

**CORPORATION OF THE COUNTY OF
NORTHUMBERLAND**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

**CORPORATION OF THE COUNTY OF
NORTHUMBERLAND**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

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CORPORATION OF THE COUNTY OF NORTHUMBERLAND

For The Year Ended December 31, 2010

MANAGEMENT REPORT

The accompanying consolidated financial statements of the Corporation of the County of Northumberland are the responsibility of management and have been approved by Council.


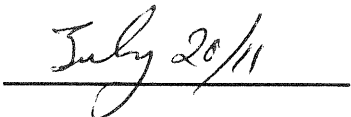
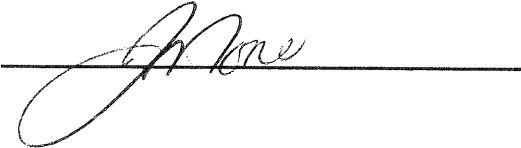
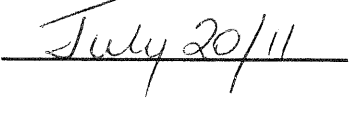
The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The County maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the County's assets are appropriately accounted for and adequately safeguarded.

The County's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

Council reviews and approves the County's financial statements for issuance to the members of Council, inhabitants and ratepayers of the Corporation of the County of Northumberland. Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the financial statements and the external auditors' report.

The consolidated financial statements have been audited by Collins Barrow Kawarthas LLP in accordance with Canadian generally accepted auditing standards on behalf of the County. Collins Barrow Kawarthas LLP has full and free access to Council.

Warden		Date	
Treasurer		Date	

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the County of Northumberland

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Corporation of the County of Northumberland and its local board, which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statements of operations and accumulated surplus, change in net financial liabilities and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 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 controls 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 controls. 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, these consolidated financial statements present fairly, in all material respects, the financial position of the County of Northumberland and its local board as at December 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Collins Barrow Kawarthas LLP

Chartered Accountants
Licensed Public Accountants

Peterborough, Ontario
July 20, 2011

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2010

	2010	2009
	\$	\$
FINANCIAL ASSETS		
Cash	13,962,741	5,978,664
Investments (note 2)	491,943	-
Accounts receivable	2,933,316	4,793,514
TOTAL FINANCIAL ASSETS	17,388,000	10,772,178
LIABILITIES		
Accounts payable and accrued liabilities	6,458,517	5,818,455
Deferred revenue - obligatory reserve funds (note 4)	326,059	-
Long term debt (note 6)	18,911,597	15,866,023
Landfill closure and post-closure liability (note 7)	19,629,064	8,973,085
Employee future benefits liability (note 5)	1,300,450	1,182,001
TOTAL LIABILITIES	46,625,687	31,839,564
NET FINANCIAL LIABILITIES	(29,237,687)	(21,067,386)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 3)	148,305,940	147,002,322
Prepaid expenses	791,061	205,462
TOTAL NON-FINANCIAL ASSETS	149,097,001	147,207,784
ACCUMULATED SURPLUS (note 8)	119,859,314	126,140,398

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2010

	Budget 2010 \$	Actual 2010 \$	Actual 2009 \$
REVENUES			
Property taxation	40,247,638	40,300,010	39,096,894
User charges	11,575,791	10,736,397	11,154,138
Government of Canada	2,812,515	1,726,117	2,936,383
Province of Ontario	22,646,897	26,178,270	23,606,123
Investment income	45,000	65,468	41,471
Donations	-	38,822	9,339
Rents	2,095,115	2,080,250	2,019,602
Federal gas tax	2,468,018	2,150,000	2,506,488
Waste Diversion Ontario grants	984,202	1,027,097	896,950
Provincial Offences Act charges	1,757,113	1,448,181	1,453,412
TOTAL REVENUES	84,632,289	85,750,612	83,720,800
EXPENSES			
General government	2,546,095	2,868,198	2,290,231
Protection services	2,064,358	2,011,324	2,017,977
Transportation services	14,091,103	14,150,527	13,327,805
Environmental services	10,486,778	20,586,736	14,334,337
Health services	10,871,958	10,474,426	9,400,521
Social and family services	29,551,068	30,180,287	30,539,784
Social housing	8,550,137	10,175,482	7,338,093
Economic development, tourism and forest	2,447,264	1,584,716	1,129,834
TOTAL EXPENSES	80,608,761	92,031,696	80,378,582
ANNUAL SURPLUS/(DEFICIT)	4,023,528	(6,281,084)	3,342,218
ACCUMULATED SURPLUS - beginning of year	126,140,398	126,140,398	122,798,180
ACCUMULATED SURPLUS - end of year	130,163,926	119,859,314	126,140,398

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES For the Year Ended December 31, 2010

	Budget 2010 \$	Actual 2010 \$	Actual 2009 \$
ANNUAL SURPLUS/(DEFICIT)	4,023,528	(6,281,084)	3,342,218
Amortization of tangible capital assets	6,349,000	7,513,460	6,597,024
Acquisition of tangible capital assets	(10,268,022)	(9,041,559)	(15,163,566)
Loss on disposal of tangible capital assets	-	180,188	-
Proceeds on sale of tangible capital assets	-	44,293	-
(Increase)/decrease in prepaid expenses	-	(585,599)	85,933
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	104,506	(8,170,301)	(5,138,391)
NET FINANCIAL LIABILITIES - beginning of year	(21,067,386)	(21,067,386)	(15,928,995)
NET FINANCIAL LIABILITIES - end of year	(20,962,880)	(29,237,687)	(21,067,386)

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

CONSOLIDATED STATEMENT OF CASH FLOWS For the Year Ended December 31, 2010

	2010	2009
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus/(deficit)	(6,281,084)	3,342,218
Increase in investments	(491,943)	-
(Increase)/decrease in accounts receivable	1,860,198	(1,418,673)
(Increase)/decrease in prepaid expenses	(585,599)	85,933
Increase/(decrease) in accounts payable and accrued liabilities	640,062	(1,067,352)
Increase in deferred revenue - obligatory reserve funds	326,059	-
Increase in landfill closure and post-closure liability	10,655,979	4,192,970
Increase in employee future benefits liability	118,449	117,609
Non-cash charges to operations		
Amortization of tangible capital assets	7,513,460	6,597,024
Loss on disposal of tangible capital assets	180,188	-
Net increase in cash from operating transactions	13,935,769	11,849,729
CAPITAL		
Acquisition of tangible capital assets	(9,041,559)	(15,163,566)
Proceeds on disposal of tangible capital assets	44,293	-
Net decrease in cash from capital transactions	(8,997,266)	(15,163,566)
FINANCING		
Long term debt issued	4,075,325	2,854,744
Debt principal repayments	(1,029,751)	(794,184)
Net increase in cash from financing transactions	3,045,574	2,060,560
INCREASE/(DECREASE) IN CASH	7,984,077	(1,253,277)
CASH - beginning of year	5,978,664	7,231,941
CASH - end of year	13,962,741	5,978,664

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

The County of Northumberland is an upper tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity.

The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the County and which are owned and controlled by the County. These financial statements include:

- Northumberland County Housing Corporation

All interfund assets and liabilities and revenues and expenses are eliminated.

(b) Trust Funds

Trust funds and their related operations administered by the County are not included in these consolidated financial statements but are reported on separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

(c) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, commencing in the year of acquisition except for road surface betterments where amortization commences in the year following construction, over the expected useful life of the asset, as follows:

Land improvements	10 years
Buildings	50 years
Roadways	20 to 75 years
Equipment and computers	5 to 20 years
Vehicles	5 to 10 years

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

Tangible capital assets categorized as assets under construction are not amortized until they are put into service.

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Recognition of Revenues and Expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

(e) Non-financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the County because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the County unless they are sold.

(f) Deferred Revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(g) Government Funding

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

(h) Use of Estimates

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the County's best information and judgment. Such amounts are not expected to change materially in the near term.

- The amounts recorded for landfill closure and post-closure care depend on estimates of usage, remaining life and capacity. The provision for future closure and post-closure costs also depends on estimates of such costs.
- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.
- The values of employee future benefits depend on certain actuarial and economic assumptions.
- The amount recorded as allowance for doubtful accounts receivable is based on management's estimate of future payments on receivable account balances.

(i) Financial Instruments

The County's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that the carrying value of the financial instruments approximates their fair values and that the County does not have any significant concentration of interest, currency or credit risk.

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

2. INVESTMENTS

During the year, the County entered into an agreement with the Eastern Ontario Wardens Caucus Inc. to prepay its share of their contribution to the broadband project in the amount of \$491,943. This amount will earn interest at 5% per annum. The investment will be reduced by \$196,777 in 2011 and 2012 and \$98,389 in 2013 as the County's contribution to the broadband project.

3. TANGIBLE CAPITAL ASSETS

The net book value of the County's tangible capital assets are:

	2010	2009
	\$	\$
General		
Land	13,265,031	11,632,444
Land improvements	109,250	-
Buildings	32,509,960	30,109,006
Equipment and computers	6,144,846	6,004,589
Vehicles	5,301,464	5,029,667
Infrastructure		
Roads and bridges	90,703,809	86,392,878
	148,034,360	139,168,584
Assets under construction	271,580	7,833,738
	148,305,940	147,002,322

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

During the year there were no write-downs of assets (2009 - \$Nil) and no interest capitalized (2009 - \$Nil).

	2010	2009
	\$	\$
General government	14,953,555	13,416,228
Protection services	128,643	30,592
Transportation services	94,078,106	93,448,354
Environmental services	19,508,046	19,669,883
Health services	1,480,786	1,407,195
Social and family services	529,762	700,165
Social housing	15,679,004	16,499,796
Economic development, tourism and forest	1,948,038	1,830,109
	148,305,940	147,002,322

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

4. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balance in the obligatory reserve funds of the County is summarized below:

	2010	2009
	\$	\$
Federal gas tax	326,059	-

The continuity of deferred revenue - obligatory reserve funds is as follows:

	2010	2009
	\$	\$
Balance - beginning of year	-	-
Add amounts received:		
Federal gas tax	2,476,059	2,506,488
Less transfer to operations:		
Federal gas tax earned	2,150,000	2,506,488
Balance - end of year	326,059	-

5. EMPLOYEE FUTURE AMOUNTS PAYABLE

Under the Workplace Safety and Insurance Board (WSIB), the County is self-insured (Schedule II) and remits payments to the WSIB as required to fund disability payments. The recorded liability of \$1,300,450 (2009 - \$1,182,001) has been determined by an actuarial review completed as of December 31, 2008. This liability is fully funded by a reserve set aside for this purpose and reported as part of the employee health, safety and related costs reserve as reported in the Accumulated Surplus note.

The actuarial report for the WSIB liability was based on the following assumptions:

Interest discount rate	5%
WSIB administration and physician fees	27%
Expected level of employee cost increases	9.5%

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

6. LONG TERM DEBT

- (a) The balance of long term debt reported on the Consolidated Statement of Financial Position is comprised of the following:

	2010	2009
	\$	\$
Long term bank loan, due July 2012, repayable in blended monthly instalments of \$4,030 and bears interest at 5.072% per annum.	270,664	304,519
Long term bank loan, due September 2017, repayable in monthly principal instalments of \$32,428, plus interest at 4.93% per annum.	8,463,795	8,852,935
Ontario Strategic Infrastructure Financing Authority due January 2017, repayable in blended semi annual instalments of \$141,723 and bears interest at 4.43% per annum.	1,585,764	1,792,081
Ontario Strategic Infrastructure Financing Authority due March 15, 2028, repayable in blended semi annual instalments of \$89,862 and bears interest at 4.92% per annum.	2,092,520	2,166,550
Ontario Infrastructure Projects Corporation due March 1, 2019, repayable in blended semi annual instalments of \$127,039 and bears interest at 4.37% per annum.	1,787,859	1,958,205
Ontario Infrastructure Projects Corporation due March 1, 2014, repayable in blended semi annual instalments of \$26,137 and bears interest at 3.15% per annum.	171,959	217,733
Ontario Infrastructure Projects Corporation due September 15, 2019, repayable in blended semi annual instalments of \$35,104 and bears interest at 4% per annum.	526,280	574,000
Ontario Infrastructure Projects Corporation due September 4, 2035, repayable in blended semi annual instalments of \$90,923 and bears interest at 4.51% per annum.	2,709,854	-
Ontario Infrastructure Projects Corporation due May 4, 2020, repayable in blended semi annual instalments of \$76,095 and bears interest at 4.15% per annum.	1,184,847	-
Ontario Infrastructure Projects Corporation due May 4, 2015, repayable in blended semi annual instalments of \$14,189 and bears interest at 3.2% per annum.	118,055	-
	18,911,597	15,866,023

- (b) The long term debt in (a) issued in the name of the County have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

6. LONG TERM DEBT, continued

(c) Interest paid during the year on long term debt amounted to \$766,676 (2009 - \$707,560).

(d) The long term debt reported in (a) of this note is repayable as follows:

	Principal \$	Interest \$	Total \$
2011	1,181,944	866,180	2,048,124
2012	1,414,221	808,037	2,222,258
2013	1,213,391	747,997	1,961,388
2014	1,222,991	693,075	1,916,066
2015	1,218,725	637,830	1,856,555
	6,251,272	3,753,119	10,004,391
2016 and subsequent years	12,660,325	2,555,742	15,216,067
	18,911,597	6,308,861	25,220,458

7. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The liability for landfill closure and post-closure costs of \$19,629,064 (2009 - \$8,973,085) has been estimated using discounted future cash flows associated with closure and post-closure care activities for the County's two operational sites and the eight closed sites that the County has obtained from the lower tier municipalities by way of a settlement process (see Note 15). The closure costs include land acquisitions, final cover, vegetation and additional monitoring wells. Post-closure costs include monitoring, maintenance of control systems and consulting fees for a minimum of 25 years after the site is closed. The landfill closure and post-closure liability will be funded from taxation. There are no specific assets designated for settling this liability.

The reported liability is based upon estimates and assumptions with respect to events extending over the remaining life of the landfill. At December 31, 2010, the total discounted future cash flows for closure and post-closure cost is estimated at \$22,139,589 (2009 - \$12,587,712).

The remaining capacity of the two operational landfill sites is estimated at 292,869 m³ (2009 - 339,741 m³) which is 39.68% (2009 - 50.54%) of the sites' total capacity. The landfills are expected to reach their capacity in 2013 and 2015.

During 2010 the County obtained revised estimates for the closure and post-closure costs for two of their closed sites. In addition, the post-closure monitoring costs for all closed sites are expected to continue for more than the original estimate of 25 years after the date of closure. These revisions have resulted in an increase in the December 31, 2010 liability.

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

8. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2010	2009
	\$	\$
Surplus/(Deficit)		
County operations	231,232	180,339
Unfunded landfill closure and post-closure liability	(19,629,064)	(8,973,085)
Unfunded employee future benefits liability	(1,300,450)	(1,182,001)
	(20,698,282)	(9,974,747)
Invested In Capital Assets		
Tangible capital assets - net book value	148,305,940	147,002,322
Long term debt	(18,911,597)	(15,866,023)
Unfunded capital	(500,202)	(4,334,017)
	128,894,141	126,802,282
Surplus	108,195,859	116,827,535
Reserves		
Working funds	738,277	738,277
Corporate services	1,540,000	340,000
Transportation services	1,173,641	1,308,460
Waste services	401,203	526,203
Social services	704,000	604,000
Social housing	3,081,381	2,341,381
Golden Plough Lodge	255,240	64,754
Ambulance services	740,062	1,000,743
Technological development	360,400	190,000
Emergency planning	70,050	60,050
Employee health, safety and related costs	2,189,201	2,138,995
Facilities	410,000	-
Total Reserves	11,663,455	9,312,863
	119,859,314	126,140,398

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

9. EXPENSES BY OBJECT

The expenses for the year reported on the Consolidated Statement of Operations and Accumulated Surplus by object are as follows:

	Budget 2010 \$	Actual 2010 \$	Actual 2009 \$
Salaries and benefits	28,181,952	27,981,637	26,894,814
Interest charges	795,803	766,676	707,560
Materials	14,138,073	12,846,912	12,159,396
Contracted services	10,273,163	19,692,752	12,521,627
Rents and financial	207,368	504,756	206,231
External transfers	20,663,402	22,545,315	21,291,930
Amortization	6,349,000	7,513,460	6,597,024
Loss/(gain) on disposal of capital assets	-	180,188	-
	80,608,761	92,031,696	80,378,582

10. PENSION AGREEMENTS

The County makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions required on account of current service in 2010 were \$1,262,728 (2009 - \$1,180,490).

11. TRUST FUNDS

Trust funds administered by the County amounting to \$142,520 (2009 - \$235,461) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus. As such balances are held in trust by the County for the benefit of others, they are not presented as part of the County financial position or operations.

12. BUDGET FIGURES

The budget, approved by the County, for 2010 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. Budget figures are not subject to audit.

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

13. CREDIT FACILITY AGREEMENT

The County has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$7,500,000 via an operating loan. Any balance borrowed will accrue interest at the bank's prime lending rate less 0.5% per annum. Council authorized the temporary borrowing limit by by-law 02-10. At December 31, 2010 there was a balance outstanding of \$Nil.

14. CONTINGENT LIABILITIES

The County, in the course of its operations, has been named in several lawsuits the outcome of which is indeterminable at this time. No amounts in connection with these items have been reflected in these financial statements.

15. COMMITMENTS

- (a) The County assumed the assets and liabilities of the waste management systems of the lower tier municipalities on January 1, 1991 according to by-law 24-90. This by-law was passed pursuant to subsection 209(a) of the Municipal Act of the Province of Ontario which required the County to pay or to receive from the lower tier municipalities' compensation based upon the discounted future cash flows of the landfill site. The County is involved with ongoing negotiations with respect to the settlements for further sites.
- (b) During 2010, the County agreed to a contribution of \$590,332, over four years, to Eastern Ontario Wardens Caucus Inc. for a broadband project. The County paid the Eastern Ontario Wardens Caucus Inc. \$590,332 during 2010 with \$98,389 recorded as a current expense and \$491,943 recorded as an investment (see Note 2). Future contributions for this project will be \$196,777 for 2011 and 2012 and \$98,389 for 2013.

16. SEGMENTED INFORMATION

The County of Northumberland is a municipal government institution that provides a range of services to its citizens. County services are reported by function and their activities are separately disclosed in the segmented information.

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. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes and certain unconditional government transfers are apportioned based on each segment's net requirements.

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. For additional information see the Consolidated Schedule of Segment Disclosure.

General Government

General government consists of the activities of Council and general financial and administrative management of the County and its programs and services including contributions to the Municipal Property Assessment Corporation.

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2010

16. SEGMENTED INFORMATION, continued

Protection Services

Protection services includes emergency measures and Provincial Offences Act charges.

Transportation Services

The activities of the transportation function includes maintenance and winter control of the County's roads and bridges.

Environmental Services

The environmental function is responsible for providing waste collection, waste disposal and recycling services to ratepayers.

Health Services

The health services function consists of land ambulance services, plumbing inspections and contributions to the local health unit.

Social and Family Services

The social and family services consist of General Assistant to inhabitants, homes for the aged and child care services for the County.

Social Housing

The social housing services provides affordable housing to qualified inhabitants of the County.

Economic Development, Tourism and Forest

The function includes economic development and tourism operations and maintenance of the County forest.

17. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation.

18. SOCIAL HOUSING

The Northumberland County Housing Corporation was incorporated under Part III of The Ontario Business Corporations Act in response to the Province's overall initiative to devolve Social Housing to local municipalities. The corporation currently provides subsidized housing to its tenants and their families.

As the Service Manager, the County is now the sole shareholder of the Corporation.

On January 1, 2001 the Ontario Housing Corporation transferred 14 properties and certain head office assets to the Corporation. The properties transferred carried the following restriction:

"The properties cannot be transferred or mortgaged or otherwise encumbered, developed or redeveloped or disposed of by any person without prior consent of the Minister of Municipal Affairs and Housing."

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2010

	General				Infrastructure		Assets Under Construction		Totals \$
	Land \$	Land Improvements \$	Buildings \$	Equipment and Computers \$	Vehicles \$	Roads and Bridges \$	Construction \$	Construction \$	
COST									
Balance, beginning of year	11,632,444	129,909	47,636,644	11,540,692	8,384,180	148,572,07	7,833,738	235,729,678	
Add: additions during the year	402,587	115,000	1,754,789	463,555	1,042,674	4,992,900	270,054	9,041,559	
Less: disposals during the year	-	-	41,258	-	483,850	3,419,864	-	3,944,972	
Internal transfers	1,230,000	-	2,309,007	228,579	137,053	3,927,573	(7,832,212)	-	
Balance, end of year	<u>13,265,031</u>	<u>244,909</u>	<u>51,659,182</u>	<u>12,232,826</u>	<u>9,080,057</u>	<u>154,072,68</u>	<u>271,580</u>	<u>240,826,265</u>	
ACCUMULATED AMORTIZATION									
Balance, beginning of year	-	129,909	17,527,638	5,536,103	3,354,513	62,179,193	-	88,727,366	
Add: additions during the year	-	5,750	1,639,535	551,877	706,756	4,609,542	-	7,513,460	
Less: disposals during the year	-	-	17,951	-	282,676	3,419,864	-	3,720,491	
Balance, end of year	-	135,659	19,149,222	6,087,980	3,778,593	63,368,871	-	92,520,325	
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>13,265,031</u>	<u>109,250</u>	<u>32,509,960</u>	<u>6,144,846</u>	<u>5,301,464</u>	<u>90,703,809</u>	<u>271,580</u>	<u>148,305,940</u>	

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2010

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Social and Family Services \$	Social Housing \$	Economic Development, Tourism and Forest \$	Consolidated \$
Revenues									
Property taxation	1,755,968	341,726	11,323,738	3,107,186	7,154,582	10,685,165	4,409,384	1,522,261	40,300,010
User charges	226,583	34,361	901,317	6,416,064	9,422	2,994,047	36,665	117,938	10,736,397
Government transfers - operating	-	11,252	-	59,054	3,986,349	17,886,293	4,269,788	188,477	26,401,213
Government transfers - capital	-	-	1,503,174	-	-	-	-	-	1,503,174
Investment income	65,468	-	-	-	-	-	-	-	65,468
Donations	-	-	-	-	-	38,822	-	-	38,822
Rents	803,928	-	-	-	-	-	1,276,322	-	2,080,250
Federal gas tax	-	-	2,150,000	-	-	-	-	-	2,150,000
Waste Diversion Ontario grants	-	-	-	1,027,097	-	-	-	-	1,027,097
Provincial Offences Act charges	-	1,448,181	-	-	-	-	-	-	1,448,181
Total revenues	2,851,947	1,835,520	15,878,229	10,609,401	11,150,353	31,604,327	9,992,159	1,828,676	85,750,612
Expenses									
Salaries and benefits	3,123,832	485,673	2,698,716	3,309,573	6,512,100	10,841,639	495,978	514,126	27,981,637
Interest charges	428,902	22,488	77,129	174,495	-	49,149	14,513	-	766,676
Materials	1,762,226	559,519	2,658,627	2,299,424	1,036,416	1,918,232	2,070,375	542,093	12,846,912
Contracted services	1,740,469	20,968	3,139,227	13,701,754	57,058	367,720	283,417	382,139	19,692,752
Rents and financial	260,865	17,615	-	26,343	86,121	112,693	1,113	6	504,756
External transfers	42,000	-	-	-	1,735,771	15,271,705	5,470,839	25,000	22,545,315
Amortization	405,084	13,094	5,025,434	603,180	254,967	55,826	1,148,813	7,062	7,513,460
Loss/(gain) on disposal of capital assets	-	-	(3,903)	23,191	137,593	-	23,307	-	180,188
Internal transfers	(4,895,180)	891,967	555,297	448,776	654,400	1,563,323	667,127	114,290	-
Total expenses	2,868,198	2,011,324	14,150,527	20,586,736	10,474,426	30,180,287	10,175,482	1,584,716	92,031,696
Net surplus/(deficit)	(16,251)	(175,804)	1,727,702	(9,977,335)	675,927	1,424,040	(183,323)	243,960	(6,281,084)

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2009

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Social and Family Services \$	Social Housing \$	Economic Development, Tourism and Forest \$	Consolidated \$
Revenues									
Property taxation	2,967,332	309,551	9,889,460	2,956,892	6,041,438	11,619,900	4,021,696	1,290,625	39,096,894
User charges	96,040	-	2,236,098	5,895,483	46,562	2,838,255	40,404	1,296	11,154,138
Government transfers - operating	-	-	-	-	3,857,777	16,735,992	1,794,590	278,741	22,667,100
Government transfers - capital	916,666	-	2,958,740	-	-	-	-	-	3,875,406
Investment income	41,471	-	-	-	-	-	-	-	41,471
Donations	-	-	-	-	-	9,339	-	-	9,339
Rents	681,263	-	-	-	-	-	1,338,339	-	2,019,602
Federal gas tax	-	-	2,506,488	-	-	-	-	-	2,506,488
Waste Diversion Ontario grants	-	-	-	896,950	-	-	-	-	896,950
Provincial Offences Act charges	-	1,453,412	-	-	-	-	-	-	1,453,412
Total revenues	4,702,772	1,762,963	17,590,786	9,749,325	9,945,777	31,203,486	7,195,029	1,570,662	83,720,800
Expenses									
Salaries and benefits	2,653,311	474,013	2,561,404	3,271,923	6,387,834	10,763,756	369,809	412,764	26,894,814
Interest charges	447,891	-	85,974	111,860	-	45,717	16,118	-	707,560
Materials	1,793,721	591,752	2,541,917	2,597,226	748,064	1,953,526	1,480,503	452,687	12,159,396
Contracted services	1,905,807	1,044	2,694,687	6,941,422	42,272	417,621	324,741	194,033	12,521,627
Rents and financial	41,832	13,004	-	765	95,136	40,781	14,713	-	206,231
External transfers	2,000	-	-	-	1,654,838	16,140,774	3,494,318	-	21,291,930
Amortization	371,940	6,620	4,254,273	601,433	184,377	41,730	1,136,651	-	6,597,024
Internal transfers	(4,926,271)	931,544	1,189,550	809,708	288,000	1,135,879	501,240	70,350	-
Total expenses	2,290,231	2,017,977	13,327,805	14,334,337	9,400,521	30,539,784	7,338,093	1,129,834	80,378,582
Net surplus/(deficit)	2,412,541	(255,014)	4,262,981	(4,585,012)	545,256	663,702	(143,064)	440,828	3,342,218

INDEPENDENT AUDITORS' REPORTT. 705.742.3418
F. 705.742.9775**To the Members of Council, Inhabitants and Ratepayers of the Corporation of the County of Northumberland**www.collinsbarrow.com*Report on the Financial Statements*

We have audited the accompanying financial statements of the Trust Funds of the Corporation of the County of Northumberland, which comprise the statement of financial position as at December 31, 2010, the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 controls 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 controls. 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.

Except as noted in the following paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many municipal trust funds, revenue is derived from residents the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Trust Funds and we were not able to determine whether any adjustments might be necessary to resident receipts, excess of receipts over expenses, assets and fund balances at the end of the year

Qualified Opinion

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust Funds of the County as at December 31, 2010 and the continuity of the Trust Funds for the year then ended in accordance with Canadian Public Sector Accounting Standards.

*Collins Barrow Kawarthas LLP*Chartered Accountants
Licensed Public AccountantsPeterborough, Ontario
July 20, 2011

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

TRUST FUNDS STATEMENT OF FINANCIAL POSITION At December 31, 2010

	Bequests \$	Safekeeping Pensioners \$	2010 Total \$	2009 Total \$
FINANCIAL ASSETS				
Cash	11,291	56,690	67,981	65,433
Investments (note 2)	180,572	-	180,572	180,572
	191,863	56,690	248,553	246,005
CURRENT LIABILITIES				
Due to County	106,033	-	106,033	10,544
FUND BALANCES				
Due to Residents	-	56,690	56,690	64,637
Bequests	85,830	-	85,830	170,824
	85,830	56,690	142,520	235,461
	191,863	56,690	248,553	246,005

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

TRUST FUNDS STATEMENT OF CONTINUITY For the Year Ended December 31, 2010

	Bequests \$	Safekeeping Pensioners \$	2010 Total \$	2009 Total \$
BALANCE - beginning of year	170,824	64,637	235,461	231,363
RECEIPTS				
Residents' contributions	-	150,311	150,311	154,461
Interest earned	6	270	276	5,202
	6	150,581	150,587	159,663
EXPENSES				
Residents' personal costs	-	157,087	157,087	154,904
Maintenance - County home	-	1,441	1,441	661
Contribution to County	85,000	-	85,000	-
	85,000	158,528	243,528	155,565
BALANCE - end of year	85,830	56,690	142,520	235,461

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

TRUST FUNDS NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments and their boards as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting which 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.

(b) Financial Instruments

The Trust Funds financial instruments consist of cash, investments and due to County. It is management's opinion that the fair value of financial instruments are not materially different from their carrying value unless otherwise noted. The Trust Funds does not have any significant concentration of credit, currency or interest rate risk.

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions 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 revenue and expenses during the period and are based on the County's best information and judgment. Actual results could differ from these estimates.

2. INVESTMENTS

Investments totaling \$180,572 are recorded at cost and have a fair market \$183,790. The investments consist of various short term, fixed income deposits.