Capital costs upon closure	\$ 648,002	\$ 459,283
Closed landfill site rehabilitation and monitoring	21,311,542	21,099,970
	\$ 21,959,544	\$ 21,559,253

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

8. LONG-TERM LIABILITIES

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

	2022	2021
Total long-term liabilities issued by the municipality and outstanding at the end of the year amounts to:	\$ 85,071,848	\$ 75,148,980

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

2023	\$ 7,425,338
2024	7,076,924
2025	6,384,273
2026	5,125,168
2027	5,229,278
Thereafter	<u>53,830,867</u>
	<u>\$ 85,071,848</u>

The above long-term liabilities have maturity dates ranging from 2023 to 2042 with interest rates varying between 0.58% to 5.794%.

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 Consolidated Financial Statements
Year ended December 31, 2022

9. TANGIBLE CAPITAL ASSETS

	Land	Land improvements	Buildings and structures	Infrastructure	Vehicles, machinery and equipment	Assets under construction	2022
Cost, beginning of year	\$13,731,937	\$ 31,767,227	\$173,087,532	\$703,204,509	\$ 65,350,769	\$59,492,657	\$1,046,634,631
Additions	11,622	602,855	3,258,724	37,641,595	6,059,583	49,852,601	97,426,980
Disposals	(44,500)	-	(621,626)	(950,970)	(2,357,675)	-	(3,974,771)
Transfer to capital assets	-	-	-	-	-	(47,574,379)	(47,574,379)
Cost, end of year	13,699,059	32,370,082	175,724,630	739,895,134	69,052,677	61,770,879	1,092,512,461
Accumulated amortization, beginning of year	-	16,361,474	82,776,028	304,372,453	45,433,593	-	448,943,548
Amortization	-	574,785	5,855,663	17,844,670	5,198,720	-	29,473,838
Disposals	-	-	(429,408)	(543,579)	(2,333,019)	-	(3,306,006)
Accumulated amortization, end of year	-	16,936,259	88,202,283	321,673,544	48,299,294	-	475,111,380
Net carrying amount, end of year	\$13,699,059	\$ 15,433,823	\$ 87,522,347	\$418,221,590	\$ 20,753,383	\$61,770,879	\$ 617,401,081

(continues)

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

9. TANGIBLE CAPITAL ASSETS (continued)

	Land	Land improvements	Buildings and structures	Infrastructure	Vehicles, machinery and equipment	Assets under construction	2021
Cost, beginning of year	\$13,408,660	\$ 31,534,660	\$172,633,635	\$671,465,140	\$ 64,890,150	\$50,284,717	\$1,004,216,962
Additions	476,556	232,567	453,897	32,340,376	3,653,126	46,364,462	83,520,984
Disposals	(153,279)	-	-	(601,007)	(3,192,507)	-	(3,946,793)
Transfer to capital assets	-	-	-	-	-	(37,156,522)	(37,156,522)
Cost, end of year	13,731,937	31,767,227	173,087,532	703,204,509	65,350,769	59,492,657	1,046,634,631
Accumulated amortization, beginning of year	-	15,794,877	76,943,686	287,774,110	43,478,194	-	423,990,867
Amortization	-	566,597	5,832,342	17,038,674	5,139,433	-	28,577,046
Disposals	-	-	-	(440,331)	(3,184,034)	-	(3,624,365)
Accumulated amortization, end of year	-	16,361,474	82,776,028	304,372,453	45,433,593	-	448,943,548
Net carrying amount, end of year	\$13,731,937	\$ 15,405,753	\$ 90,311,504	\$398,832,056	\$ 19,917,176	\$59,492,657	\$ 597,691,083

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

10. ACCUMULATED OPERATING SURPLUS

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

	2022	2021
Investment in tangible capital assets	\$ 617,401,081	\$ 597,691,083
Long-term liabilities	(85,071,848)	(75,148,980)
Unfinanced capital	(17,992,223)	(21,554,253)
Net investment in tangible capital assets	514,337,010	500,987,850
Operating surplus	8,432,652	14,219,715
Water surplus	578,489	1,051,346
Wastewater surplus	339,007	248,221
	9,350,148	15,519,282
Business improvement areas		
Delhi BIA surplus	37,234	37,234
Simcoe BIA surplus	222,261	137,999
	259,495	175,233
Reserves		
Contingencies	18,516,234	8,188,223
Council initiative	1,337,053	1,270,194
Capital purposes	35,186,709	17,926,117
Other	9,534,888	3,427,185
	64,574,884	30,811,719
Reserve funds		
Capital replacement - wastewater	16,903,065	16,278,427
Capital replacement - water	19,511,007	15,300,632
Waste management	932,393	(526)
WSIB	3,068,636	3,153,501
Legacy Fund	66,330,405	66,511,319
Other	6,000,434	5,171,074
	112,745,940	106,414,427
Unfunded liabilities		
Solid waste landfill liability	(21,959,544)	(21,559,253)
Post employment benefits liability	(3,349,880)	(3,647,530)
Non-vested sick leave liability	(1,857,879)	(1,867,512)
	(27,167,303)	(27,074,295)
	\$ 674,100,174	\$ 626,834,216

The Corporation of Norfolk County

Notes to Consolidated Financial Statements

Year ended December 31, 2022

11. GOVERNMENT TRANSFERS - FEDERAL

	Budget (Note 17)	2022	2021
Operating			
Conditional	\$ 912,600	\$ 11,011,110	\$ 748,950
Capital			
Infrastructure funding	831,000	547,926	2,277,525
Federal gas tax revenue	9,414,000	8,620,682	5,485,796
	\$ 11,157,600	\$ 20,179,718	\$ 8,512,271

12. GOVERNMENT TRANSFERS - PROVINCIAL

	Budget (Note 17)	2022	2021
Operating			
Ontario Municipal Partnership Fund	\$ 6,091,700	\$ 6,091,700	\$ 6,135,800
Conditional	56,012,000	58,450,057	61,934,366
Capital			
Infrastructure funding	2,201,000	8,610,222	5,239,163
Provincial gas tax revenue	-	96,960	106,802
	\$ 64,304,700	\$ 73,248,939	\$ 73,416,131

13. OTHER INCOME

	Budget (Note 17)	2022	2021
Licenses, permits, rents and concessions	\$ 4,694,600	\$ 5,123,537	\$ 4,834,462
Provincial offences and other fines	730,000	929,711	600,575
Penalties and interest on taxes	1,350,000	1,773,062	1,152,123
Investment income	1,070,000	6,353,546	5,428,623
Developer contributions	1,265,000	1,958,343	1,891,420
Developer contributed assets	-	2,053,285	-
Gain on disposal of tangible capital assets	-	1,369,482	2,294,047
Donations	269,500	273,532	841,292
	\$ 9,379,100	\$ 19,834,498	\$ 17,042,542

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

14. CONTRACTUAL OBLIGATIONS

a) Ontario Clean Water Agency

Norfolk County has entered into an agreement with Ontario Clean Water Agency for the operation and maintenance of the County's wastewater treatment facilities and pumping stations. The term of the agreement commenced on October 1, 2021 and expires September 30, 2026 and is subject to two additional terms of up to 2 years for each term at the sole option of the County. The annual cost of this contract for 2022 was \$2,056,217.

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 a five-year agreement with the Solicitor General of Ontario for the provision of police services. The five-year term expires in December 2024. The annual cost of this contract for 2022 was \$12,860,119 (2021 - \$13,339,513).

d) Office building lease

Norfolk County has entered into an agreement to lease office space. The lease commitment date commenced June 2015 and the initial term of the lease is 15 years. The amount paid in 2022 for this contract was \$1,003,432 (2021 - \$1,003,432).

e) Hospital pledge

Included in accounts payable is a pledge to Norfolk General Hospital for \$3,500,000 (2021 - \$3,000,000). The total amount pledged to the hospital of \$5,000,000 is being recognized at \$500,000 per year over 10 years and is being funded from the Legacy Fund.

15. 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. Contributions were made in the 2022 calendar year at rates ranging from 9.0% to 14.6% (2021 - 9.0% to 14.6%). The amount contributed to OMERS for 2022 was \$4,861,974 (2021 - \$4,642,618). 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. As at December 31, 2022 the OMERS plan is in a deficit of \$6.7 Billion (2021 - \$3.1 Billion), which will be addressed through temporary contribution rate increases, benefit reductions and investment returns.

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

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 risk that it cannot reasonably control. The municipality has adequate self-insurance coverage. Purchased insurance coverage is in place for claims in excess of the municipality's self-insurance coverage to a maximum of \$25,000,000 with the exception of certain environmental liability claims, should such claims arise.

At December 31, 2022, there are outstanding legal and liability claims against Norfolk County. No provision has been made for any claims that are expected to be covered by insurance or where the consequences are undeterminable. A provision has been made for those claims not expected to be covered by insurance and is recorded as an expense on the "Consolidated Statement of Operations" and as an accounts payable on the "Consolidated Statement of Financial Position". This provision is an estimate based on the expected outcome of litigation and hence the extent of the provision has not been disclosed as it may be adverse to the outcome of ongoing litigation.

17. BUDGET FIGURES

The operating and capital budgets adopted by Norfolk County Council were not prepared on a basis consistent with the reporting requirements of the Public Sector Accounting Board. The budgets were prepared in accordance with the Municipal Act, 2001 on a modified accrual basis while public sector accounting standards require a full accrual basis to be used for financial statements. The budget figures anticipated contributing to the accumulated surplus allowing Norfolk County to reserve funds for future obligations. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the "Consolidated Statement of Operations" represents the budget adopted by Council with adjustments as follows:

	2022
Operating and capital budget surplus for the year adopted by Council	\$ -
Add:	
Budgeted transfers to the capital fund for tangible capital asset purchases	1,341,000
Budgeted transfers to reserves and reserve funds	28,062,400
Principal payments on debt	13,350,900
Budgeted use of capital government transfers for tangible capital asset purchases	1,229,001
Budgeted use of deferred revenue for tangible capital asset purchases	12,452,000
Budgeted use of user charges and donations directly related to tangible capital asset purchases	510,000
Less:	
Amortization	(29,473,838)
Budgeted transfers from reserves and reserve funds	(4,173,100)
Budget surplus per "Consolidated Statement of Operations"	\$23,298,363

18. COMPARATIVE FIGURES

Certain prior year figures have been adjusted to conform with the 2022 financial statement presentation.

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

19. FINANCIAL INSTRUMENTS

The Corporation is exposed to various risks through its financial instruments and continues to monitor, evaluate and manage these risks. The following analysis provides information about the Corporation's risk exposure and concentration as of December 31, 2022.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation is exposed to credit risk from customers and taxpayers. In order to reduce its credit risk, an allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Corporation has a significant number of customers and taxpayers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, contributions to the pension plan, and accounts payable.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Corporation is mainly exposed to interest rate risk and other price risk.

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities.

(e) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation is exposed to other price risk through its investment in pooled investments.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant other financial risks arising from these financial instruments.

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

20. COVID-19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

As at issuance of the financial statements, the Corporation is aware of changes in its operations as a result of the COVID-19 crisis, including the closure of its offices.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the Corporation's operations as at the date of these financial statements.

21. SEGMENTED INFORMATION

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 that 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 include fire, police, conservation authority, protection inspection and control, emergency measures, and the Provincial Offences Act.

Transportation services

The transportation services department is responsible for the safe and efficient movement of people and goods within 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

The environmental services include sanitary sewer systems, storm sewer systems, waterworks systems, waste collection and disposal, recycling and administration.

Social and family services

The social and family services include general assistance for Ontario Works, assistance to aged persons for Norview Lodge, and child care.

Other services

Other services include general government, health services, social housing, recreation and cultural services and planning and development.

(continues)

The Corporation of Norfolk County
Notes to Consolidated Financial Statements
Year ended December 31, 2022

21. SEGMENTED INFORMATION (continued)

	Protection services	Transportation services	Environmental services	Social and family services	Other services	2022
Revenue						
Government transfers	\$ 146,515	\$ 2,732,995	\$ 826,274	\$ 36,552,237	\$ 53,170,636	\$ 93,428,657
User charges	264,481	662,769	26,812,106	4,592,802	2,889,867	35,222,025
Other revenue [1]	3,545,941	2,889,986	3,043,691	755,485	12,385,130	22,620,233
	3,956,937	6,285,750	30,682,071	41,900,524	68,445,633	151,270,915
Expenses						
Salaries, wages and benefits	4,227,696	8,278,200	4,296,448	20,151,475	38,124,059	75,077,878
Materials	621,266	5,012,142	2,068,169	2,197,305	7,239,696	17,138,578
Contracted services	13,957,629	6,158,832	12,458,083	1,903,339	9,813,925	44,291,808
External transfers	-	-	1,834,086	21,444,866	20,588,979	43,867,931
Financial expenses	16,377	586,415	1,094,006	146,004	3,297,728	5,140,530
Interest on long-term liabilities	883	612,122	907,744	306,187	230,714	2,057,650
Amortization	1,131,693	16,389,594	7,738,591	738,444	3,475,516	29,473,838
	19,955,544	37,037,305	30,397,127	46,887,620	82,770,617	217,048,213
Deficiency of revenue over expenses for the year financed by net municipal levy	\$ (15,998,607)	\$ (30,751,555)	\$ 284,944	\$ (4,987,096)	\$ (14,324,984)	\$ (65,777,298)
Taxation revenue						113,043,256
Annual surplus						\$ 47,265,958

[1] 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
Notes to Consolidated Financial Statements
Year ended December 31, 2022

21. SEGMENTED INFORMATION (continued)

	Protection services	Transportation services	Environmental services	Social and family services	Other services	2021
Revenue						
Government transfers	\$ 409,298	\$ 4,086,352	\$ 910,386	\$ 30,660,397	\$ 45,861,969	\$ 81,928,402
User charges	258,932	285,185	25,194,690	4,558,244	1,967,489	32,264,540
Other revenue [1]	3,676,035	1,671,352	2,968,420	802,399	10,538,152	19,656,358
	4,344,265	6,042,889	29,073,496	36,021,040	58,367,610	133,849,300
Expenses						
Salaries, wages and benefits	3,956,362	7,702,514	4,088,719	18,271,616	38,499,978	72,519,189
Materials	566,658	4,321,110	1,402,070	1,923,990	6,401,773	14,615,601
Contracted services	13,829,904	4,653,807	12,431,749	1,564,608	6,681,514	39,161,582
External transfers	2,000	-	1,843,848	17,242,163	14,933,708	34,021,719
Financial expenses	140,283	332,439	688,538	44,222	3,269,281	4,474,763
Interest on long-term liabilities	2,844	641,622	965,958	392,509	259,400	2,262,333
Amortization	1,084,534	15,601,550	7,534,025	731,932	3,625,005	28,577,046
	19,582,585	33,253,042	28,954,907	40,171,040	73,670,659	195,632,233
Deficiency of revenue over expenses for the year financed by net municipal levy	\$ (15,238,320)	\$ (27,210,153)	\$ 118,589	\$ (4,150,000)	\$ (15,303,049)	\$ (61,782,933)
Taxation revenue						106,956,087
Annual surplus						\$ 45,173,154

[1] 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

Library Division - Schedule of Operations

Year ended December 31, 2022

	2022	2021
REVENUE		
Government transfers	\$ 130,590	\$ 149,513
Fees and service charges	31,240	27,131
Other revenue	80,392	109,658
	242,222	286,302
Expenses		
Salaries, wages and benefits	1,875,016	1,721,798
Materials and supplies	156,008	164,533
Services	252,142	248,946
External transfers	-	1,950
Interdepartmental charges and interest	191,168	177,204
Amortization	423,138	454,371
	2,897,472	2,768,802
Deficiency of revenue over expenses before undernoted items	(2,655,250)	(2,482,500)
Transfer from reserves	(57,510)	(56,082)
Transfer to reserves	322,000	316,000
Debt principal repayments	113,678	111,005
	378,168	370,923
DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR FINANCED BY NET MUNICIPAL LEVY	\$ (3,033,418)	\$ (2,853,423)

The above financial information is included in the *Consolidated Financial Statements* of Norfolk County.

The Corporation of Norfolk County
Museum Division - Schedule of Operations
Year ended December 31, 2022

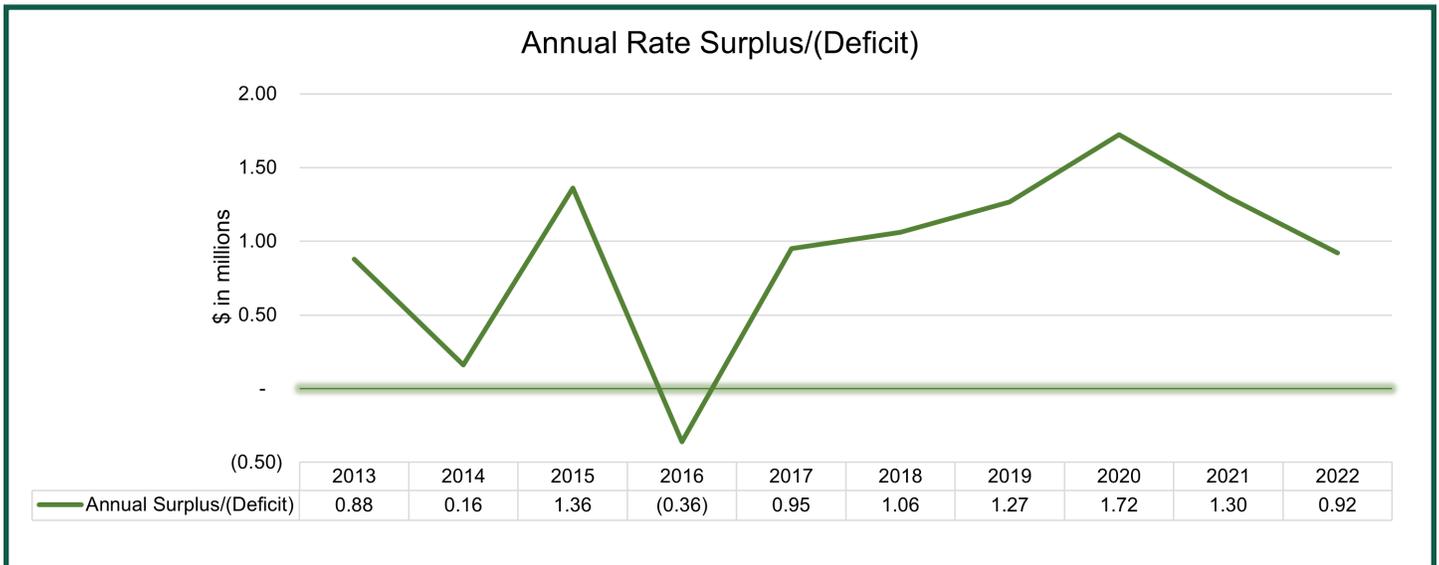
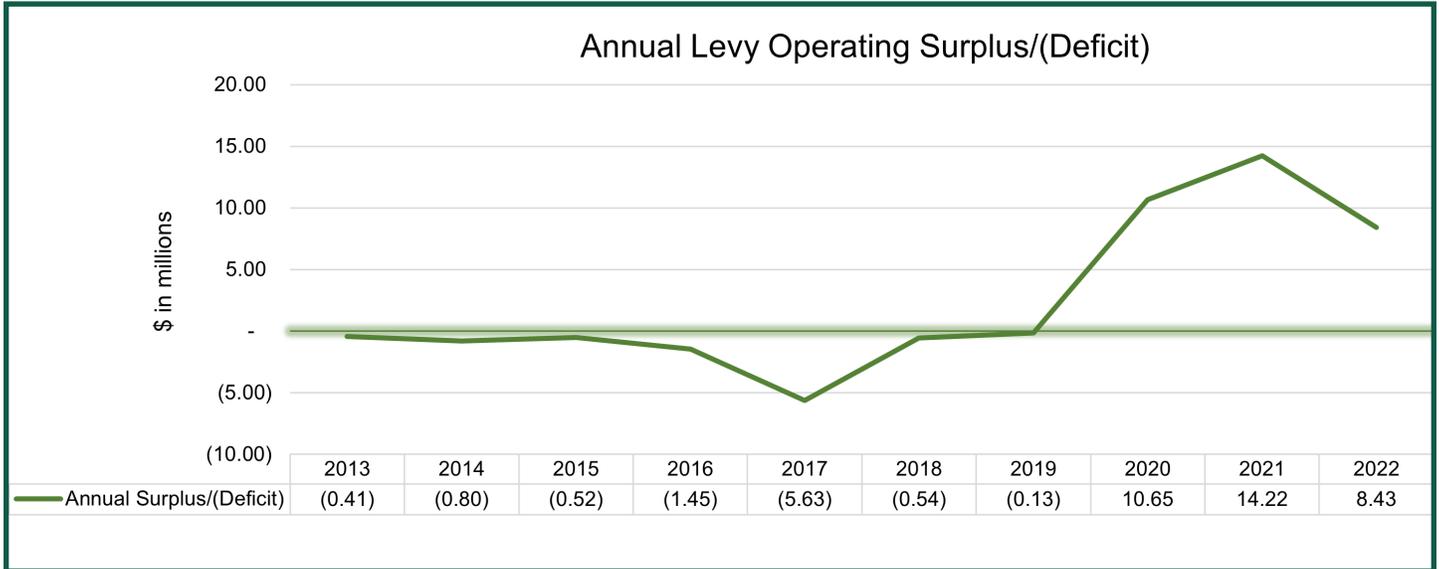
	2022	2021
REVENUE		
Government transfers	\$ 49,694	\$ 68,780
Fees and service charges	64,720	22,833
	114,414	91,613
Expenses		
Salaries, wages and benefits	540,119	491,288
Materials and supplies	111,483	136,344
Services	54,689	41,410
Interdepartmental charges and interest	49,380	43,774
Amortization	124,910	126,961
	880,581	839,777
Deficiency of revenue over expenses before undernoted items	(766,167)	(748,164)
Transfer from reserves	-	(221)
Debt principal repayments	36,849	36,849
	36,849	36,628
DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR FINANCED BY NET MUNICIPAL LEVY	\$ (803,016)	\$ (784,792)

The above financial information is included in the *Consolidated Financial Statements* of Norfolk County.



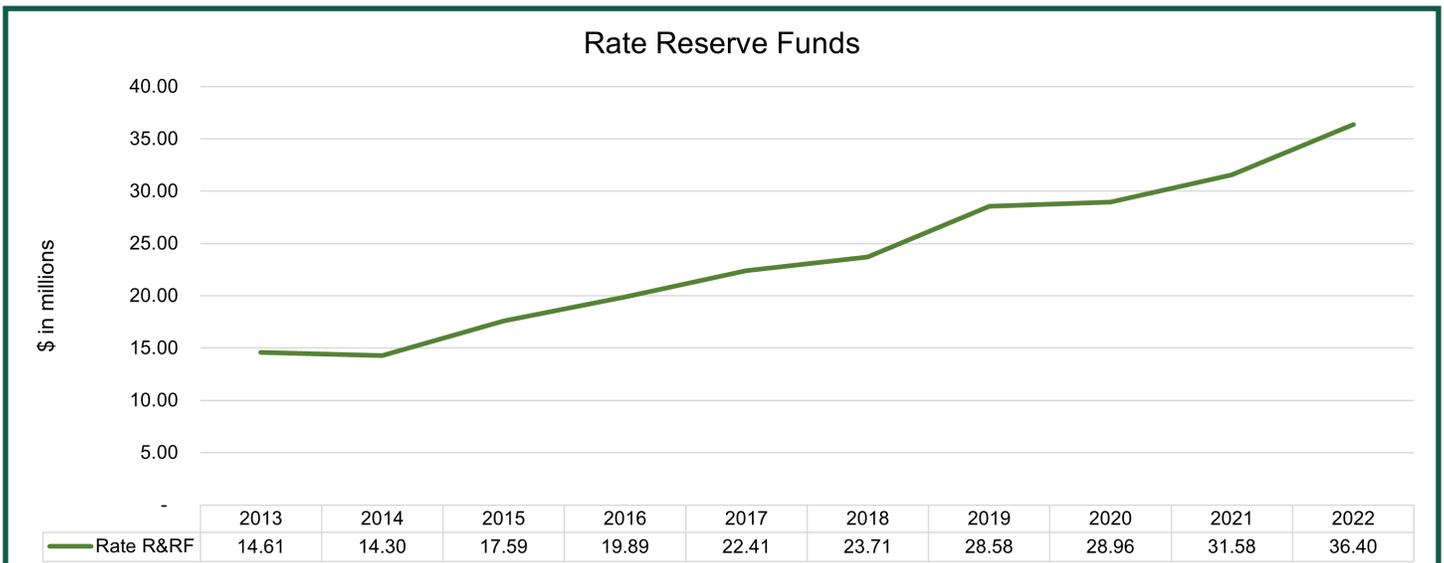
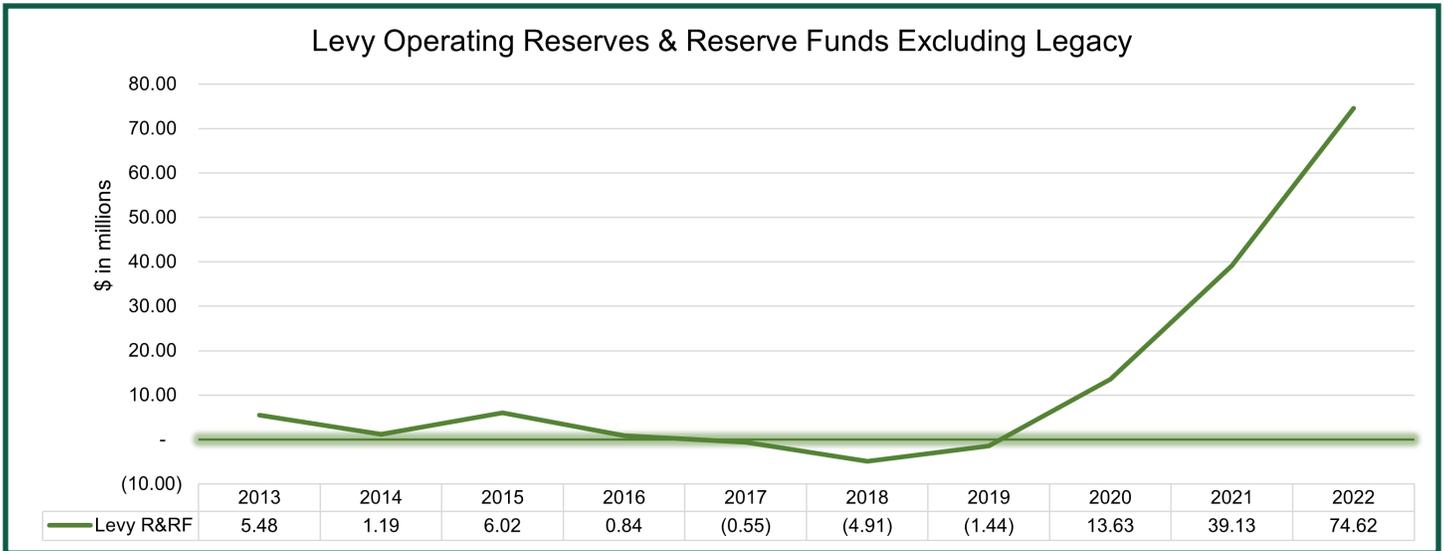
Statistical
INFORMATION

Levy and Rate Surplus/Deficit



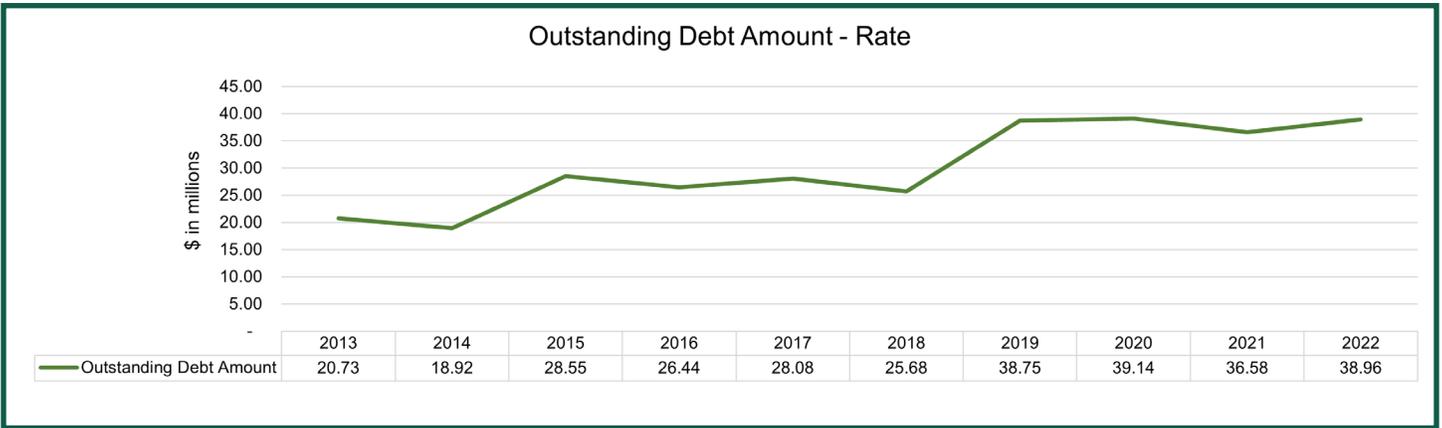
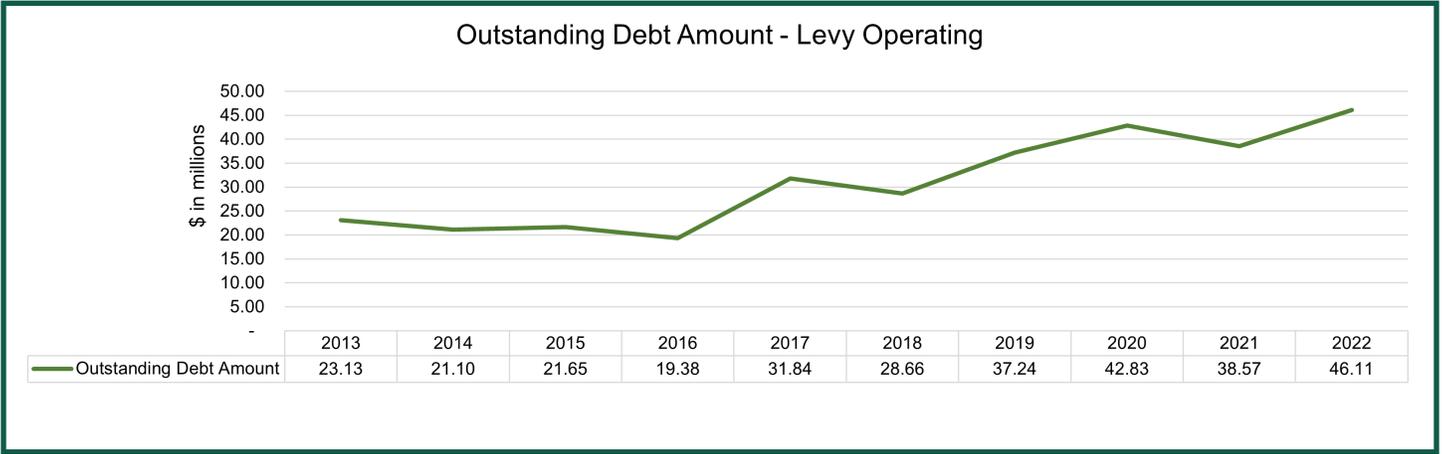
Levy and Rate Surplus/Deficit: These charts plot the 10-year trend of the surplus/deficits for the levy and rate. The surplus/deficit are relevant as a measure of annual budget variances and, when taken in aggregate, as a measure of overall health of a municipality. Taken individually, the balance demonstrates if a municipality is over or under budget for that given year. Further, each year the surplus/deficits are contributed to (surplus) or removed from (deficit) the contingency reserve for the levy and the respective capital replacement reserve for rate.

Levy and Rate Reserves



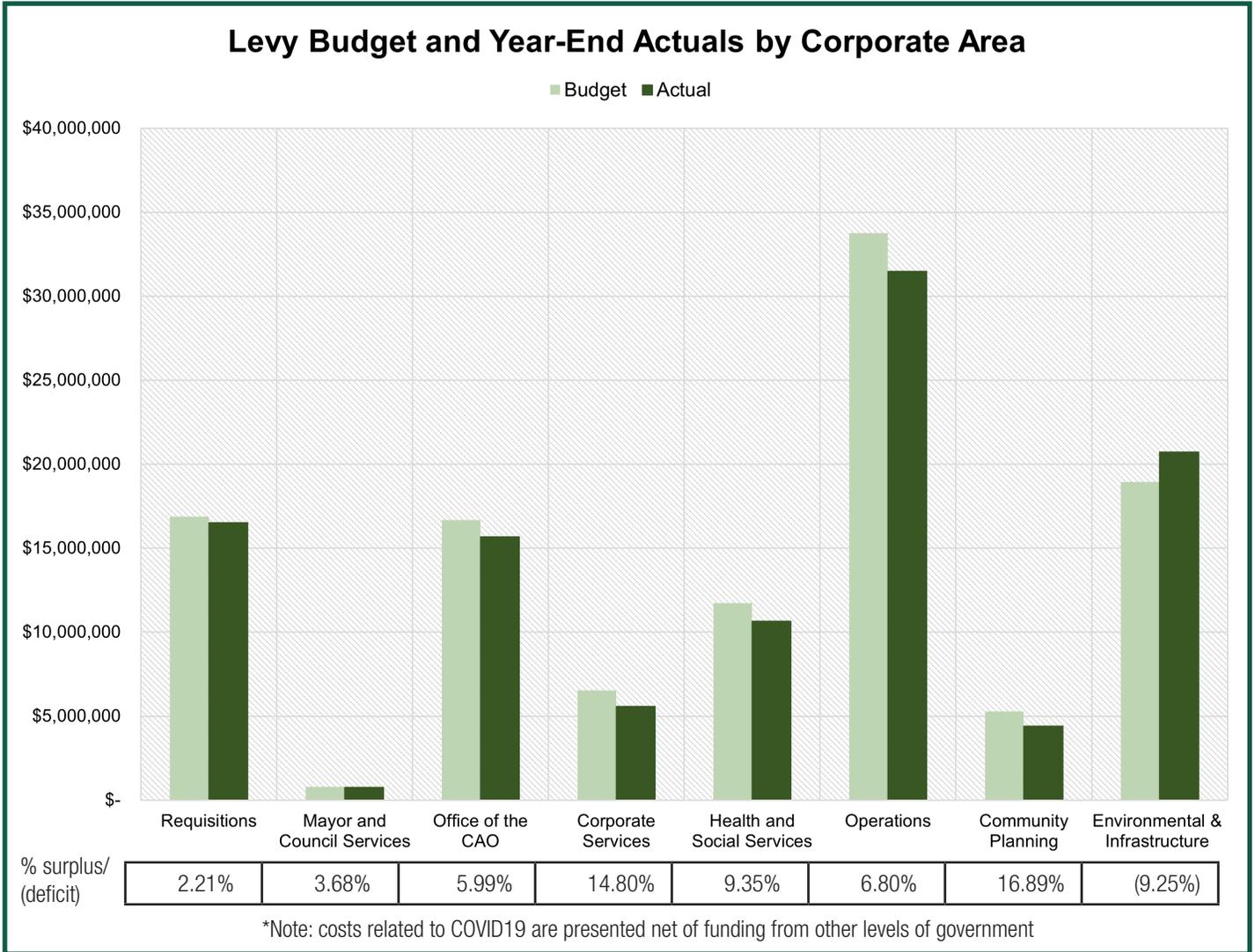
Operating and Levy Reserves: These charts plot the 10-year Reserve and Reserve Fund trend for the levy and rate. Reserves are an important tool for the financial sustainability of a municipality. They act as a savings account allowing the County to put aside money today (through contributions) to be withdrawn in the future (by funding projects or incurring deficits).

Debt Levels



Debt Levels: These charts plot the 10-year debt levels for the levy and rate. For municipalities, debt can only be issued for completed capital projects. As a result, debt levels are tied to an increase in, or improvement to tangible capital assets (roads, bridge, vehicles etc.). Debt, as a tool, is often used by municipalities to align the repayment (levy to taxpayer and/or ratepayers) with the benefit period (use of the asset). Said differently, debt allows a group of taxpayers or ratepayers to be levied over the life of the asset rather than having the current rate or levy payers pay for the full cost today. However, debt levels still need to be monitored. Debt levels must stay within the limits imposed by the Ministry of Municipal Affairs and Housing and remain within a range that can be managed by the municipality.

Levy Surplus/Deficit by Corporate Area



Levy Surplus/Deficit by Corporate Area: The chart above displays a comparison of budget and actual figures displayed by operating department. This provides an overall view of how each operating area performed in comparison to budget. A budget to actual comparison demonstrates the quality of estimates and can highlight areas of concern in tracking and recording expenses.