

Consolidated financial statements of

Corporation of the City of Welland

December 31, 2012

Corporation of the City of Welland

December 31, 2012

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Independent Auditor's Report

To the Members of Council, Inhabitants and Taxpayers of
Corporation of the City of Welland

We have audited the accompanying consolidated financial statements of the Corporation of the City of Welland, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Welland as at December 31, 2012, and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

Without modifying our opinion, we draw attention to the budget figures which are provided for comparative purposes only. They have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
July 16, 2013

Corporation of the City of Welland

Consolidated statement of financial position as at December 31, 2012

	2012	2011
	\$	\$
Assets		
Cash and cash equivalents (Note 2)	1,844,950	846,491
Taxes and grants-in-lieu receivable	7,102,360	6,432,991
Accounts receivable	8,903,558	11,229,509
Interest receivable	994,967	1,052,523
Note receivable	300,000	306,000
Loan receivable	16,184	26,512
Long-term investments (Note 3)	32,056,304	30,446,966
Investment in subsidiary (Note 4)	29,723,833	29,853,251
	80,942,156	80,194,243
Liabilities		
Bank indebtedness (Note 5)	-	2,246,534
Accounts payable and accrued liabilities	13,287,764	10,582,217
Due to trust fund	21,074	10,032
Deferred revenue (Note 6)	10,733,862	10,638,154
Accrued interest on long-term debt	475,492	500,063
Long-term debt (Note 7, Schedule 12)	50,800,348	34,436,444
Employee benefit obligations (Note 8)	5,940,632	6,033,385
	81,259,172	64,446,829
Net (debt) financial assets	(317,016)	15,747,414
Non-financial assets		
Tangible capital assets (Note 9, Schedule 13)	247,980,149	229,382,336
Other assets (Note 10)	112,451	107,701
	248,092,600	229,490,037
Contingencies (Note 17)		
Accumulated surplus (Note 11)	247,775,584	245,237,451

Approved by

_____ City Manager

_____ General Manager, Financial &
Corporate Services/Treasurer

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

Corporation of the City of Welland

Consolidated statement of operations year ended December 31, 2012

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
	\$	\$	\$
Revenue			
Taxation (Schedule 2)	30,359,502	30,445,944	29,429,487
User charges (Schedule 3)	26,097,040	26,105,934	25,261,375
Grants (Schedule 3)	3,626,100	4,480,334	3,694,584
Other (Schedule 4)	4,079,826	6,433,649	8,246,289
	<u>64,162,468</u>	<u>67,465,861</u>	<u>66,631,735</u>
Expenses			
General government (Schedule 5)	8,680,704	8,997,569	9,072,978
Protection to persons and property (Schedule 6)	8,388,477	8,910,813	8,935,829
Transportation services (Schedule 7)	15,514,050	15,702,918	16,264,915
Environmental services (Schedule 8)	24,472,943	22,261,171	22,103,890
Health services (Schedule 9)	88,461	82,734	104,794
Social and family services (Schedule 9)	250,089	694,105	337,102
Recreational and cultural services (Schedule 10)	9,806,009	11,517,931	10,219,216
Planning and development (Schedule 11)	1,289,793	1,259,465	1,538,494
	<u>68,490,526</u>	<u>69,426,706</u>	<u>68,577,218</u>
Net expenses	(4,328,058)	(1,960,845)	(1,945,483)
Other			
Revenue related to tangible capital assets			
User charges (Schedule 3)	294,500	478,440	4,664,299
Grants (Schedule 3)	2,068,900	3,098,241	7,940,985
Other (Schedule 4)	-	1,051,715	4,258,874
(Decrease) increase in equity investment in subsidiary (Note 4)	-	(129,418)	89,766
	<u>2,363,400</u>	<u>4,498,978</u>	<u>16,953,924</u>
Annual surplus	(1,964,658)	2,538,133	15,008,441
Accumulated surplus, beginning of year (Note 11)		245,237,451	230,229,010
Accumulated surplus, end of year (Note 11)		247,775,584	245,237,451

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

Corporation of the City of Welland

Consolidated statement of change in net debt as at December 31, 2012

	2012	2011
	\$	\$
Increase (decrease) in net financial assets		
Annual surplus	2,538,133	15,008,441
Amortization of tangible capital assets	8,425,524	7,863,260
Acquisition of tangible capital assets	(27,034,272)	(20,319,333)
Proceeds on the disposition of tangible capital assets	26,119	88,739
Gain on disposal of tangible capital assets	(15,184)	(125,265)
Writedowns of tangible capital assets	-	68,509
Donated tangible capital asset	-	(3,170,000)
Change in other assets	(4,750)	15,300
	(16,064,430)	(570,349)
Net financial assets, beginning of year	15,747,414	16,317,763
Net (debt) financial assets, end of year	(317,016)	15,747,414

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

Corporation of the City of Welland

Consolidated statement of cash flows year ended December 31, 2012

	2012	2011
	\$	\$
Operating activities		
Annual surplus	2,538,133	15,008,441
Non-cash items		
Amortization	8,425,524	7,863,260
Gain on disposal of tangible capital assets	(15,184)	(125,265)
Writedown of tangible capital asset	-	68,509
Decrease (increase) in investment in subsidiary	129,418	(89,766)
(Increase) decrease in taxes and grants-in-lieu receivable	(669,369)	156,161
Decrease (increase) in accounts receivable	2,325,951	(1,775,238)
Decrease (increase) in interest receivable	57,556	(2,408)
Decrease in loan receivable	10,328	4,575
Increase (decrease) in accounts payable	2,705,547	(1,348,721)
Increase in due to trust fund	11,042	6,404
(Decrease) increase in deferred revenue	95,708	342,680
Decrease in accrued interest on long-term debt	(24,571)	(12,532)
(Decrease) increase in employee benefit obligations	(92,753)	568,089
(Increase) decrease in other assets	(4,750)	15,300
	15,492,580	20,679,489
Capital activities		
Proceeds from sale of tangible capital assets	26,119	88,739
Donated tangible capital asset	-	(3,170,000)
Acquisition of tangible capital assets	(27,034,272)	(20,319,333)
	(27,008,153)	(23,400,594)
Investing activities		
Decrease in long-term investments - net	(1,609,338)	502,845
Repayment of note receivable	6,000	4,500
	(1,603,338)	507,345
Financing activities		
Increase in bank indebtedness	(2,246,534)	1,310,254
Proceeds on issue of long-term debt	20,367,755	4,760,000
Repayment of long-term debt	(4,003,851)	(3,446,616)
Proceeds on issue of note receivable	-	(281,000)
	14,117,370	2,342,638
Net increase in cash and cash equivalents	998,459	128,878
Cash and cash equivalents, beginning of year	846,491	717,613
Cash and cash equivalents, end of year	1,844,950	846,491

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

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

1. Significant accounting policies

The consolidated financial statements of the Corporation of the City of Welland ("the Municipality") are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Municipality are as follows:

Basis of consolidation

The consolidated financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and change in accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality and which are owned or controlled by the Municipality. In addition to general government tax-supported operations, they include the following:

- Welland Public Library Board
- Board of Management for the Welland Downtown Business Improvement Area
- Board of Management for the North Welland Business Improvement Area
- Welland Recreational Canal Corporation

Interdepartmental and organizational transactions and balances are eliminated.

The following joint local board is proportionately consolidated:

- Niagara Central Airport Commission (Joint Board)

Related party transactions are eliminated (Note 15).

Welland Hydro-Electric Holding Corp. is a subsidiary corporation of the Municipality and is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government enterprises (Note 4). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Municipality, and inter-organizational transactions and balances are not eliminated.

The statements exclude trust assets that are administered for the benefit of external parties (Note 16).

Basis of accounting

Sources of 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 the legal obligation to pay.

Budget figures

The budget for 2012 is reflected on the consolidated statement of operations. The budget established for 2012 included amounts for capital expenses, however starting in 2009 these expenses have been recorded as tangible capital asset additions. The budget figures do not include amounts for amortization of tangible capital assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and guaranteed investment certificates with a term of 365 days or less.

Long-term investments

Fixed income investments are recorded at amortized cost less amounts written off to reflect a permanent decline in value. Purchase premiums and discounts are amortized on the present value basis over the term of the issues.

Investments in common and preferred shares are recorded at cost, or at cost less amounts written off to reflect a permanent decline in value.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

1. Significant accounting policies (continued)

Deferred revenue

Receipts which are restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenues. When qualifying expenses are incurred restricted revenues are brought into revenue at equal amounts. Revenues received in advance of expenses which will be incurred in a later period are deferred until they are earned by being matched against those expenses.

Employee benefit obligations

The Municipality pays certain benefits on behalf of its retired employees. The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition.

The Municipality does not capitalize interest as part of the costs of its capital assets.

Works of art for display in municipal property are not included as capital assets. The works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The cost of art is not determinable or relevant to their significance. No valuation of the collection has been conducted or disclosed in the consolidated financial statements.

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the statement of operations as "other revenue". Amortization is based on six months for the year of acquisition regardless of the month purchased and annually thereafter until the asset is fully depreciated, disposed of or replaced. Assets under construction are not amortized until the asset is available for productive use.

Amortization is based on the following classifications and useful lives:

<u>Classification</u>	<u>Useful life</u>
Land improvements	10 to 25 years
Buildings	20 to 50 years
Roads and bridges	15 to 75 years
Water and waste water infrastructure	15 to 80 years
Vehicles	5 to 15 years
Computer hardware and software	1 to 5 years
Machinery and equipment	5 to 20 years

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

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

1. Significant accounting policies (continued)

Subdivision infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure is required to be provided by subdivision developers. Upon completion they are turned over to the Municipality. The Municipality is not involved in the construction.

Local improvements

The Municipality records capital expenses funded by local improvement agreements as they are incurred. Prior to 2009, revenues were recognized over the term of the local improvement agreements as they were collected. Effective January 1, 2009, revenues are recognized in the year they become receivable.

Reserves for future expenses

Certain amounts, as approved by Municipal Council, are set aside in reserves and reserve funds for future operating and capital expenses.

Government transfers

Government transfers include entitlements, transfers under shared cost agreements, and grants. Revenue is recognized for entitlements and grants in the period received. Revenue is recognized for transfers under shared cost agreements in the period the costs are incurred.

Region and school board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the Region of Niagara are not reflected in the accumulated surplus balance of these financial statements.

Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

Investment income

Investment income earned on operating surplus funds and reserves and reserve funds (other than obligatory reserve funds) are recorded as revenue in the period earned. Investment income earned on obligatory reserve funds are recorded directly to each respective fund balance and forms part of the deferred revenue balance.

Comparative figures

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

Future accounting changes

Effective for fiscal periods beginning on or after April 1, 2012, all governments will be required to adopt Public Sector Accounting Board Handbook ("PSAB") Section 3410 Government Transfers. This standard provides guidance to governments for the accounting and reporting of government transfers from both the transferring government and the recipient government in the financial statements.

Effective for fiscal periods beginning on or after April 1, 2014, all governments will be required to adopt PSAB Section 3260, Liability for Contaminated Sites. This standard provides guidance on how to account for and report a liability associated with the remediation of contaminated sites, defines which activities would be included in the liability for remediation, establishes when to recognize and how to measure a liability for remediation and provides guidance on financial statement presentation and disclosure.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

1. Significant accounting policies (continued)

Future accounting changes (continued)

Effective for fiscal periods beginning on or after April 1, 2015, all governments will be required to adopt PSAB Section 2601, Foreign Currency Translation, PSAB Section 3450 Financial Instruments, and PSAB Section 1201, Financial Statement Presentation. These standards provide guidance on how to account for and report on financial instruments and related revenue and expenditures, and also provides guidance on financial statement presentation and disclosure

2. Cash and cash equivalents

	2012	2011
	\$	\$
Cash on hand	11,620	10,922
Cash held in banks and temporary investments	1,833,330	835,569
	1,844,950	846,491

3. Long-term investments

Long-term investments consist of Provincial and Federal Government Bonds and bank notes issued by various chartered banks.

The market value of the long-term investments at December 31, 2012 was \$32,990,702 (2011 - \$31,446,507).

4. Subsidiary operations

Welland Hydro-Electric Holding Corp. ("Welland Hydro"), established by municipal council under municipal By-law 2000-90, is wholly owned by the Corporation of the City of Welland and provides regulated and unregulated electric utility services.

The following table provides condensed supplementary financial information for Welland Hydro:

Financial position

	2012	2011
	\$	\$
Current assets	16,082,829	15,643,145
Capital assets	25,613,373	25,371,210
Regulatory assets	2,023,472	2,869,521
Long-term investment - non-associated company	19,684	19,684
Total assets	43,739,358	43,903,560
Current liabilities	5,207,108	4,813,622
Note payable	17,199,953	17,199,953
Other long-term liabilities	5,108,417	5,536,687
Total liabilities	27,515,478	27,550,262
Net assets	16,223,880	16,353,298

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

4. Subsidiary operations (continued)

Change in equity investment in subsidiary

	2012	2011
	\$	\$
Revenues	48,540,979	47,771,198
Operating expenses	(46,861,078)	(46,426,645)
Financing expenses	(991,962)	(986,561)
Other income	91,742	695,281
Payments in lieu of taxes	(59,099)	(188,507)
Net earnings from operations and increase in equity investment in subsidiary	720,582	864,766
Dividends	(850,000)	(775,000)
Change in equity	(129,418)	89,766

The Municipality's investment in Welland Hydro is comprised of the following:

	2012	2011
	\$	\$
Note receivable	13,499,953	13,499,953
Net assets	16,223,880	16,353,298
	29,723,833	29,853,251

The financial position information is as reported by Welland Hydro at December 31, 2012. The results of operations information is as reported by Welland Hydro for the year ended December 31, 2012.

Note payable

The \$13,499,853 note is due to the City of Welland and bears interest at 6.25%, beginning May 1, 2006. It is due twelve months after official demand by the Municipality.

The \$3,700,000 loan with the Toronto Dominion Bank commenced February 6, 2009 for five years with an Optional Exit Strategy at three years. Welland Hydro has also entered into an interest rate swap agreement with Toronto Dominion Securities for the full amount of the loan to reduce its exposure to interest rate fluctuations. Under the terms of the agreement, Welland Hydro has effectively fixed interest rates at 2.87%. The loan payments cover interest only with no principal repayments.

Change in accounting policies and estimates

In July 2012, the OEB issued a letter to local distribution companies ("LDC's") that provides guidance on permitted rates for depreciation expense and capitalization beginning in 2013. In this letter, the OEB states that it will require all LDC's to adopt IFRS-compliant depreciation and capitalization accounting policies effective January 1, 2013, regardless of whether the LDC has chosen to defer the adoption of IFRS as permitted by the AcSB. The OEB also approved the use of a new variance account to capture the financial differences arising as a result of adopting IFRS-compliant accounting policies in 2013. This variance account is to be disposed of as part of the LDC's next rate rebasing. Therefore, there will be no impact to net income as a result of these accounting policy changes.

Welland Hydro's accounting policy for depreciation is IFRS compliant, however the estimated useful lives were adjusted based on the Deprecation Study for Use by Electricity Distributors effective January 1, 2012. The Company adopted an IFRS-compliant accounting policy for capitalization effective January 1, 2012. The policy was selected in accordance with International Accounting Standard 16, "Property, Plant and Equipment" ("IAS 16"), which provides more definitive guidance with respect to cost capitalization than that currently followed under Canadian GAAP.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

4. Subsidiary operations (continued)

Change in accounting policies and estimates (continued)

Due to the absence of rate-regulated accounting guidance within Canadian GAAP, Welland Hydro follows regulatory accounting guidance found under US GAAP. In accordance with US GAAP Accounting Standards Codification Section 980, "Regulated Operations," Welland Hydro has adopted these changes prospectively with no retrospective restatement of prior periods.

Contingencies

- (a) Welland Hydro participates with the other electrical utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electrical Association Reciprocal Insurance Exchange. Welland Hydro is liable for additional assessments to the extent premiums collected and reserves established are not sufficient to cover the cost of claims and costs incurred.
- (b) As of May 1, 2002, in order for Welland Hydro to obtain the electricity it requires to distribute to its customers, Welland Hydro was required to provide security to the Independent Electricity System Operator ("IESO") based on its usage. The security obtained was a letter of credit from a financial institution which requires an interest coverage ratio of more than 1.5 and a debt capitalization ratio less than 0.6. The letter is in the amount of \$2,538,527 and incurs interest at 0.6% annually.

As of April and June of 2011, Welland Hydro was required to provide additional security to the IESO. The security obtained was two letters of credit from a financial institution. The letters of credit are in the amount of \$100,000 and \$200,000 and also incur interest at 0.6% annually.

Commitments

Welland Hydro has an agreement to contribute to the costs of power connections and power lines in the new subdivisions built in the City of Welland. Welland Hydro will take over ownership of the power distribution equipment in the subdivisions two years after construction is accepted. The contribution made for the construction in subdivisions in 2012 was \$76,534 (2011 - \$58,672). The estimated contribution for 2013 is \$50,000.

The following summarizes the Municipality's related party transactions with Welland Hydro for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	2012	2011
	\$	\$
Electricity purchased	1,494,985	1,541,894
Rent paid	22,452	21,844
Other services purchased	392,273	484,560
Dividends received	850,000	775,000
Interest received	843,747	843,747
Property taxes and other taxes received	63,653	65,281
Water user charges received	4,810	6,230

5. Bank indebtedness

An operating line of credit of \$12,000,000 has been established with a financial institution, of which \$Nil was used at December 31, 2012 (2011 - \$2,246,534). An executed borrowing by-law in form and content satisfactory to Royal Bank of Canada is in effect to a limit of \$12,000,000. Interest is calculated at prime minus 0.50%. There is no security on this line of credit.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

6. Deferred revenue

	2012	2011
	\$	\$
Development Charges Act	3,805,590	3,222,402
Lot levies and subdivider contributions	3,685,642	3,470,285
Recreational land (Planning Act)	292,617	440,837
Provincial gas tax revenue	969,319	783,103
Federal gas tax revenue	1,384,701	2,277,950
Ontario Bus Replacement Program	19,732	26,092
Ontario State of Good Roads Program	186,541	183,161
Transit fares-Brock University/Niagara College	-	219,000
Investing in Ontario Act	15,324	15,324
Welland Recreational Canal Corporation - Canoe Niagara	374,396	-
	10,733,862	10,638,154

7. Long-term debt

- (a) The balance for net long-term debt reported on the consolidated statement of financial position is made up of the following:

	2012	2011
	\$	\$
The Municipality has assumed responsibility for the payment of principal and interest charges on certain long-term debt issued by the Regional Municipality of Niagara. At the end of the year, the outstanding principal amount of this debt is:	50,800,348	34,436,444

- (b) The net long-term debt is comprised of:

Debenture number	Purpose	Interest rates	Maturity dates	2012	2011
#		%		\$	\$
77-2002	Various	3.50 - 5.875	2012	-	110,000
74-2003	Various	2.95 - 5.35	2013	88,000	172,000
88-2004	Various	2.65 - 5.30	2014	1,003,942	1,470,480
85-2004	Civic Square	5.596	2024	7,608,477	8,043,450
OSIFA-04	General projects	2.46	2014	176,520	264,780
60-2005	Various	2.85 - 4.30	2015	2,782,000	3,112,000
56-2006	Various	4.70 - 5.15	2016	1,707,000	2,085,000
71-2007	Various	4.95 - 5.10	2017	3,194,261	3,744,759
60-2008	Various	3.70 - 4.70	2018	3,110,000	3,554,000
66-2009	Various	1.15 - 4.80	2019	2,304,000	2,595,000
72-2010	Various	1.60 - 4.65	2020	4,100,018	4,524,975
83-2011	Various	1.55 - 4.05	2021	4,058,375	4,460,000
73-2012	Various	1.35 - 3.10	2022	3,678,000	-
				33,810,593	34,136,444
	Infrastructure Ontario			16,989,755	300,000
				50,800,348	34,436,444

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

7. Long-term debt (continued)

(c) Principal repayments in each of the next five years are due as follows:

	\$
2013	4,389,715
2014	4,477,032
2015	5,733,170
2016	3,809,565
2017	3,492,997

(d) The Municipality paid \$1,524,241 (2011 - \$1,534,730) interest on long-term debt during the year.

8. Employee benefit obligations

	2012	2011
	\$	\$
Vested sick leave benefits	1,487,422	1,497,325
Post-retirement benefits	4,271,175	4,355,264
Other	182,035	180,796
Total employee benefit obligations	5,940,632	6,033,385
Less: sick leave funded by reserve (Note 12)	(246,737)	(237,832)
	5,693,895	5,795,553

(a) Vested sick leave benefits

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

The liability for these accumulated days, to the extent they have vested and could be taken in cash by an employee on terminating, amounted to \$1,487,422 (2011 - \$1,497,325). An amount of \$35,007 (2011 - \$176,688) was paid to employees who left the Municipality's employment during the current year. Payments to employees eligible to retire over the next five years are anticipated to be approximately \$80,000 per year.

An amount of \$246,737 (2011 - \$237,832) has been provided for the past service liability and is reported on the consolidated statement of financial position. An amount of \$20,000 (2010 - \$20,000) has been provided for in the current year and is reported on the consolidated statement of operations.

(b) Post-retirement benefits

In accordance with the Public Sector Accounting Board ("PSAB") guidelines the Municipality is required to report obligations for retirement benefits earned over the employment period of its employees.

Employees who retire under the Ontario Municipal Employees Retirement System Act ("OMERS Act") early retirement provisions are eligible to receive medical and dental benefits to the age of sixty-five. This amounts to \$4,271,175 (2011 - \$4,355,264) and is determined using average employee ages, years of service and retirement age as consistent with public sector past practices.

The Municipality's obligation under the post-retirement provision of employment agreements will be funded out of current revenue.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

9. Tangible capital assets

The net book values of tangible capital assets are as follows:

	2012	2011
	\$	\$
Land and land improvements	33,539,580	31,183,517
Buildings	62,137,655	48,636,472
Roads and bridges	57,172,240	55,732,720
Water and waste water infrastructure	81,953,852	81,153,154
Vehicles	7,713,737	7,338,498
Computer hardware and software	273,448	273,671
Machinery and equipment	5,189,637	5,064,304
	247,980,149	229,382,336

See Schedule 13 for more details.

10. Other assets

	2012	2011
	\$	\$
Prepaid expenses	60,342	74,455
Prepaid fuel	40,212	26,998
Inventory held for resale	11,897	6,249
	112,451	107,702

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

11. Accumulated surplus

	2012	2011
	\$	\$
Consists of:		
Surpluses (deficits)		
City	3,446,536	3,121,939
Welland Recreational Canal Corporation	(163,481)	(149,310)
North Welland Business Improvement Area	51,843	45,931
Welland Downtown Business Improvement Area	93,870	92,966
Niagara Central Airport Commission	32,609	59,807
	3,461,377	3,171,333
Investment in tangible capital assets	247,980,149	229,382,336
Investment in subsidiary	29,723,833	29,853,251
Unfunded:		
Long-term debt	(50,800,348)	(34,436,444)
Employee benefit obligations	(5,940,632)	(6,033,385)
Welland Downtown Business Improvement Area long-term payable	(195,000)	(210,000)
	(56,935,980)	(40,679,829)
Reserves and reserve funds (Note 12)	23,546,205	23,510,360
	247,775,584	245,237,451

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

12. Reserves and reserve funds

	2012	2011
	\$	\$
Reserves set aside for specific purposes by Council		
Working capital	1,011,893	902,168
Replacement of equipment	761,722	649,499
Bequests	29,878	49,274
Total reserves	1,803,493	1,600,941
Reserve funds set aside for specific purposes by Council		
Sick leave	246,737	237,832
Workers' Safety Insurance Board	346,307	300,707
Capital expenditure		
General administration	247,043	570,247
Parks and recreation	143,156	123,723
Economic development	436,512	388,059
Fire	690,413	686,888
Airport	17,140	36,390
Library	27,511	233,212
Fleet	188,722	425,175
Building capital improvements	132,295	122,968
Parking	63,457	50,572
Sports and culture	1,200,564	1,039,458
Municipal incentive grants	280,122	262,128
Recreational canal lands	13,645,024	13,766,647
Employee benefits	275,672	128,620
Water/wastewater surplus	1,230,458	851,881
Operating surplus	2,324,094	2,501,366
Ontario Municipal Partnership Funding Contingency	145,260	136,496
Insurance	102,225	47,050
Total reserve funds	21,742,712	21,909,419
Total reserves and reserve funds	23,546,205	23,510,360
Continuity of reserves and reserve funds		
Balance, beginning of year	23,510,360	22,512,983
Interest earned		
Other revenue	1,017,591	787,765
Transfers in from:	525,300	980,181
Operating revenue	1,574,635	2,356,043
Capital revenue	-	268,441
	3,117,526	4,392,430
Transfers out for:		
Operating purposes	1,607,450	2,697,634
Capital purposes	1,474,231	697,419
	3,081,681	3,395,053
Balance, end of year	23,546,205	23,510,360

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

13. Collections for the Region of Niagara and school boards

Total taxation, user charges and development charges received or receivable on behalf of the Region of Niagara and the school boards were as follows:

	2012	2011
	\$	\$
Region of Niagara (Schedule 2)	29,857,952	29,189,094
School boards (Schedule 2)	12,873,818	13,097,195
	42,731,770	42,286,289

The Municipality is required to levy and collect taxes on behalf of the Region of Niagara and the school boards. These taxes are recorded as revenue at the amounts levied. The taxes levied over (under) the amounts requisitioned are recorded as accounts payable (receivable).

The Municipality also collects development charges on behalf of the Region of Niagara (2012 - \$1,120,781; 2011 - \$890,835). Development charges collected in excess of those paid to the Region are recorded as accounts payable.

14. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("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 benefit to be received by the employee based on the length of service and rates of pay.

Contributions to OMERS are made at rates ranging from 8.3% to 13.9% depending on the proposed retirement age and the level of earnings. As a result \$3,809,935 (2011 - \$3,450,138) was contributed to OMERS for current service, representing both the employer's and the employees' portions, of which \$1,904,968 (2011 - \$1,725,068) represents the employees' portion.

15. Niagara Central Airport Commission

Niagara Central Airport Commission operates a two runway airport offering a year round fixed base operation. The Commission is funded by the four nearby municipalities: City of Welland, City of Port Colborne, Town of Pelham and the Township of Wainfleet. The City of Welland has a non-controlling interest in the airport of 55%.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

15. Niagara Central Airport Commission (continued)

The following table provides condensed supplementary financial information for Niagara Central Airport Commission:

	2012	2011
	\$	\$
Financial assets		
Cash and temporary investments	62,860	158,877
Receivables	9,897	6,737
	<u>72,757</u>	<u>165,614</u>
Liabilities		
Accounts payable and accrued liabilities	5,302	3,630
Net financial assets	<u>67,455</u>	<u>161,984</u>
Non-financial assets		
Prepaid expenses	1,378	1,563
Fuel inventory	21,630	11,361
Tangible capital assets	1,168,219	1,089,147
	<u>1,191,227</u>	<u>1,102,071</u>
Accumulated surplus	<u>1,258,682</u>	<u>1,264,055</u>
Revenues		
Grants	75,810	90,155
Fuel and rentals	55,919	48,525
Interest	432	344
Expenses	(137,534)	(122,069)
Annual (deficit) surplus	<u>(5,373)</u>	<u>16,955</u>

The financial position information is as reported by the Niagara Central Airport Commission as at December 31, 2012 and the results of operations are as reported for the year ended December 31, 2012. The comparative financial position and results of operations figures are as reported by the Niagara Central Airport Commission at December 31, 2011.

The Municipality has recorded in the financial statements its 55% share of the Niagara Central Airport Commissions' assets, liabilities, accumulated surplus, revenues, expenses, and annual surplus.

The following summarizes the Municipality's related party transactions with the Niagara Central Airport Commission for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	2012	2011
	\$	\$
Grants	<u>41,700</u>	<u>49,473</u>

16. Trust fund

The trust fund administered by the Municipality amounting to \$506,970 (2011 - \$494,227) has not been included in the consolidated statement of financial position nor has the operation been included in the consolidated statement of operations.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

17. Contingencies

Tax appeals

Certain property owners in the Municipality have been successful in appealing their tax assessments with the result that previous years' taxes will eventually be refunded.

Based on the results of these appeals it is likely that additional taxes for years up to 2010 will also be subject to appeal and it is further likely that these taxes will be refunded.

Although an estimate cannot be made of the contingent liability, the Municipality has provided \$500,000 (2011 - \$500,000) as a reserve for doubtful accounts. The amount of loss will be recorded in the year in which the settlement occurs.

Litigation

The Municipality is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Municipality believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.

18. Financial instruments

The Municipality's financial instruments consist of cash and cash equivalents, accounts receivable, interest receivable, note receivable, loan receivable, long-term investments, bank indebtedness, accounts payable and accrued liabilities, due to trust fund, accrued interest on long-term debt and long-term debt. It is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

19. Segmented information

The City of Welland is known officially as "The Rose City". Welland is home to over 50,000 residents who represent a blend of many different cultures. Our community is the proud host of an abundance of investment and recreational opportunities and conveniently located in the centre of the Niagara Region. The City of Welland is a truly unique canal city blessed with post-secondary opportunities, health care facilities, and commercial amenities that offer big city resources with small town charm. Our vision is to be the municipality that other municipalities measure themselves by; to be the benchmark. Our mission is to plan and provide for a vibrant, safe community that promotes healthy living and supports business growth; to respond to the needs of our diverse community in a timely, innovative and effective manner, through teamwork and partnerships; and to advocate for strong livable cities on issues impacting Welland. The City of Welland embraces progress, and its historical significance in Ontario's past.

General Government

This segment includes general revenues and expenses as well as the Mayor and Council operations and the City Manager, City Clerks, Finance, and Human Resources departments.

The City Manager's office is responsible for corporate leadership and direction of the general management of the Municipality as well as participating in the overall stewardship of the Municipality.

The Corporate Services Department directs all Finance, Purchasing and Information System operations; performs statutory duties of the City Treasurer under the Ontario Municipal Act, Municipal By-laws and Council policies; provides financial analysis and reporting services to Council; and the department imparts financial, purchasing and information systems expertise and assistance to all departments, residents and Welland City Council. It also provides and/or manages tax and utility billing services to the residents and businesses of the City. The Finance Division administers all the accounting and financial services for the City.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

19. Segmented information (continued)

General Government (continued)

Information Services Division is a part of Corporate Services. The Information Services Division of the City of Welland offers innovative system solutions, robust modern technology, strong data management, reliable telephones and telecommunication infrastructure, and helps City Departments meet their information processing and communication needs.

The Office of the City Clerk is part of Corporate Services and is responsible for various corporate and administrative functions and is in frequent contact with all municipal departments, elected officials, other levels of government and the general public.

The Communications Division is part of the City Clerk's Division and oversees communications with community and internal and external stakeholders, facilitates increased awareness of issues that affect the community, and fosters community involvement through the development of communications strategies.

The Legal Division is part of the City Clerk's Department. The Legal Division oversees legal support services and liaises with external legal counsel, all City Departments, the registry office, courts, tribunals, and other boards or agencies that deal with legal proceedings affecting the Corporation.

Responsibilities of the Human Resources Department are to foster consistent, fair and equitable employee and labour relations in the workplace. Human Resources defines, implements and monitors activities which positively influence the effectiveness of employees as they work towards achieving organizational goals and objectives.

Protection to persons and property

Protection is the City of Welland Fire and Emergency Services department's responsibility. The men and women of the Welland Fire Department are dedicated professionals whose mission is to protect the residents, employers, and visitors of the City of Welland from the consequences of fires and other emergencies. This mission encompasses the "Three Lines of Defense" which are Education, Enforcement and development of fire safety codes, and Emergency Response

Part of Planning and Development Services, the Building and Inspection Division reviews plans and conducts inspections for permits, unsafe buildings and property standards complaints in accordance with the Ontario Building Code Act. By-law complaints, licensing for plumbers and businesses and administration of the Sewer Water Alleviation Program and Lead and Split (Water) Service Replacement Program are also handled by this Division.

Transportation services

This segment maintains and provides services for roadways, sidewalks, street lighting, traffic and parking control and transit.

The Roads section repairs and maintains City roadways, curbs, catch basins, culverts, and sidewalks. They also deal with drainage concerns in ditches and watercourses. This section also provides winter plowing and sand/salt applications.

The Fleet Maintenance section provides for all of the vehicle and equipment needs for the City. This involves licensed mechanics for repairs, parts and stores operations, as well as the preparation of specifications and tenders for equipment purchasing.

Traffic Operations and Safety primarily deals with the evaluation of existing roadways. Staff review roadways for safety and operational issues, including traffic signals. Other areas of review include speeding, all-way stop requests, collisions, traffic and parking signage, traffic and parking by-law administration and traffic data collection and analysis.

Parking Operations oversees all maintenance and operations of the City's parking lots and on-street parking locations. In addition, staff reviews requests for on-street parking regulations.

Street Lighting is the responsibility of the City of Welland. Staff reviews existing and new street light locations.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

19. Segmented information (continued)

Transportation services (continued)

Parking Enforcement staff issue infractions under the Traffic and Parking By-law 89-2000. These infractions include violations relating to Disabled Parking, Private Property, Fire Routes, Restricted Parking Zones and enforcement within the City Parking Lots and on-street paid parking locations.

The School Crossing Guard Operations consist of 35 locations throughout the City of Welland and 45 staff members. Staff reviews existing and new locations to identify the need for added protection for pedestrians.

Transportation Planning reviews the impacts on existing and new roadways and the roadway design requirements needed through Commercial and Residential Development.

Transit operations

Welland Transit provides conventional and specialized transit services to the residents of the municipality. In addition, Welland Transit provides transit services under contract to the City of Port Colborne, Niagara College, and Brock University. Niagara Regional Transit services are also supplied by Welland Transit, Niagara Falls Transit, and St. Catharines Transit Commission.

Environmental services

This division includes waterworks, wastewater and storm sewers, including the maintenance of watermains and wastewater infrastructure and the operation of the water system, water metering and the wastewater system.

The Water/Wastewater section operate the water and wastewater systems with provincially-licensed operators to maintain water quality and sampling, repair water main breaks, flush water mains, clean and unplug sewers and connections, replace water/wastewater service connections, and maintain water meters.

Health services

This segment includes the cemeteries operated by the City.

Social and family services

This segment includes the Welland Community Wellness Complex (WCWC).

Recreation and cultural services

This division delivers Parks, Facilities and Leisure Programs to the City of Welland. The Division is committed to working together to protect, support and enrich the quality of life of the people who live and play in the City of Welland.

Tourism Division is responsible for development, coordination and promotion of tourism attraction.

The Welland Recreation Canal Corporation was established in 2001 as an independent body, with a Board of Directors made up of nine people; three members of council and six citizens approved by Council.

Facilities Division is responsible for the physical amenities including repairs and maintenance of 25 facilities, including the Civic Square, Museum, Fire Halls, Courthouse, WCWC, Arenas and Community Halls; maintain and repair of 20 plus playgrounds and 3 swimming pools, splash pad and 2 wading pools; and responsible for building operations including security, caretaking and energy management.

The Parks Division is responsible for care and maintenance of 50 community parks and parkettes, sports fields and horticulture displays. The Parks Division also operates two municipally owned cemeteries. Winter operations include outdoor rinks and snow removal at numerous City owned Parks and Facilities. Forestry Crew take care of planting, trimming and removing dead dying or diseased trees on City boulevards, parks and naturalization areas throughout the City.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2012

19. Segmented information (continued)

Recreational and cultural services (continued)

The Leisure Services Division includes Recreation Program Development, Community Development, Community Arenas, Playing Fields, Playgrounds, Halls and Market Square, and Marketing, Promotion and Public Awareness.

The functions of Recreation Program Development include Children, Youth, Adult, Older Adults; Aquatic; Summer Camp and Special Interest; Community Development includes Accessibility Advisory Committee and Consultation with Community Groups.

Planning and development

The Planning Division is responsible for the administration, review and processing of various Applications submitted under the Planning Act to include preparation of various Agreements and By-laws for approval of Council. Mapping, Property matters and various other studies/programs are also dealt with by the division.

The Welland Development Commission (WDC) was established in 1963 as a non-profit economic development corporation that is an arm of the City of Welland government. The WDC is funded by the City and corporate sponsors and is composed of chamber appointees, citizen appointees, members of council and two full time staff.

The WDC actively recruits new businesses and industries interested in establishing or expanding their enterprises in the City, as well as building working relationships with local businesses. It also promotes new business and investment opportunities within the City and will provide the business community with information and assistance with their respective needs and concerns.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Taxation revenue is allocated to segments based on the portion of taxation dollars budgeted to each segment.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. The consolidated schedule of segment disclosure – service and the schedules of segment disclosure with budget information follow the notes commencing at Schedule 4.

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 1

year ended December 31, 2012

2012

	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreational and cultural services	Planning and development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Taxation	4,703,232	7,563,054	10,706,116	183,402	26,353	717,771	5,442,115	1,103,901	30,445,944
User charges	352,467	849,397	2,952,180	21,147,668	52,187	255	1,091,227	138,993	26,584,374
Grants	3,463,400	-	665,971	2,214,854	-	-	1,233,765	585	7,578,575
Other revenues	4,147,248	20,359	645,471	203,324	14,980	32,106	2,332,400	89,476	7,485,364
Decrease in equity in subsidiary	(129,418)	-	-	-	-	-	-	-	(129,418)
Total revenues	12,536,929	8,432,810	14,969,738	23,749,248	93,520	750,132	10,099,507	1,332,955	71,964,839
Expenses									
Salaries, wages and employee benefits	4,111,321	7,577,022	9,141,528	1,935,694	65,523	21,930	6,009,626	834,597	29,697,241
Net long-term debt charges	583,370	35,492	354,577	293,951	-	102,650	116,613	12,875	1,499,528
Materials, services and other	2,632,863	1,013,310	3,086,116	18,095,385	16,096	306,564	3,082,366	372,846	28,605,546
Rents and finance expenses	797,269	-	-	-	-	-	401,597	-	1,198,866
Amortization	872,746	284,989	3,120,697	1,936,141	1,115	262,961	1,907,729	39,147	8,425,524
Total expenses	8,997,569	8,910,813	15,702,918	22,261,171	82,734	694,105	11,517,931	1,259,465	69,426,706
Annual surplus (deficit)	3,539,360	(478,003)	(733,180)	1,488,077	10,786	56,027	(1,418,424)	73,490	2,538,133

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 1

year ended December 31, 2011

2011

	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreational and cultural services	Planning and development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Taxation	5,042,144	7,465,690	10,364,315	187,231	3,106	255,067	5,099,943	1,011,991	29,429,487
User charges	3,466,039	473,457	2,529,383	22,288,757	62,641	7,125	953,004	145,268	29,925,674
Grants	3,385,831	-	2,224,083	646,529	-	4,047,766	1,344,371	(13,011)	11,635,569
Other revenues	3,879,257	62,793	1,093,513	3,413,338	25,233	3,257	2,495,884	1,531,888	12,505,163
Increase in equity in subsidiary	89,766	-	-	-	-	-	-	-	89,766
Total revenues	15,863,037	8,001,940	16,211,294	26,535,855	90,980	4,313,215	9,893,202	2,676,136	83,585,659
Expenses									
Salaries, wages and employee benefits	4,042,976	7,705,478	8,929,612	2,127,474	57,243	8,876	5,865,339	884,964	29,621,962
Net long-term debt charges	624,511	17,325	391,864	316,023	-	49,924	109,263	14,745	1,523,655
Materials, services and other	2,642,631	921,813	3,491,489	17,719,141	28,749	148,164	2,781,842	548,512	28,282,341
Rents and finance expenses	925,364	-	-	-	-	-	377,391	-	1,302,755
External transfers									-
Amortization	837,496	291,213	3,451,950	1,941,252	18,802	130,138	1,085,381	90,273	7,846,505
Total expenses	9,072,978	8,935,829	16,264,915	22,103,890	104,794	337,102	10,219,216	1,538,494	68,577,218
Annual surplus (deficit)	6,790,059	(933,889)	(53,621)	4,431,965	(13,814)	3,976,113	(326,014)	1,137,642	15,008,441

Corporation of the City of Welland

Schedules to consolidated statement of operations

Revenue - Schedule 2

year ended December 31, 2012

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
	\$	\$	\$
Taxation			
Real property	71,633,802	71,955,944	70,547,011
From other governments			
Payments in lieu of taxes			
Public Works	31,000	30,536	30,941
St. Lawrence Seaway Authority	73,000	71,023	77,326
Niagara College and Hospital	353,000	398,025	338,775
Hydro One Networks Inc.	129,000	128,441	129,162
Ministry of Government Services	160,500	162,669	160,787
Municipal enterprises	65,000	63,653	65,281
Railways	121,500	123,466	123,466
Regional Municipality of Niagara	243,000	243,957	243,027
	1,176,000	1,221,770	1,168,765
	72,809,802	73,177,714	71,715,776
Less: taxation collected on behalf of			
Region of Niagara	(29,680,000)	(29,857,952)	(29,189,094)
School boards	(12,770,300)	(12,873,818)	(13,097,195)
Net taxes available for municipal purposes	30,359,502	30,445,944	29,429,487
Residential and farm	22,228,470	22,292,116	21,312,792
Multi-residential	2,008,673	2,014,392	2,005,952
Commercial	4,729,666	4,743,132	4,717,503
Industrial	1,266,043	1,269,649	1,266,583
Local improvements	11,400	11,406	11,406
Business Improvement Area	115,250	115,249	115,251
Net taxes available for municipal purposes	30,359,502	30,445,944	29,429,487

Corporation of the City of Welland

Schedules to consolidated statement of operations

Revenue - Schedule 3

year ended December 31, 2012

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
	\$	\$	\$
User charges			
Operating			
Fees, service charges and donations	4,397,908	4,429,319	3,837,895
Water billings	8,896,642	8,810,427	8,933,467
Wastewater billings	12,232,790	11,958,804	11,960,290
Licenses and permits	569,700	907,384	529,723
	26,097,040	26,105,934	25,261,375
Capital			
Lot levies and development charges	82,500	298,972	1,487,299
Fees, service charges and donations	212,000	179,468	3,177,000
	294,500	478,440	4,664,299
	26,391,540	26,584,374	29,925,674
Grants			
Operating			
Province of Ontario	3,584,100	4,479,349	3,678,033
Government of Canada	2,000	585	12,517
Other municipalities	40,000	400	4,034
Total operating grants	3,626,100	4,480,334	3,694,584
Capital			
Province of Ontario	525,000	505,984	3,923,839
Government of Canada	1,543,900	2,592,257	4,017,146
Total capital grants	2,068,900	3,098,241	7,940,985
	5,695,000	7,578,575	11,635,569

Corporation of the City of Welland

Schedules to consolidated statement of operations

Revenue - Schedule 4

year ended December 31, 2012

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
	\$	\$	\$
Other revenue			
Operating			
Penalties and interest on taxes	1,100,000	1,151,224	1,123,110
Fines	386,800	399,500	394,203
Rent and leases	598,491	1,079,659	778,870
Investment income	1,754,750	2,865,485	3,205,411
Sale of land	12,900	16,635	-
Cost sharing	90,375	144,625	174,658
Development charges	-	-	21,800
Subdividers' contribution	1,000	-	-
Other	135,510	776,521	2,548,237
	4,079,826	6,433,649	8,246,289
Capital			
Rent and leases	-	-	1,400,000
Cost sharing	-	972,634	2,289,349
Subdividers contribution	-	-	400,000
Other	-	63,897	44,259
Gain on disposal of tangible capital assets	-	15,184	125,266
	-	1,051,715	4,258,874
	4,079,826	7,485,364	12,505,163

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 5

year ended December 31, 2012

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
	\$	\$	\$
General government			
Revenues			
Taxation	5,381,234	4,703,232	5,042,144
User charges/fees	305,050	352,467	3,466,039
Grants	3,463,400	3,463,400	3,385,831
Other revenues	3,512,466	4,147,248	3,879,257
(Decrease) increase in equity in subsidiary	-	(129,418)	89,766
Total revenues	12,662,150	12,536,929	15,863,037
Expenses			
Members of Council			
Salaries, wages and employee benefits	253,550	260,188	242,508
Materials, services and other	43,450	64,997	50,623
Amortization	-	651	721
General administration			
Salaries, wages and employee benefits	3,740,996	3,851,133	3,800,468
Net long-term debt charges	601,495	583,370	624,511
Materials, services and other	2,800,413	2,567,866	2,592,008
Amortization	-	872,095	836,775
Financial expenses			
Pensions, sick leave and other benefits	100,225	35,220	176,901
Tax write-offs, net of recoveries	687,650	485,032	661,330
Other services and supplies	452,925	277,017	87,133
Total expenses	8,680,704	8,997,569	9,072,978
Annual surplus	3,981,446	3,539,360	6,790,059

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 6

year ended December 31, 2012

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
	\$	\$	\$
Protection to persons and property			
Revenues			
Taxation	7,664,931	7,563,054	7,465,690
User charges/fees	503,400	849,397	473,457
Other revenues	13,950	20,359	62,793
Total revenues	8,182,281	8,432,810	8,001,940
Expenses			
Fire			
Salaries, wages and employee benefits	6,475,082	6,757,709	6,882,205
Materials, services and other	750,812	731,717	661,799
Amortization	-	284,086	290,307
Net long-term debt charges	34,166	35,492	17,325
Protective inspection and control			
Salaries, wages and employee benefits	826,617	819,313	823,273
Materials, services and other	301,800	281,593	260,014
Amortization	-	903	906
Total expenses	8,388,477	8,910,813	8,935,829
Annual deficit	(206,196)	(478,003)	(933,889)

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 7

year ended December 31, 2012

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
	\$	\$	\$
Transportation services			
Revenues			
Taxation	10,286,514	10,706,116	10,364,315
User charges/fees	2,674,878	2,952,180	2,529,383
Grants	853,000	665,971	2,224,083
Other revenues	385,300	645,471	1,093,513
Total revenues	14,199,692	14,969,738	16,211,294
Expenses			
Roadways, sidewalks, works and traffic control			
Salaries, wages and employee benefits	5,957,078	5,730,576	5,865,695
Net long-term debt charges	361,035	353,643	391,864
Materials, services and other	2,574,117	754,343	1,131,692
Amortization	-	2,598,791	3,051,208
Transit, handi-trans and community bus service			
Salaries, wages and employee benefits	2,904,295	3,050,133	2,708,474
Net long-term debt charges	-	283	-
Materials, services and other	2,294,800	1,324,569	1,193,120
Amortization	-	450,092	391,748
Parking			
Salaries, wages and employee benefits	412,709	330,964	326,928
Net long-term debt charges	632	651	-
Materials, services and other	42,000	39,236	34,640
Amortization	-	5,731	2,040
Street lighting			
Salaries, wages and employee benefits	29,756	29,855	28,515
Materials, services and other	832,128	897,953	1,071,090
Amortization	-	60,475	874
Airport			
Materials, services and other	105,500	70,015	60,947
Amortization	-	5,608	6,080
Total expenses	15,514,050	15,702,918	16,264,915
Annual deficit	(1,314,358)	(733,180)	(53,621)

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 8

year ended December 31, 2012

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
	\$	\$	\$
Environmental services			
Revenues			
Taxation	240,792	183,402	187,231
User charges/fees	21,718,432	21,147,668	22,288,757
Grants	1,243,900	2,214,854	646,529
Other revenues	-	203,324	3,413,338
Total revenues	23,203,124	23,749,248	26,535,855
Expenses			
Wastewater system			
Salaries, wages and employee benefits	496,450	496,368	545,125
Net long-term debt charges	79,957	82,419	74,265
Materials, services and other	13,658,764	11,554,077	11,355,693
Amortization	-	526,903	519,389
Storm sewer system			
Salaries, wages and employee benefits	96,638	70,345	70,298
Net long-term debt charges	9,139	9,019	13,190
Materials, services and other, net of recoveries	165,900	(99,987)	(14,246)
Amortization	-	429,056	418,090
Waterworks system			
Salaries, wages and employee benefits	1,427,989	1,368,981	1,512,051
Net long-term debt charges	209,732	202,513	228,568
Materials, services and other	8,328,374	6,641,295	6,377,694
Amortization	-	980,182	1,003,773
Total expenses	24,472,943	22,261,171	22,103,890
Annual (deficit) surplus	(1,269,819)	1,488,077	4,431,965

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 9

year ended December 31, 2012

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
	\$	\$	\$
Health services			
Revenues			
Taxation	-	26,353	3,106
User charges/fees	80,500	52,187	62,641
Other revenues	10,000	14,980	25,233
Total revenues	90,500	93,520	90,980
Expenses			
Cemeteries			
Salaries, wages and employee benefits	69,743	65,523	57,243
Materials, services and other	18,718	16,096	28,749
Amortization	-	1,115	18,802
Total expenses	88,461	82,734	104,794
Annual surplus (deficit)	2,039	10,786	(13,814)
Social and family services			
Revenues			
Taxation	537,501	717,771	255,067
User charges/fees	-	255	7,125
Grants		-	4,047,766
Other revenues	5,000	32,106	3,257
Total revenues	542,501	750,132	4,313,215
Expenses			
Assistance to aged persons			
Salaries, wages and employee benefits	11,135	21,930	8,876
Net long-term charges	100,604	102,650	49,924
Materials, services and other	138,350	306,564	148,164
Amortization	-	262,961	130,138
Total expenses	250,089	694,105	337,102
Annual surplus	292,412	56,027	3,976,113

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 10

year ended December 31, 2012

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
	\$	\$	\$
Recreational and cultural services			
Revenues			
Taxation	5,107,781	5,442,115	5,099,943
User charges/fees	875,890	1,091,227	953,004
Grants	249,018	1,233,765	1,344,371
Other revenues	918,760	2,332,400	2,495,884
Total revenues	7,151,449	10,099,507	9,893,202
Expenses			
Parks and recreation services			
Salaries, wages and employee benefits	3,146,590	3,180,248	3,253,247
Net long-term debt charges	14,441	14,851	13,592
Materials, services and other	966,745	755,407	586,430
Amortization	-	916,568	435,881
Facilities			
Salaries, wages and employee benefits	1,101,277	988,424	1,020,981
Net long-term debt charges	99,984	101,762	95,671
Materials, services and other	2,351,633	872,986	1,038,516
Amortization	-	605,845	270,004
Library			
Salaries, wages and employee benefits	1,382,041	1,355,974	1,318,392
Materials, services and other	365,612	318,021	344,136
Amortization	-	163,652	159,127
Welland Recreational Canal Corporation			
Salaries, wages and employee benefits	-	484,980	272,719
Materials, services and other	-	1,135,952	812,760
Amortization	-	221,664	220,369
Other cultural services			
Grants	377,686	401,597	377,391
Total expenses	9,806,009	11,517,931	10,219,216
Annual deficit	(2,654,560)	(1,418,424)	(326,014)

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 11

year ended December 31, 2012

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
	\$	\$	\$
Planning and development			
Revenues			
Taxation	1,140,750	1,103,901	1,011,991
User charges/fees	151,590	138,993	145,268
Grants	42,000	585	(13,011)
Other revenues	2,950	89,476	1,531,888
Total revenues	1,337,290	1,332,955	2,676,136
Expenses			
Planning, zoning and tourism			
Salaries, wages and employee benefits	611,841	605,964	674,713
Net long-term debt charges	12,459	12,875	14,745
Materials, services and other	294,358	167,939	233,119
Amortization	-	37,815	89,015
Commercial and industrial			
Salaries, wages and employee benefits	213,985	228,633	210,251
Materials, services and other	157,150	204,907	315,393
Amortization	-	1,332	1,258
Total expenses	1,289,793	1,259,465	1,538,494
Annual surplus	47,497	73,490	1,137,642

Corporation of the City of Welland

Consolidated schedule of long-term debt - Schedule 12
year ended December 31, 2012

	2012	2011
	\$	\$
Net municipal debt		
General government		
Civic Square	9,702,441	10,246,832
Medical building improvements	136,492	150,000
Co-generation study	50,047	55,000
Protection to persons and property		
Fire pumper	910,365	1,006,439
Central firehall	106,467	41,073
Transportation services		
Roadways	6,899,076	7,293,386
LED streetlights	2,069,958	300,000
Traffic	1,303,461	1,240,049
Environmental services		
Wastewater system	2,656,508	1,885,827
Storm sewer system	153,092	238,957
Waterworks system	4,501,029	4,517,576
Recreational and cultural services		
Parks and recreation	435,723	378,933
Museum	85,114	45,180
Recreation facilities	5,710,345	5,584,405
River Rd multisports complex	14,273,161	-
Welland International flatwater centre	646,637	-
Canal Lands	775,226	1,135,479
Planning and development		
Market	385,206	317,308
	50,800,348	34,436,444

Corporation of the City of Welland

Consolidated schedule of tangible capital assets - Schedule 13
year ended December 31, 2012

2012

	Land and land improvements	Buildings	Roads and bridges	Waste and Wastewater	Vehicles	Computer hardware and software	Machinery and equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	43,218,688	63,152,166	93,696,799	111,296,381	12,145,823	1,382,364	10,659,920	335,552,141
Add: additions during year	4,596,002	14,245,959	4,914,004	2,544,137	2,403,055	123,494	1,006,827	29,833,478
Less: disposals during year	(3,508)	-	-	-	(245,259)	-	(129,834)	(378,601)
Balance, end of year	47,811,182	77,398,125	98,610,803	113,840,518	14,303,619		11,536,913	365,007,018
Accumulated amortization								
Balance, beginning of year	13,143,829	16,828,215	40,615,687	31,950,675	6,025,180	1,108,693	5,612,217	115,284,496
Add: amortization	1,233,565	1,502,489		1,717,010	802,533	123,717	864,893	8,425,524
Less: accumulated amortization of disposals	-	-	-	-	1,503,558	-	(129,834)	(367,665)
Balance, end of year	14,377,394	18,330,704	42,797,004	33,667,685	6,589,882	1,232,410	6,347,276	123,342,355
Net book value	33,433,788	59,067,421	55,813,799	80,172,833	7,713,737	273,448	5,189,637	241,664,663
Assets under construction	105,792	2,107,824		1,781,019	-	-	-	6,315,486
Total	33,539,580	62,137,655	57,172,240	81,953,852	7,713,737	273,448	5,189,637	247,980,149

1,358,441

Corporation of the City of Welland

Consolidated schedule of tangible capital assets - Schedule 13 year ended December 31, 2011

	2011							
	Land and land improvements	Buildings	Roads and bridges	Waste and Wastewater	Vehicles	Computer hardware and software	Machinery and equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	39,050,041	50,050,785	92,649,971	110,617,506	11,804,825	1,313,372	9,793,325	315,279,825
Add: additions during year	4,178,356	13,101,381	1,046,828	678,875	819,895	68,992	1,033,954	20,928,281
Less: disposals during year	(9,709)	-	-	-	(478,897)	-	(167,359)	(655,965)
Balance, end of year	43,218,688	63,152,166	93,696,799	111,296,381	12,145,823	1,382,364	10,659,920	335,552,141
Accumulated amortization								
Balance, beginning of year	12,043,075	15,581,652	38,521,915	30,241,624	5,760,885	987,961	4,908,107	108,045,219
Add: amortization	1,100,754	1,246,563	2,093,772	1,709,051	721,460	120,732	870,928	7,863,260
Less: accumulated amortization of disposals	-	-	-	-	(457,165)	-	(166,818)	(623,983)
Balance, end of year	13,143,829	16,828,215	40,615,687	31,950,675	6,025,180	1,108,693	5,612,217	115,284,496
Net book value	30,074,859	46,323,951	53,081,112	79,345,706	6,120,643	273,671	5,047,703	220,267,645
Assets under construction	1,108,658	2,312,521	2,651,608	1,807,448	1,217,855	-	16,601	9,114,691
Total	31,183,517	48,636,472	55,732,720	81,153,154	7,338,498	273,671	5,064,304	229,382,336

Corporation of the City of Welland

Schedule of operations - Waterworks year ended December 31, 2012

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
	\$	\$	\$
Revenue			
Sale of water	8,896,642	8,810,427	8,933,467
Penalty	85,000	77,486	79,648
Customer services	106,300	102,774	141,322
Other revenue	50,000	59,838	62,569
	9,137,942	9,050,525	9,217,006
Expenses			
Water purchases	4,647,000	5,138,487	4,793,458
Salaries, wages and benefits	1,427,989	1,368,982	1,512,051
Amortization		980,182	1,003,773
Other (includes long term debt interest)	3,891,106	1,705,320	1,812,795
	9,966,095	9,192,971	9,122,077
Net (expenses) revenues	(828,153)	(142,446)	94,929
Revenues related to capital			
User charges	-	8,092	305,825
Grants	943,900	988,241	419,588
Other	-	47,357	19,911
	943,900	1,043,690	745,324
Annual surplus	115,747	901,244	840,253
Accumulated surplus, beginning of year		29,609,918	28,769,665
Accumulated surplus, end of year		30,511,162	29,609,918

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

Corporation of the City of Welland

Schedule of financial position and accumulated surplus - Waterworks as at December 31, 2012

	2012	2011
	\$	\$
Assets		
Cash	1,000	1,000
Due from other funds	387,259	-
User charges receivable	1,981,113	1,953,730
	2,369,372	1,954,730
Liabilities		
Accounts payable and accrued liabilities	76,634	82,512
Long-term debt	4,501,000	4,517,552
Employee benefit obligations	340,817	349,345
Due to other funds	-	591,141
	4,918,451	5,540,550
Net financial debt	(2,549,079)	(3,585,820)
Non-financial assets		
Tangible capital assets	33,060,241	33,195,738
Accumulated surplus	30,511,162	29,609,918
Accumulated surplus consists of:		
Surplus (deficit)	517,558	(65,526)
Investment in tangible capital assets	33,060,241	33,195,738
Unfunded		
Long-term debt	(4,501,000)	(4,517,552)
Employee benefit obligations	(340,817)	(349,345)
	(4,841,817)	(4,866,897)
Reserves for capital projects	544,722	494,722
Water reserve (Note 12)	1,230,458	851,881
Accumulated surplus	30,511,162	29,609,918

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

Corporation of the City of Welland

Schedule of operations - Wastewater year ended December 31, 2012

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
	\$	\$	\$
Revenues			
Wastewater rate	12,232,790	11,958,804	11,960,290
Penalties	115,000	107,972	114,873
Customer services	60,000	44,649	1,103,440
	<u>12,407,790</u>	<u>12,111,425</u>	<u>13,178,603</u>
Expenses			
Wastewater treatment	9,643,600	9,768,772	9,030,674
Salaries, wages and benefits	496,450	496,369	545,125
Amortization		526,903	519,389
Other (includes long-term debt interest)	4,095,121	1,867,724	2,399,285
	<u>14,235,171</u>	<u>12,659,768</u>	<u>12,494,473</u>
Net (expenses) revenue	(1,827,381)	(548,343)	684,130
Revenues related to capital			
User charges	-	10,000	633,750
Grants	300,000	612,999	226,940
Other (expense)	-	(1,138)	2,159,856
	<u>300,000</u>	<u>621,861</u>	<u>3,020,546</u>
Annual (deficit) surplus	(1,527,381)	73,518	3,704,676
Accumulated surplus, beginning of year		26,316,075	22,611,399
Accumulated surplus, end of year		26,389,593	26,316,075

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

Corporation of the City of Welland

Schedule of financial position and accumulated surplus - Wastewater as at December 31, 2012

	2012	2011
	\$	\$
Assets		
User charges receivable	2,058,763	1,988,340
Long-term receivable	281,000	281,000
	2,339,763	2,269,340
Liabilities		
Accounts payable and accrued liabilities	31,046	58,711
Long-term payable	216,000	-
Long-term debt	2,656,478	1,885,803
Employee benefit obligations	58,348	59,676
Due to other funds	244,432	628,226
	3,206,304	2,632,416
Net financial debt	(866,541)	(363,076)
Non-financial assets		
Tangible capital assets	27,256,134	26,679,151
Accumulated surplus	26,389,593	26,316,075
Accumulated surplus consists of:		
Surplus	1,631,285	1,445,403
Investment in tangible capital assets	27,256,134	26,679,151
Unfunded		
Long-term debt	(2,656,478)	(1,885,803)
Employee benefit obligations	(58,348)	(59,676)
	(2,714,826)	(1,945,479)
Reserves for capital projects	217,000	137,000
Accumulated surplus	26,389,593	26,316,075

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

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Independent Auditor's Report

To the Members of Council, Inhabitants and Taxpayers of the Corporation of the City of Welland

We have audited the accompanying financial statements of the trust fund of the Corporation of the City of Welland, which comprise the statement of financial position as at December 31, 2012, and the statement of operations 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the trust fund of the Corporation of the City of Welland as at December 31, 2012, and the results of its operations for the year then ended in accordance with the Canadian public sector accounting standards.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
July 26, 2013

Corporation of the City of Welland

Statement of operations - Trust Fund year ended December 31, 2012

	2012	2011
	\$	\$
Revenue		
Perpetual care	12,743	12,419
Accumulated surplus, beginning of year	494,227	481,808
Accumulated surplus, end of year	506,970	494,227

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

Corporation of the City of Welland

Statement of financial position - Trust Fund as at December 31, 2012

	2012	2011
	\$	\$
Assets		
Cash	30,574	28,873
Due from other fund	21,074	10,032
Investments (Note 2)		
Provincial	69,680	69,680
Municipal and other	385,642	385,642
	455,322	455,322
Accumulated surplus	506,970	494,227

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

Corporation of the City of Welland - Trust Fund

Notes to the financial statements

December 31, 2012

1. Accounting policies

Basis of accounting

The financial statements of the Corporation of the City of Welland Trust Fund are prepared by management in accordance with Canadian public sector accounting standards. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These estimates have been made using careful judgments.

Significant aspects of the accounting policies adopted are as follows:

(a) *Basis of accounting*

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

(b) *Investments*

Investments are recorded at cost.

2. Investments

Trust fund investments of \$455,322 (2011 - \$455,322) have an estimated market value of \$522,979 (2011 - \$506,708). Investments consist of Canadian municipal bonds and bank guaranteed investment certificates.