



The Corporation of the Village Of Cumberland

2011 Annual Report

June 11, 2012

The Corporation Of the Village Of Cumberland
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Message from Mayor Leslie Baird



Dear Reader,

May 28, 2012

On behalf of Council, I am pleased to present Council's 2011 Annual Report to you. 2011 was year of change for the Village. It was an election year, and Bronco Moncrief and Fred Bates both retired from Council. The community elected the first Japanese Canadian Council member, Roger Kishi, and its youngest Councillor, Conner Copeman, who joined incumbents Kate Greening and Gwyn Sproule. And the first woman Mayor in Cumberland was acclaimed to office.

In 2011 Councillor Moncrief was honoured with the Rising Sun award by the government of Japan and we celebrated the grand opening of the Chinatown picnic pavilion. A ground water supply source for the Village was found in Coal Creek Historic Park, and the water meter installation program was completed.

The Village continues to focus on replacing infrastructure and meeting the regulatory demands of senior governments, while putting aside funds to ensure the sustainability of our infrastructure. The Council is also striving to provide services necessary to operate the Village as economically as possible. We continue to support the Vision Statement in our Official Community Plan and we are placing a high priority on the policy to ensure early and ongoing public consultation.

Council thanks all the many volunteers who contribute in so many different ways. Together with the community we will determine the future of the Village as the Official Community Plan is reviewed and updated and we will ensure that Cumberland is the jewel of the Valley.

A handwritten signature in blue ink that reads "Leslie Baird". The signature is cursive and fluid.

Mayor Leslie Baird

Corporate Services

Corporate Services oversaw all internal and general government services for the organization including Council and committee administration, corporate administrative services, financial services, office equipment and systems, cemetery administration and assistance to departments for decentralized functions such as purchasing and human resources. Corporate Services consisted of five full-time employees and was heavily assisted by the Chief Administrative Officer.

Public Works

Under the direction of the Manager of Community Services , Public Works consisted of a seven person crew that oversaw water supply, treatment and distribution; sewer and storm water collection, treatment and disposal; road and streetscape maintenance; parks, cemeteries, equipment, fleet and facilities maintenance.

Protective Services

In 2011, Protective Services was responsible for bylaw enforcement including animal control, fire protection and fire rescue services, community safety programs and emergency preparedness. The Department included one part-time employee and approximately 30 dedicated volunteer fire fighters under the direction of the Community Services Manager. Police services are supplied provincially via the Comox Valley RCMP detachment.

Recreation and Community Services

The Manager of Community Services oversaw Recreation and Community Services which consisted of three additional full-time and one part-time staff as well as several casual employees as required to staff special events and facility rentals. Recreation and Community Services was responsible for the parks and facilities rentals; recreation facilities operations and the coordination of recreation programming and contracts for a day care and the Cumberland Lake Park campground and day use area.

Planning and Development

Planning and Development oversaw land use management for the Village which included the preparation of planning and development related bylaws, policies and master plans; processing of development, property and business applications and coordination of building inspection services which was provided by a contractor. The Department also provided assistance to other departments in the drafting of various bylaws and coordination of other contracted services such as waste management collections. The Department consisted of one full-time and one part-time staff resource reporting to the Manager of Community Services and Chief Administrative Officer.

Status of 2011 Objectives

The 2010 Annual Report outlined goals and objectives for 2011. The following summary outlines the status of those specific Council goals and objectives as at December 31, 2011. The priorities set out are in no particular order.

GOALS	OBJECTIVES	STATUS
STRATEGIC PRIORITY A – INFRASTRUCTURE		
Goal A-1: Water Supply	Determine suitable short term water supply for recommendation to Council	Complete
	Participate in preparation of the Regional Water Supply Strategy as a potential long term water supply option	Complete
Goal A-2: Water & Sewer System Upgrades	Participate in the completion of the Regional Master Sewer Plan	Complete
	Complete the Sewer Improvement Project (BCCWIP grant projects)	Complete
	Complete the Lagoon Upgrade Project (Towns For Tomorrow grant project)	In Process: Phase 2 budgeted for 2012
Goal A-3: Water Meter Implementation; Information & Communications to Public; Financial/Accounting Implementation	Complete water meter installation	Complete
	Implement data collection software, collect and analyze consumption data to determine pricing structure for financial viability and to promote water conservation	In Process
	Prepare utility bylaws for Council consideration	In Process
	Design procedures and restructure billing software to process consumption based billing	In Process
Goal A-4: Support Reduction in Solid & Liquid Waste	Contract and advertise the continuation of the Yard Waste Collection program	Complete
Goal A-5: Examine Options to Landfill	Continue to participate in Regional Waste Management Plan Review Committee	On going
Goal A-6: Liquid Waste Management Plan (LWMP)	Complete Stage 2 report for the LWMP	In Process
	Complete Stage 3 process and submit LWMP to Council and MOE for approval	In Process
STRATEGIC PRIORITY B – PARKS & RECREATION		
Goal B-1: Complete Parks & Greenways Master Plan	Adoption of the Official Community Plan Amendment Bylaw (923) to include the Parks and Greenways Master Plan	Complete
GOALS	OBJECTIVES	STATUS
Goal B-2: Village Park Master Plan & Upgrades	Prepare and advertise for Expressions of Interest for completion of the Plan	Complete

Status of 2011 Objectives

Goal B-3: Cumberland Lake Park	Council to determine longer term direction for the operations of Cumberland Lake Park	On going
STRATEGIC PRIORITY C – COMMUNICATIONS		
Goal C-1: Web Site Improvements	Collect, prepare and upload data to new website	In Process
	Train and implement procedures for website maintenance	Ongoing
	Implement communications program for website launch and transition to new domain names for website and email and decommissioning of old website	In Process
Goal C-2: Continue Publication of <i>Cumberland Now</i> Magazine	Publication of magazine throughout 2011	Complete
STRATEGIC PRIORITY D – BYLAWS		
Goal D-1: Encroachments – Develop Enforcement Policy for Council Approval	Develop policy to deal with encroachments onto public parks, lanes and roads and other public lands for Council consideration	In process
Goal D-2: MTI Bylaw Development	Prepare a municipal ticketing bylaw for Council consideration	Complete
STRATEGIC PRIORITY E – PLANNING		
Goal E-1: Green House Gas (GHG) Amendments	Prepare an amending or new bylaw for the Official Community Plan to include GHG Amendments for Council consideration	In process
Goal E-2: Regional Growth Strategy Regional Context Statements	Prepare an amending or new bylaw for the Official Community Plan to include Regional Growth Strategy Regional Context Statements for Council consideration	In Process
Goal E-3: Regular Official Community Plan (OCP) Bylaw Review	Review the Official Community Plan as required on a periodic basis and prepare an amending or new OCP Bylaw for Council consideration	On going
GOALS	OBJECTIVES	STATUS
Goal E-4: Protect Maple Lake & Trails Options	Determine a strategy to secure or protect Maple Lake lands and trails for Council consideration	Ongoing
STRATEGIC PRIORITY F – CULTURE		
Goal F-1: Cultural Policy and Program	Develop a cultural policy for Council consideration	In Process
Goal F-2: Cultural Exchanges	Host a Putian (Sister City) medical delegation in 2011	Complete

Status of 2011 Objectives

STRATEGIC PRIORITY G – OPERATIONS		
Goal G-1: Candidates Information	Participate in Regional District candidates information session and provide other information to interested candidates throughout the election process	Complete
Goal G-2: Election Activities	Successfully complete the 2011 election for the Municipality and School Board Trustees	Complete
Goal G-3: New Council Orientation	Deliver a training session and prepare hand out materials for 2011 elected Council members	Complete

Council Members and senior managers participated in a strategic priorities workshop early in 2012. Council reviewed the priorities established for 2011 and made revisions to reflect regional activities and economic realities for the community. The following goals were established to guide municipal activities over the next two years. The strategic priorities, as set out, are in no particular order. The completion of objectives provides a measure for the achievement of the goals identified.

STRATEGIC PRIORITY 1 – QUALITY INFRASTRUCTURE PLANNING AND DEVELOPMENT	
	Establish an adequate and high quality source of water for the current and future residents of the Village
	Develop an environmentally sustainable method of treating the liquid waste that is produced by the Village
	Create a Road Reconstruction plan
	Develop a Facility replacement plan

STRATEGIC PRIORITY 2 – COMPREHENSIVE COMMUNITY PLANNING	
	Complete the review of the Official Community Plan and ensure alignment with the Regional Growth Strategy
	Examine all Solid Waste Management Options
	Develop and implement Greenhouse Gas Action Plan
	Implement Cumberland Community Forest Management Plan
	Create an industrial land development and promotion strategy
	Review Development Standards to make them green, economically attractive and flexible
	Review and Implement the Community Beautification Plan
	Complete the Village Park Plan
	Review the potential for boundary expansion
	Initiate a food security review

STRATEGIC PRIORITY 3 – HIGHLY DEVELOPED INTERNAL AND EXTERNAL COMMUNICATIONS

	Establish a civic engagement process
	Update the Village website
	Review effectiveness of “Cumberland Now”

STRATEGIC PRIORITY 4 – EFFECTIVE ADMINISTRATIVE, FINANCIAL AND SUPPORT SERVICES

	Review engineering services
	Acquire Maple Lake for future park
	Review Village Staffing levels
	Implement a Municipal Ticketing Information Bylaw and formalize the Bylaw enforcement position
	Review the Sister City program
	Review IT service delivery
	Implement an ongoing policy and bylaw review of fees and charges

Permissive Tax Exemptions

2011

In accordance with Section 98(2)(b) of the Community Charter, we disclose that the following properties were granted a permissive property tax exemption by the Corporation of the Village of Cumberland for the 2011 taxation year. These exemptions were granted by bylaw and in accordance with Section 224 of the Community Charter.

ORGANIZATION/ OCCUPIER OF MUNICIPAL PROPERTY	PROPERTY GRANTED EXEMPTION	2011 PROPERTY TAX EXEMPTION*
Cumberland United Church	Lot 1, Block 4, Plan 522, District Lot 21, Nelson Land District <i>(Land surrounding church)</i>	\$ 233
Cumberland Community Church	Lot B, Plan 43397, District Lot 21, Nelson Land District <i>(Land surrounding church)</i>	242
Historical Society (Museum) & Cumberland Chamber of Commerce	Lot 3, Block H, Plan 522E, District Lot 21, Nelson Land District, EXC NLY 76FT	1,084
Cumberland Old Age Pensioners	Lot B, Plan 29219, District Lot 21&24, Nelson Land District	2,629
TOTAL PERMISSIVE TAX EXEMPTION		\$4,188

* These amounts do not include the amounts exempted relating to other agency collections such as the Regional District, Hospital District, MFA, BC Assessment, library, and school and police taxes. The total tax exemption including these other agency collections was \$9,619.

Strategic Community Investment Funds

Plan and Progress Report

2011

In accordance with the terms of the Strategic Community Investment (SCI) Funds agreement, the following report outlines a plan that was developed for the intended uses and performance targets for the small community portion of the SCI funds. To date, the Village has received both of the 2011 and the March 2012 grant funds.

The Provincial Government recognizes that small communities struggle to provide the basic municipal services at affordable tax rates due to their relatively small tax base and especially when that tax base is largely residential. The grant is fundamental to the Village of Cumberland in order to provide essential services.

1. Small Community SCI funds received or anticipated:

Strategic Community Investment Funds	Use	Date	Amount
SC Grants	Local government services	March 2011	\$250,770
		June 2011	360,840
		March 2012	252,687
		June 2012	379,873
		March 2013	84,229
		June 2013	211,415
		June 2014	295,644

2. Small Community Portion of the SCI Funds (Please note that SCI funds do not fund water and sewer services): Intended Use and Performance Targets

Intended Use: Use funding to supplement the tax base. Apportion the grant across all departments to provide local government services.

Performance Targets	Progress made to first reporting period (by June 30, 2011)	Progress made to first reporting period (by June 30, 2012)
Recognize the need for affordable property taxes, especially for those on fixed and reduced incomes. Keep increases as reasonable as possible while continuing to provide basic municipal services. Strive to offer a competitive rate to attract business and industry.	The 2010 municipal tax increase was 7.4%. Without the small community grant, the tax increase would have been 35.1%. The 2011 tax increase was 2.8%. Without the small community grant, the tax increase would have been 27.3%.	The 2012 municipal tax increase was 2.8%. Without the small community grant, the tax increase would have been 25.07%.
Address aging infrastructure, understanding that deferral of infrastructure replacement and repairs is not sustainable.	Engineered designs were completed and the capital reserve was contributed to in 2011 to get ready for future large roads projects.	The 2012 approved financial plan includes a project to reconstruct 3 rd street between Dunsmuir and Derwent Avenue.

Report Date: June 30, 2012



**THE CORPORATION OF THE
VILLAGE OF CUMBERLAND**

**CONSOLIDATED
FINANCIAL STATEMENTS**

DECEMBER 31, 2011

THE CORPORATION OF THE VILLAGE OF CUMBERLAND

Index to Consolidated Financial Statements For the year ended December 31, 2011

MANAGEMENT'S RESPONSIBILITY

INDEPENDENT AUDITORS' REPORT

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- C Consolidated Statement of Change in Net Debt
- D Consolidated Statement of Cash Flows

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SCHEDULES

- 1 Tangible Capital Assets
- 2 Debenture and Long-Term Debt
- 3 Segment Disclosure
- 4 Segment Disclosure with Budget Information

To the Mayor and Council of the Corporation of the Village of Cumberland:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian Public Sector Accounting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Mayor and Council are composed entirely of individuals who are neither management nor employees of the Village. The Mayor and Council are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Mayor and Council fulfill these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Mayor and Council are also responsible for appointing the Village's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Mayor and Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Council and management to discuss their audit findings.

May 14, 2012



Michelle Mason, CGA
Corporate Services Manager

To the Mayor and Council of the Corporation of the Village of Cumberland:

We have audited the accompanying consolidated financial statements of the Corporation of the Village of Cumberland, which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated statements of operations and accumulated surplus, of change in net debt, of cash flows and related schedules for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on 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 the audit evidence 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 Village of Cumberland as at December 31, 2011 and its financial performance, change in net debt, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

May 14, 2012

Courtenay, BC

MNP LLP

Chartered Accountants

STATEMENT A

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
Consolidated Statement of Financial Position
As at December 31, 2011

	2011	2010
Financial Assets		
Cash and cash equivalents	\$ 4,271,128	\$ 3,413,207
Property taxes receivable	258,946	294,609
Accounts receivable (Note 2)	1,026,976	808,004
	5,557,050	4,515,820
Liabilities		
Accounts payable and accrued liabilities (Note 3)	489,891	496,517
Trust and other deposits (Note 4)	196,615	171,457
Deferred revenue (Note 6)	2,266,245	2,187,641
Debenture and long term-debt (Note 8, Schedule 2)	3,016,378	2,671,323
	5,969,129	5,526,938
Net Debt	(412,079)	(1,011,118)
Non-financial Assets		
Tangible capital assets (Schedule 1)	33,811,540	33,398,282
Inventories	88,574	72,932
Prepaid expenses	3,576	2,154
	33,903,690	33,473,368
Accumulated Surplus	\$ 33,491,611	\$ 32,462,250

Contingent liabilities (Note 7)

See accompanying notes to the consolidated financial statements

Approved by:



Leslie Baird
Mayor



Michelle Mason
Corporate Financial Officer

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2011

	2011 Actual	2011 Budget Unaudited (Note 13)	2010 Actual
Revenues			
Taxes	\$ 1,843,557	\$ 1,842,515	\$ 1,743,372
Grants in lieu of taxes	47,193	47,183	46,161
Frontage taxes	170,027	168,200	168,200
Sale of services	1,066,359	1,081,430	1,047,311
Transfers from other governments	1,229,582	1,536,720	2,454,528
Services to other governments	97,235	114,910	60,202
Other revenue	241,101	234,380	479,298
Development cost charges	189,219	252,980	283,256
Loss on disposal of tangible capital assets	(16,465)	-	-
Contributed assets	-	-	34,869
	<u>4,867,808</u>	<u>5,278,318</u>	<u>6,317,197</u>
Expenses			
General government services	591,128	720,280	591,879
Transportation services	802,663	845,500	987,378
Protective services	382,898	436,990	376,014
Environmental health services	1,135,013	1,323,140	2,029,685
Public health services	18,007	22,785	14,155
Environmental planning and development services	333,234	365,405	310,725
Recreation and cultural services	575,504	586,018	552,898
	<u>3,838,447</u>	<u>4,300,118</u>	<u>4,862,734</u>
Annual Surplus	1,029,361	978,200	1,454,463
Accumulated Surplus, Beginning Of Year	<u>32,462,250</u>	<u>32,462,250</u>	<u>31,007,787</u>
Accumulated Surplus, End Of Year	<u><u>\$ 33,491,611</u></u>	<u><u>\$ 33,440,450</u></u>	<u><u>\$ 32,462,250</u></u>

Please see accompanying notes to the consolidated financial statements.

STATEMENT C

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
Consolidated Statement of Change in Net Debt
For the Year Ended December 31, 2011

	2011 Actual	2011 Budget Unaudited (Note 13)	2010 Actual
Annual Surplus	\$ 1,029,361	\$ 978,200	\$ 1,454,463
Amortization of tangible capital assets	728,822	710,380	863,208
Proceeds on disposal of tangible capital assets	17,000	-	-
Change in supplies inventories	(15,642)	-	(18,564)
Change in prepaid expense	(1,422)	-	2,907
Loss on disposal of tangible capital assets	16,465	-	449,002
Acquisition of tangible capital assets	(1,175,545)	(1,623,080)	(2,536,070)
Change In Net Debt	599,039	65,500	214,946
Net Debt, Beginning Of Year	(1,011,118)	(1,011,118)	(1,226,064)
Net Debt, End Of Year	<u>\$ (412,079)</u>	<u>\$ (945,618)</u>	<u>\$ (1,011,118)</u>

Please see accompanying notes to the consolidated financial statements.

STATEMENT D

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2011

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Annual surplus	\$ 1,029,361	\$ 1,454,463
Non-cash items		
Amortization	728,822	863,208
Contributed assets	-	(34,869)
Loss on disposal of tangible capital assets	16,465	449,002
Change in prepaid expense	(1,422)	2,907
Change in inventories	(15,642)	(18,564)
Change in deferred revenue	78,604	(2,159,836)
Change in working capital		
Change in property taxes receivable	35,663	23,368
Change in accounts receivable	(218,972)	(138,296)
Change in accounts payable	(6,626)	(400,285)
Change in trust and other deposits	25,158	(143,471)
Cash provided by (applied to) operating activities	<u>1,671,411</u>	<u>(102,373)</u>
Cash Flow From Investing Activities		
Purchase of tangible capital assets	(1,175,545)	(2,501,201)
Proceeds on disposal of tangible capital assets	17,000	-
Cash applied to capital transactions	<u>(1,158,545)</u>	<u>(2,501,201)</u>
Cash Flow From Financing Activities		
New debt issued	480,364	720,442
Long-term debt repaid and actuarial reduction	(135,309)	(134,361)
Cash provided from financing activities	<u>345,055</u>	<u>586,081</u>
Increase (Decrease) in Cash and Cash Equivalents	857,921	(2,017,493)
Cash and Cash Equivalents, Beginning Of Year	<u>3,413,207</u>	<u>5,430,700</u>
Cash and Cash Equivalents, End Of Year	<u><u>\$ 4,271,128</u></u>	<u><u>\$ 3,413,207</u></u>
Interest Included In Operating Activities		
Interest received in the year	\$ 18,399	\$ 21,465
Interest paid in the year	<u>\$ (82,816)</u>	<u>\$ (61,924)</u>

Please see accompanying notes to the consolidated financial statements.

**The Corporation of the Village of Cumberland
Notes to Consolidated Financial Statements
Year Ended December 31, 2011**

The Corporation of the Village of Cumberland was incorporated in 1898 under the provisions of the *British Columbia Municipal Act*. Its principal activities are the provision of local government services to the residents of the Municipality.

1. SIGNIFICANT ACCOUNTING POLICIES

- a) It is the Municipality's policy to follow Canadian public sector accounting standards.
- b) In accordance with the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, the Municipality has implemented the consolidation of all funds. The consolidated financial statements reflect the removal of internal transactions and balances.

The Municipality follows the normal practice for local government accounting according to the principle of fund accounting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

- c) Financial instruments consist of cash and cash equivalents, property taxes receivable, accounts receivable, accounts payable and accrued liabilities, trusts and other deposits, debenture and long-term debt. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments.
- d) Tangible capital assets and other non-financial assets are accounted for as assets by the Municipality because they can be used to provide municipal services in future periods. These assets do not normally provide resources to discharge liabilities unless they are sold.
- e) Cash and cash equivalents include short-term deposits held with the Municipal Finance Authority in the Money Market Fund and are carried at cost, which approximates market value.
- f) Inventories are valued at the lower of cost and replacement value.
- g) Tax revenues are recognized in the year that they are levied. Government transfers are recognized as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Restricted grants are recognized when the related expenses are incurred and when collection is reasonably assured. Sewer and water fees are recognized when the commodity has been received by the customer. Other sales of services and other revenue from own sources are recognized when the service is provided or the amount is earned and when the amount can be estimated and collection is reasonably assured. Restricted revenues from collections of development cost charges are deferred and then recognized as revenue in the year that an expense, authorized by by-law, is incurred.
- h) Expenses are recorded in the period in which the goods or services are acquired and a liability is incurred.
- i) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenditures during the reporting period. Significant areas requiring the use of estimates include the ability to collect property taxes receivable and accounts receivable, obsolete or damaged inventory, amortization of tangible capital assets and post employment benefits.

**The Corporation of the Village of Cumberland
Notes to Consolidated Financial Statements
Year Ended December 31, 2011**

Actual results may vary from the estimates and adjustments, if any, will be reported and reflected in operations as they become known.

- j) The Municipality recognizes the expenses relating to employee benefits in the period in which the employees render the services in return for the benefits, including compensated employee absences that accumulate but do not vest. Absences due to employee illness are paid when an injury or illness occurs, but entitlement to such compensation arises as employees render service. Entitlement to compensated absence due to illness or injury is measured as the expected future utilization of this benefit.
- k) 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, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	25-40
Equipment and vehicles	5-15
Water and waste water plant and networks	
Underground networks	60-100
Plants and lift stations	50-100
Pumping stations and reservoirs	100
Other infrastructure	50-100
Transportation	
Road surfaces	15-25
Road base structure	75
Poles and luminaries	100
Parks and other	
Land improvements	10-40
Playing fields and trails	15-20
Parking lots	10-20

One half year of amortization is booked in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Contributions of tangible capital assets are recorded as an asset at their fair value at the date of receipt and as revenue.

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases and the associated asset is recorded at the lower of the present value of future minimum lease payments or fair value.

- l) The Municipality capitalizes interest on interim financing for capital construction projects. In 2011 \$23,768 was capitalized (2010 - \$16,249).

**The Corporation of the Village of Cumberland
Notes to Consolidated Financial Statements
Year Ended December 31, 2011**

2. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	<u>2011</u>	<u>2010</u>
Due from federal government	\$215,492	\$251,622
Due from provincial government	528,851	303,477
Due from other government	130,661	60,202
Other receivables	151,972	192,703
	<u>\$1,026,976</u>	<u>\$808,004</u>

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Account payable is comprised of the following:

	<u>2011</u>	<u>2010</u>
Due to federal government	\$4,420	\$6,688
Due to provincial government	38,643	26,418
Due to other government	25,251	12,452
Salaries, wages and benefits payable	240,762	259,163
Other payables	180,815	191,796
	<u>\$489,891</u>	<u>\$496,517</u>

4. TRUST AND OTHER DEPOSITS

Trust and other deposits are securities and deposits held by the Municipality to ensure performance of requirements under contract or for approval of development or subdivision applications, or to safeguard against damages to facilities and infrastructure. The balance includes deposits collected for building, plumbing and development permits, subdivision and landscaping performance bonds, lien holdbacks and park and facility rentals.

5. BANK INDEBTEDNESS

The Village has an available unsecured line of credit of \$750,000 from the Cumberland and District Credit Union bearing interest at prime. No balance was drawn on the line of credit as at December 31, 2011 (2010 – nil).

6. DEFERRED REVENUE

	<u>Balance 31-Dec-10</u>	<u>Collections</u>	<u>Recognized As Revenue</u>	<u>Interest Income</u>	<u>Balance 31-Dec-11</u>
Deferred Revenue – DCC					
Storm Drainage	\$204,579	1,752		\$1,853	\$208,184
Sanitary Sewer	522,609	3,721		5,048	531,378
Waterworks	317,723	4,917	(189,219)	2,715	136,136
Roads	237,063	928		1,626	239,617
Parks	35,058	1,061		179	36,298
	<u>1,317,032</u>	<u>12,379</u>	<u>(189,219)</u>	<u>11,421</u>	<u>1,151,613</u>
Other Deferred	870,609	1,165,154	(927,995)	6,864	1,114,632
	<u>2,187,641</u>	<u>1,177,533</u>	<u>(1,117,214)</u>	<u>18,285</u>	<u>2,266,245</u>

**The Corporation of the Village of Cumberland
Notes to Consolidated Financial Statements
Year Ended December 31, 2011**

7. CONTINGENT LIABILITIES

- a) The Municipality's loan agreements with the Comox Valley Regional District and the Municipal Finance Authority provide that if at any time the scheduled payments required are not sufficient to meet obligations in regard to borrowings, the resulting deficiency becomes a joint and several liability of the Municipality and the other member Municipalities.
- b) The Municipality is involved with a number of legal actions, the outcomes of which cannot be determined at this time. Management has determined that any potential liabilities arising from these outstanding claims are not significant.
- c) The Municipality is statutorily obligated to collect and transmit the tax levies of the following bodies:
 - i. Provincial Government – Schools;
 - ii. Provincial Government – Police;
 - iii. Comox Valley Regional District;
 - iv. Regional Hospital District of Comox Strathcona;
 - v. British Columbia Assessment Authority;
 - vi. Municipal Finance Authority; and
 - vii. Vancouver Island Regional Library.

Such levies are not included in the revenues of the Municipality.

- d) As at December 31, 2011, there were various assessment appeals pending with respect to properties. The outcome of those appeals may result in adjustments to property taxes receivable for the current and prior years. The Municipality makes a provision against property taxes receivable where the results of a specific appeal are reasonably determinable.
- e) The Municipality is a Subscribed member of the Municipal Insurance Association of British Columbia (the "Exchange") as provided by Section 3.02 of the Insurance Act of the Province of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any Subscriber. Under the Reciprocal Insurance Exchange Agreement the Municipality is assessed a premium and specific deductible for its claims based on population. The obligation of the Municipality with respect to the Exchange and/or contracts and obligations entered in to by the Exchange on behalf of its Subscribers in connection with the Exchange are in every case several, and not joint and several.

**The Corporation of the Village of Cumberland
Notes to Consolidated Financial Statements
Year Ended December 31, 2011**

8. LONG-TERM DEBT

- a) The Municipality is party to several capital leases financed through the Municipal Finance Authority for the acquisition of vehicles and operating equipment. Lease terms are five years or less. The vehicles and equipment under capital leases have a carrying value of \$590,557 (2010 - \$539,551) and are recorded as non-financial assets in the statements.

The following is a schedule of future minimum lease payments under the capital leases with various expiry dates to 2016 together with the balance of the obligations under capital lease, which is included in the debenture and long-term debt as detailed in Schedule 2:

2012	\$122,014
2013	114,197
2014	116,800
2015	68,667
2016	<u>22,709</u>
Total minimum lease payments	444,387
Less: amount representing interest	<u>(16,243)</u>
Obligations under capital lease	<u>\$428,144</u>

- b) Principal payments on debenture and long-term debt over the next five years are as follows:

2012	\$78,104
2013	78,104
2014	78,104
2015	78,104
2016	78,104
Thereafter	<u>2,197,714</u>
	<u>\$2,588,234</u>

9. DEPOSITS AND RESERVES – MUNICIPAL FINANCE AUTHORITY

Under borrowing arrangements with the Municipal Finance Authority (MFA), the Village is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As the debt principal is retired, demand notes are released and the cash deposits are refunded and recorded as operating income in the period received.

As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits, which are contingent in nature, are held by the MFA to act as security against the possibility of debt repayment default, and together with the demand notes are not recorded in the accounts. If the debt is repaid without default, the deposits are refunded to the Village. Details of the cash deposits and contingent demand notes are as follows:

	<u>2011</u>	<u>2010</u>
Cash deposits	\$2,783	\$2,691
Contingent demand notes	10,669	10,317
	<u>\$13,452</u>	<u>\$13,008</u>

**The Corporation of the Village of Cumberland
Notes to Consolidated Financial Statements
Year Ended December 31, 2011**

10. UNFUNDED LIABILITY

Employee Benefits

Employees who retire qualify for a one time payout of up to 72 days of their accumulated unused sick leave bank after 10 years of service. The Village calculates the value of this liability for employees based on review of the total vested and non-vested accrued time to date. Probabilities of 10 – 90% are assigned based on years of service and length of time to retirement. At December 31, 2011, the value of sick leave for all vested employees is calculated at \$52,025 (2010 - \$47,328). The total estimated employee retirement benefit liability at December 31, 2011 is \$136,689 (2010 - \$128,750). An accrual is also made for severance, calculated as the potential benefit applicable to each employee as at December 31, 2011 multiplied by a probability factor of 1% for a total of \$20,888 (2010 - \$39,721). The total employee benefit accrual is \$157,577 (2010 - \$168,471). Employee retirement and severance benefit payments are being funded by accounting charge on sick time accrued during the year.

11. PENSION LIABILITY

The municipality and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusted pension plan. The Board of trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 173,000 active members and approximately 63,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1.024 billion for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the surplus to individual employers. The Corporation of the Village of Cumberland paid \$104,464 (2010 - \$101,975) for employer contributions while employees contributed \$87,225 (2010 - \$87,347) to the plan in fiscal 2011.

12. TRUST FUNDS

The following assets are held in trust by the Village for cemetery care. Neither the assets nor related liability have been recorded in the financial statements.

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$41,880	\$40,124
Receivable from Village	-	20
Net financial position	<u>\$41,880</u>	<u>\$40,144</u>

**The Corporation of the Village of Cumberland
Notes to Consolidated Financial Statements
Year Ended December 31, 2011**

13. ANNUAL BUDGET

Budget figures are based on the *Corporation of the Village of Cumberland 2011-2015 Financial Plan Bylaw No. 940, 2011* approved by Council in May of 2011. Figures are presented on the basis used for actual results and were adjusted as follows to comply with financial statement presentation:

Surplus per 2011 – 2015 Financial Plan	\$ -
Remove proceeds from borrowing	(498,280)
Remove principal payments on debt	147,290
Add back amortization	(710,380)
Remove capital acquisitions	1,623,080
Transfer to reserves	416,490
Surplus restated for financial statement purposes	<u>\$978,200</u>

14. ENVIRONMENTAL REGULATIONS

The Municipality makes every reasonable effort to comply with all environmental regulations that apply to its operations. These regulations may require future expenditures to meet applicable standards. Amounts required to meet these obligations will be charged to operations when incurred or set aside as future reserves when they can be reasonably estimated.

15. FEDERAL GAS TAX AGREEMENT FUNDS

Gas Tax Agreement funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the local government and the Union of British Columbia Municipalities. Gas Tax Agreement funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

The Municipality received the first contribution of Gas Tax Funding in 2005 and reports the balance in the Deferred Revenue until it is used to fund the specified projects outlined in the funding agreement.

Following is a schedule of Gas Tax receipts and disbursements received in 2011 with comparatives to 2010.

	<u>2011</u>	<u>2010</u>
Opening Balance of Unspent Funds	\$348,969	\$227,296
Add:		
Amounts received during the year	161,341	161,354
Interest earned	2,669	1,307
Less:		
Amount spent on projects	(111,899)	(40,988)
Closing balance of unspent funds	<u>\$401,080</u>	<u>\$348,969</u>

**The Corporation of the Village of Cumberland
Notes to Consolidated Financial Statements
Year Ended December 31, 2011**

16. SEGMENTED INFORMATION

The Municipality is a diversified local government institution that provides a wide range of services to its citizens, including the provision of water, sewer, garbage disposal, recreation, parks, and cemetery services. The services and functions of the Municipality have been segregated or grouped based on factors such as delivery method, similarity in regulations, restrictions or cost recovery and the nature of the service as voluntary or essential services. Consideration has been given to comparability to other Municipal bodies.

The segments are categorized and described as follows:

General Government

This segment includes activities pertaining to the general administration and governance of the organization and those services that are provided on a centralized basis for all other segments and departments of the organization. Council, management, corporate and financial services are included as are other general costs which are not easily allocated to individual activity areas.

Transportation Services

This segment includes general road way maintenance and upgrade, street lighting, sidewalk and other general duties of the Public Works department. The Department is responsible to ensure transportation infrastructure is safe and well maintained.

Protective Services

This segment includes fire protection services, emergency preparedness, bylaw enforcement and animal control. The function's mandate is to ensure the safety of the lives and property of citizens and preserve peace and good order.

Environmental Health Services

The Water and Waste segment consists of three distinct utilities: sewerage and drainage, water, and solid waste disposal. The department provides collection and treatment of sewage and storm water, treatment and delivery of drinking water and contracts garbage collection and recycling services. Ensuring environmental and public safety standards are the key concern for the functions within this segment.

Public Health Services

The Municipality owns and/or operates three cemeteries. Although some of the maintenance activities are similar to those provided in the Parks function, a larger portion of the cost and activity is specific to performing cemetery services. The function has been segregated due to the unique regulatory requirements and because these services would be delivered as a separate business function in the private sector. The administrative and maintenance services for this function are divided between two departments but costs for administration are not substantial nor easily attributed to this function and are, therefore, not reallocated from General Government.

Environmental Planning and Development Services

The Planning Department manages land use planning, building and development functions. The department is responsible for ensuring that these functions are planned and managed to address environmental and building regulations, heritage matters and community and public concerns.

**The Corporation of the Village of Cumberland
Notes to Consolidated Financial Statements
Year Ended December 31, 2011**

Recreation and Cultural Services

This segment captures all activities relating to the health and well being of the citizens and community. The function includes recreational services such as a fitness centre and gym, facilities rentals and contributions to community and cultural events as well as provision and maintenance of parks and park facilities. The services in this category are not considered essential services but are important for economic and community development.

For each reported segment, revenues represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Property taxes, payments in lieu and the small community grant funds are apportioned based on budget with any variance in actual revenue being attributed back to General Government. All other revenues can be directly attributed to a particular segment. With the exception of some general fiscal services and centralized supply and services charged directly to the General Government function, all other costs are instigated for and charged directly to the specific segments when incurred.

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
Tangible Capital Assets
For the Year Ended December 31, 2011

	Land	Building	Equipment / Furniture / Vehicles	Engineering Structures			Land Improvements	Assets Under Development	2011 Total	2010 Total
				Water	Sewer / Drainage	Roads				
Cost										
Opening balance	\$ 3,697,459	\$ 1,401,072	\$ 1,764,157	\$ 8,887,431	\$ 13,965,187	\$ 19,037,142	\$ 1,199,171	\$ 783,247	\$ 50,734,866	\$ 49,088,403
Add: Additions	-	-	973,392	51,295	715,562	-	29,587	170,994	1,940,830	4,795,556
Less: disposals	-	-	(85,000)	(42,357)	-	-	-	(765,285)	(892,642)	(3,149,093)
Closing balance	3,697,459	1,401,072	2,652,549	8,896,369	14,680,749	19,037,142	1,228,758	188,956	51,783,054	50,734,866
Accumulated Amortization										
Opening balance	-	1,354,322	942,131	2,106,940	1,671,333	10,468,227	793,631	-	17,336,584	16,913,981
Add: amortization	-	4,140	148,465	95,881	150,994	295,032	34,310	-	728,822	863,208
Less: disposals	-	-	(85,000)	(8,892)	-	-	-	-	(93,892)	(440,605)
Closing balance	-	1,358,462	1,005,596	2,193,929	1,822,327	10,763,259	827,941	-	17,971,514	17,336,584
Net Book Value, December 31, 2011	\$ 3,697,459	\$ 42,610	\$ 1,646,953	\$ 6,702,440	\$ 12,858,422	\$ 8,273,883	\$ 400,817	\$ 188,956	\$ 33,811,540	
Net Book Value, December 31, 2010	\$ 3,697,459	\$ 46,750	\$ 822,026	\$ 6,780,491	\$ 12,293,854	\$ 8,568,915	\$ 405,540	\$ 783,247		\$ 33,398,282

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
Debenture and Long-Term Debt
As at December 31, 2011

	<u>2011</u>	<u>2010</u>
General Capital Fund		
Capital asset leases with various expiry dates to 2015, interest charged at prime less 1%, secured by equipment with carrying value of \$590,557 (2010 - \$539,551)	<u>\$ 428,144</u>	<u>\$ 429,193</u>
Water Capital Fund		
Debenture Debt Water Bylaw #702, due 2017, interest charged at 6.9%, annual principal payment of \$4,143	<u>55,798</u>	<u>63,611</u>
Sewer Capital Fund		
Interim Construction Financing Temporary Borrowing Bylaw #920, interest charged at prime less 1.25%	-	1,359,602
Debenture Debt Sanitary Sewer Improvements Bylaw #781, interest charged at 4.43%, annual principal payment of \$15,797	800,436	818,917
Sanitary Sewer Improvements Bylaw #914, interest charged at 3.25%, annual principal payment of \$58,164	1,732,000	-
	<u>2,532,436</u>	<u>2,178,519</u>
Total Debenture and Long-Term Debt	<u><u>\$3,016,378</u></u>	<u><u>\$2,671,323</u></u>

SCHEDULE 3

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
Segment Disclosure
For the Year Ended December 31, 2011

	General government services		Transportation services	Protective services	services	Environmental health services		Public health services		Environmental planning and development services		Recreation and cultural services		Total		
	2011	2010				2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	
Revenue																
Tax revenue	\$ 584,348	\$ 565,246	\$ 478,840	\$ 468,584	\$ 241,601	\$ 237,862	\$ 170,027	\$ 168,200	\$ 5,187	\$ 9,406	\$ 183,904	\$ 172,624	\$ 396,870	\$ 335,811	\$ 2,060,777	\$ 1,957,733
Sale of services	-	-	-	-	97,235	60,202	980,269	971,915	14,020	11,860	-	-	72,070	63,536	1,163,594	1,107,513
Transfer from other governments	128,134	142,317	118,230	116,787	67,005	72,185	762,581	1,955,187	556	1,768	71,493	73,473	81,583	92,811	1,229,582	2,454,528
Other revenues and contributions	31,934	28,720	35,253	26,000	16,174	25,263	169,067	537,438	87	187	114,124	138,776	47,216	41,039	413,855	797,423
Total revenues	744,416	736,283	632,323	611,371	422,015	395,512	2,081,944	3,632,740	19,850	23,221	369,521	384,873	597,739	533,197	4,867,808	6,317,197
Expenses																
Wages, salaries and benefits	348,297	363,199	265,160	241,043	210,581	202,975	369,375	414,037	11,310	8,029	173,270	159,963	298,845	336,291	1,676,838	1,725,537
Good and services	225,580	218,002	183,213	180,362	113,634	115,007	405,647	911,100	4,795	4,224	159,964	150,762	241,403	183,606	1,334,236	1,763,063
Debt expense	3,431	3,236	5,518	8,185	4,103	5,020	85,499	45,483	-	-	-	-	-	-	98,551	61,924
Amortization	13,820	7,442	348,772	536,870	54,580	53,012	274,492	230,981	1,902	1,902	-	-	-	-	728,822	863,208
Loss on disposal of assets	-	-	-	20,918	-	-	-	428,084	-	-	-	-	35,256	33,001	-	-
Total Expenses	591,128	591,879	802,663	987,378	382,898	376,014	1,135,013	2,029,685	18,007	14,155	333,234	310,725	575,504	552,898	3,838,447	4,862,734
Annual Surplus (Deficit)	\$ 153,288	\$ 144,404	\$ (170,340)	\$ (376,007)	\$ 39,117	\$ 19,498	\$ 946,931	\$ 1,603,055	\$ 1,843	\$ 9,066	\$ 36,287	\$ 74,148	\$ 22,235	\$ (19,701)	\$ 1,029,361	\$ 1,454,463

SCHEDULE 4

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
 Segment Disclosure With Budget Information
 For the Year Ended December 31, 2011

	General government services		Transportation services		Protective services		Environmental health services		Public health services		Environmental planning and development services		Recreation and cultural services		Total	
	Actual	Budget Unaudited	Actual	Budget Unaudited	Actual	Budget Unaudited	Actual	Budget Unaudited	Actual	Budget Unaudited	Actual	Budget Unaudited	Actual	Budget Unaudited	Actual	Budget Unaudited
Revenue																
Tax revenue	\$ 584,348	\$ 584,136	\$ 478,840	\$ 478,512	\$ 241,601	\$ 241,441	\$ 170,027	\$ 168,200	\$ 5,187	\$ 5,185	\$ 183,904	\$ 183,780	\$ 396,870	\$ 396,644	\$ 2,060,777	\$ 2,057,898
Sale of services	-	-	-	-	97,235	114,910	980,269	1,000,360	14,020	12,070	-	-	72,070	69,000	1,163,594	1,196,340
Transfer from other governments	128,134	131,687	118,230	120,281	67,005	67,850	762,581	1,060,150	556	565	71,493	73,189	81,583	82,998	1,229,582	1,536,720
Other revenue and contributions	31,934	27,667	35,253	39,212	16,174	11,344	169,067	260,835	87	3,060	114,124	108,436	47,216	36,806	413,855	487,360
Total revenue	744,416	743,490	632,323	638,005	422,015	435,545	2,081,944	2,489,545	19,850	20,880	369,521	365,405	597,739	585,448	4,867,808	5,278,318
Expenses																
Wages, salaries and benefits	348,297	412,620	265,160	274,820	210,581	265,240	369,375	473,080	11,310	9,700	173,270	187,580	298,845	322,590	1,676,838	1,945,630
Good and services	225,580	287,580	183,213	213,660	113,634	113,865	405,647	550,360	4,795	11,180	159,964	177,825	241,403	228,408	1,334,236	1,582,878
Debt expense	3,431	4,500	5,518	7,130	4,103	4,110	85,499	45,490	-	-	-	-	-	-	98,551	61,230
Amortization	13,820	15,580	348,772	349,890	54,580	53,775	274,492	254,210	1,902	1,905	-	-	35,256	35,020	728,822	710,380
Total expenses	591,128	720,280	802,663	845,500	382,898	436,990	1,135,013	1,323,140	18,007	22,785	333,234	365,405	575,504	586,018	3,838,447	4,300,118
2011 Annual Surplus (Deficit)	\$ 153,288	\$ 23,210	\$ (170,340)	\$ (207,495)	\$ 39,117	\$ (1,445)	\$ 946,931	\$ 1,166,405	\$ 1,843	\$ (1,905)	\$ 36,287	\$ -	\$ 22,235	\$ (570)	\$ 1,029,361	\$ 978,200