

The Corporation of the
County of Grey
Financial Information
For the year ended December 31, 2011

The Corporation of the County of Grey
Financial Information
For the year ended December 31, 2011

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the County of Grey, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the County of Grey as at December 31, 2011 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario
June 26, 2012

The Corporation of the County of Grey
Consolidated Statement of Financial Position

December 31	2011	2010
		(Restated Note 13)
Financial assets		
Cash and temporary investments (Note 1)	\$ 37,219,882	\$ 29,248,193
Trade and other receivables	3,943,411	4,033,162
Inventory held for resale	17,489	15,173
	41,180,782	33,296,528
Liabilities		
Accounts payable and accrued liabilities	7,130,837	8,500,827
Vacation pay, post-employment benefits and WSIB Schedule II liabilities (Note 10)	7,680,897	7,037,985
Deferred revenue (Page 29)	5,576,435	3,464,767
Net long-term liabilities (Note 2)	4,886,658	6,016,355
	25,274,827	25,019,934
Net financial assets	15,905,955	8,276,594
Non financial assets		
Prepaid expenses	70,873	38,102
Tangible capital assets (Note 3)	183,003,825	190,616,946
Inventory of supplies	1,765,979	2,145,671
	184,840,677	192,800,719
Accumulated surplus (Note 4)	\$ 200,746,632	\$ 201,077,313

The Corporation of the County of Grey
Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	2011	2011	2010
	Budget	Actual	Actual (Restated Note 13)
Revenue			
Taxation	\$ 48,334,709	\$ 48,775,034	\$ 46,847,684
Fees and user charges	9,147,982	9,732,172	9,929,054
Government transfers (Note 8)	39,595,954	40,446,938	42,832,088
Other income (Note 7)	7,679,554	8,086,197	7,775,930
Obligatory reserve fund revenue recognized	3,044,707	1,396,935	2,812,463
	<u>107,802,906</u>	<u>108,437,276</u>	<u>110,197,219</u>
Expenses			
General government	6,048,871	6,092,924	5,911,252
Protection services	2,445,217	2,719,248	2,490,754
Transportation services	10,162,693	23,115,725	20,862,275
Health services	1,587,129	1,586,603	1,534,361
Land ambulance	10,133,768	10,535,454	10,352,446
Social and family services	24,128,222	24,473,317	26,353,577
Social housing	9,615,795	11,766,693	12,421,772
Homes for the Aged	23,242,498	24,774,787	24,200,979
Recreation and cultural services	1,767,023	2,134,860	2,174,529
Planning and development	1,813,990	1,568,346	1,659,930
	<u>90,945,206</u>	<u>108,767,957</u>	<u>107,961,875</u>
Annual surplus (deficit) (Note 6)	16,857,700	(330,681)	2,235,344
Accumulated surplus, beginning of year	<u>201,077,313</u>	<u>201,077,313</u>	<u>198,841,969</u>
Accumulated surplus, end of year	<u>\$217,935,013</u>	<u>\$ 200,746,632</u>	<u>\$201,077,313</u>

The Corporation of the County of Grey
Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31	2011	2011	2010
	Budget	Actual	Actual
Annual surplus (deficit)	\$ 16,857,700	\$ (330,681)	\$ 2,235,344
Acquisition of tangible capital assets	(16,269,161)	(7,129,973)	(14,805,856)
Amortization of tangible capital assets	-	14,642,667	14,364,019
Loss on disposal of capital assets	-	(49,928)	(38,335)
Proceeds on disposal of capital assets	-	150,355	245,485
	<u>(16,269,161)</u>	<u>7,613,121</u>	<u>(234,687)</u>
Change in prepaid expenses	-	(32,771)	(8,579)
Change in inventories of supplies	-	379,692	(402,622)
	<u>-</u>	<u>346,921</u>	<u>(411,201)</u>
Increase in net financial assets	588,539	7,629,361	1,589,456
Net financial assets, beginning of the year	<u>8,276,594</u>	<u>8,276,594</u>	<u>6,687,138</u>
Net financial assets, end of the year	<u>\$ 8,865,133</u>	<u>\$ 15,905,955</u>	<u>\$ 8,276,594</u>

The Corporation of the County of Grey
Consolidated Statement of Cash Flows

For the year ended December 31	2011	2010
Cash provided by (used in)		
Operating activities		
Annual surplus (deficit)	\$ (330,681)	\$ 2,235,344
Items not involving cash		
Vacation pay, post-employment benefits and WSIB Schedule II liabilities	642,912	626,416
Amortization	14,642,667	14,364,019
Loss on disposal of capital assets	(49,928)	(38,335)
	<u>14,904,970</u>	<u>17,187,444</u>
Changes in non-cash working capital balances		
Trade and other receivables	89,751	(815,977)
Inventory held for resale	(2,316)	(2,405)
Prepaid expenses	(32,771)	(8,579)
Accounts payable and accrued liabilities	(1,369,990)	382,338
Inventory of supplies	379,692	(402,622)
Deferred revenue	2,111,668	(147,991)
	<u>16,081,004</u>	<u>16,192,208</u>
Capital transactions		
Cash used to acquire capital assets	(7,129,973)	(14,805,856)
Proceeds on disposal of capital assets	150,355	245,485
	<u>(6,979,618)</u>	<u>(14,560,371)</u>
Financing activities		
Repayment of long-term liabilities	(1,129,697)	(1,078,934)
Net change in cash and temporary investments	<u>7,971,689</u>	<u>552,903</u>
Cash and temporary investments, beginning of year	<u>29,248,193</u>	<u>28,695,290</u>
Cash and temporary investments, end of year	<u>\$ 37,219,882</u>	<u>\$ 29,248,193</u>

The Corporation of the County of Grey Summary of Significant Accounting Policies

December 31, 2011

Basis of Accounting

The consolidated financial statements of the Corporation of the County of Grey have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ministry of Municipal Affairs and Housing.

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognized 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.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future. Estimates are used when accounting for items such as accrued liabilities and post-employment benefits.

Basis of Consolidation

The consolidated statements reflect the assets, liabilities, revenues and expenses of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenses have been eliminated on consolidation.

The following boards and municipal enterprises owned or controlled by Council have been consolidated:

Grey County and Owen Sound Housing Corporation

The Corporation of the County of Grey
Summary of Significant Accounting Policies

December 31, 2011

Cash and Cash Equivalents	Cash and cash equivalents include all cash balances and short term highly liquid investments that are readily convertible into cash.																
Temporary Investments	Temporary investments are recorded at the lower of cost and market value.																
Inventory	<p>Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.</p> <p>Inventory held for consumption is recorded at the lower of cost and replacement cost.</p>																
Non-Financial Assets	Tangible capital and other non-financial assets are accounted for as assets by the organization because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the organization unless they are sold.																
Tangible Capital Assets	<p>Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by management. The following rates are used:</p> <table><tr><td>Land improvements</td><td>20 years</td></tr><tr><td>Buildings</td><td>20 to 50 years</td></tr><tr><td>Machinery and equipment</td><td>3 to 25 years</td></tr><tr><td>Roads</td><td>7 to 40 years</td></tr><tr><td>Traffic signals</td><td>20 years</td></tr><tr><td>Bridges</td><td>15 to 50 years</td></tr><tr><td>Culverts</td><td>30 to 50 years</td></tr><tr><td>Vehicles</td><td>5 to 15 years</td></tr></table> <p>Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.</p>	Land improvements	20 years	Buildings	20 to 50 years	Machinery and equipment	3 to 25 years	Roads	7 to 40 years	Traffic signals	20 years	Bridges	15 to 50 years	Culverts	30 to 50 years	Vehicles	5 to 15 years
Land improvements	20 years																
Buildings	20 to 50 years																
Machinery and equipment	3 to 25 years																
Roads	7 to 40 years																
Traffic signals	20 years																
Bridges	15 to 50 years																
Culverts	30 to 50 years																
Vehicles	5 to 15 years																
Intangible Assets	Intangible assets, art and historic treasures, are not recognized in these financial statements.																

The Corporation of the County of Grey Summary of Significant Accounting Policies

December 31, 2011

Post-Employment Benefits

The municipality provides post-employment health, dental, life insurance and other benefits to eligible retired employees. The benefits earned by employees are determined using management's best estimate of expected benefit costs and are expensed as services are rendered.

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit plan are expensed when contributions are due.

Revenue Recognition

Revenues are reported on the accrual basis of accounting. Revenues are recognized as follows:

- a) Tax revenue is recognized in the calendar year to which the tax assessment applies.
- b) Fines and donations are recognized when collected.
- c) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- d) Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations and accumulated surplus in the year in which it is used for the specified purpose.
- e) Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, and eligibility criteria have been met and reasonable estimates of the amounts can be made.

Provincial Subsidies

Subsidies from the Province of Ontario are subject to review of year end settlement forms and adjustments by the Province. Adjustments to funding, if any, are recorded in the year in which they occur.

Trust Funds

Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of continuity and balance sheet.

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2011

1. Cash and Temporary Investments

	2011	2010
Unrestricted	\$ 37,219,882	\$ 29,248,193

A cash balance of \$24,573,821 is being held in one bank account earning interest at a rate of prime less 1.75%. Temporary investments of \$11,090,439 consist of an interest bearing bank account and a money market fund, earning interest at 1.5% and 0.97%, respectively and guaranteed investment certificates earning between 1.45% and 2.1%. Temporary investments have a market value of \$11,074,642 (2010 - \$6,965,835) at the end of the year.

The County of Grey has a demand operating facility agreement with a financial institution at prime less 0.5%. At December 31, 2011, the County of Grey had a \$6,000,000 unused credit facility.

2. Long-Term Liabilities

The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2011	2010
Royal Bank of Canada, 2.693%, mortgage payable in blended monthly instalments of \$2,330, due 2015	\$ 100,901	\$ 125,832
Ontario Strategic Infrastructure Financing Authority, 4.36%, blended semi annual payments of \$746,690, due 2015	2,078,622	2,713,838
Ontario Strategic Infrastructure Financing Authority, 4.73%, blended semi annual payments of \$614,320, due 2017	2,707,135	3,176,685
	\$ 4,886,658	\$ 6,016,355

Principal payments for the next 5 fiscal years and thereafter are as follows:

2012	\$	1,180,771
2013	\$	1,234,962
2014	\$	1,290,223
2015	\$	586,841
2016	\$	593,861

Interest of \$301,414 (2010 - \$333,588) was paid during the year.

The Corporation of the County of Grey
Notes to Financial Statements

December 31

3. Tangible Capital Assets

	2011								
	Land and Land Improvements	Buildings	Equipment	Roads	Traffic Signals	Bridges	Culverts	Vehicles	Total
Cost, beginning of year	\$ 1,894,571	\$ 82,721,723	\$ 11,355,288	\$ 237,233,824	\$ 2,080,064	\$ 27,960,045	\$ 7,985,726	\$ 8,331,030	\$ 379,562,271
Additions	-	439,125	583,480	4,871,878	-	-	-	1,235,490	7,129,973
Disposals	-	-	(212,232)	-	-	-	-	(848,681)	(1,060,913)
Cost, end of year	1,894,571	83,160,848	11,726,536	242,105,702	2,080,064	27,960,045	7,985,726	8,717,839	385,631,331
Accumulated amortization, beginning of year	618,728	32,427,535	5,319,039	124,364,276	1,148,776	16,933,190	4,385,232	3,748,549	188,945,325
Amortization	62,224	2,731,389	952,783	9,196,276	104,003	500,029	166,636	929,327	14,642,667
Disposals	-	-	(192,960)	-	-	-	-	(767,526)	(960,486)
Accumulated amortization, end of year	680,952	35,158,924	6,078,862	133,560,552	1,252,779	17,433,219	4,551,868	3,910,350	202,627,506
Net carrying amount, end of year	\$ 1,213,619	\$ 48,001,924	\$ 5,647,674	\$ 108,545,150	\$ 827,285	\$ 10,526,826	\$ 3,433,858	\$ 4,807,489	\$ 183,003,825

The Corporation of the County of Grey
Notes to Financial Statements

December 31

3. Tangible Capital Assets - (continued)

	2010								
	Land and Land Improvements	Buildings	Machinery & Equipment	Roads	Traffic Signals	Bridges	Culverts	Vehicles	Total
Cost, beginning of year	\$ 1,791,259	\$ 78,667,920	\$ 10,267,238	\$ 229,524,914	\$ 2,080,064	\$ 26,995,182	\$ 7,985,726	\$ 8,332,713	\$ 365,645,016
Additions	103,312	4,053,803	1,339,071	7,708,910	-	1,049,554	-	551,206	14,805,856
Disposals	-	-	(251,021)	-	-	(84,691)	-	(552,889)	(888,601)
Cost, end of year	1,894,571	82,721,723	11,355,288	237,233,824	2,080,064	27,960,045	7,985,726	8,331,030	379,562,271
Accumulated amortization, beginning of year	558,031	29,797,371	4,629,593	115,263,235	1,044,773	16,537,677	4,198,826	3,233,251	175,262,757
Amortization	60,697	2,630,164	892,499	9,101,041	104,003	480,204	186,406	909,005	14,364,019
Disposals	-	-	(203,053)	-	-	(84,691)	-	(393,707)	(681,451)
Accumulated amortization, end of year	618,728	32,427,535	5,319,039	124,364,276	1,148,776	16,933,190	4,385,232	3,748,549	188,945,325
Net carrying amount, end of year	\$ 1,275,843	\$ 50,294,188	\$ 6,036,249	\$ 112,869,548	\$ 931,288	\$ 11,026,855	\$ 3,600,494	\$ 4,582,481	\$ 190,616,946

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2011

3. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction is \$86,539 (2010 - \$2,161,067).

In 2011 \$Nil (2010 - \$Nil) in contributed capital assets were recognized in the financial statements during the year.

The municipality holds various works of art and historical treasures. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

The County of Grey has recorded land, machinery and equipment assets at nominal amounts when historical or replacement cost was not available.

No interest was capitalized to tangible capital assets during the current year or previous year.

4. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2011	2010
		(Restated Note 13)
Invested in tangible capital assets		
Tangible capital assets purchased	\$ 183,003,825	\$190,616,946
Unfinanced capital assets	(1,908,644)	(2,236,138)
Capital assets financed by long-term liabilities and to be funded in future years	(4,886,658)	(6,016,354)
Total invested in capital assets	176,208,523	182,364,454
Unfunded post-employment benefits	(7,123,468)	(6,459,644)
Other surplus	1,765,978	2,145,671
	170,851,033	178,050,481
Reserves and reserve funds (Note 5)	29,895,599	23,026,832
Accumulated surplus	\$ 200,746,632	\$ 201,077,313

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2011

5. Reserves and Reserve Funds Set Aside for Specific Purpose by Council

	2011	2010
Reserves		
Working funds	\$ 2,165,358	\$ 1,930,799
Insurance, sick leave and WSIB	2,760,994	2,062,031
Current purposes	10,335,921	6,766,959
Capital purposes	14,633,326	12,267,043
 Reserves and reserve funds set aside for specific purpose by Council	 \$ 29,895,599	 \$ 23,026,832

6. Budgets

Under Canadian Public sector accounting principles, budget amounts are to be reported on the consolidated statement of operations and changes in net debt for comparative purposes. The 2011 budget amounts for the Corporation of the County of Grey approved by Council have been reclassified to conform to the presentation of the consolidated statements of operations and changes in net debt. The following is a reconciliation of the budget approved by Council. The budget figures have not been audited.

	2011 Budget	2011 Actual	2010 Actual
			(Restated Note 13)
Annual surplus (deficit)	\$ 16,857,700	\$ (330,681)	\$ 2,235,344
Transfers to reserves	(7,973,051)	(10,852,323)	(6,545,500)
Transfers from reserves	7,968,210	3,983,556	4,731,582
Capital acquisitions, disposals and write-down	(16,269,161)	(7,029,546)	(14,598,706)
Amortization	-	14,642,667	14,364,019
Proceeds from long-term debt	575,024	-	-
Debt principal repayments	(1,158,722)	(1,129,696)	(1,078,934)
Change in unfunded liabilities	-	663,824	611,187
Change in other surplus	-	379,693	(402,622)
	-	327,494	(683,630)
Capital projects not funded	-	(327,494)	683,630
	\$ -	\$ -	\$ -

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2011

7. Other Income

	2011	2011	2010
	Budget	Actual	Actual (Restated Note 13)
Provincial Offences Act (POA)	\$ 3,050,000	\$ 3,637,513	\$ 3,330,591
Investment income, penalties and interest	347,874	403,615	252,800
Licenses, permits and rents	4,003,520	3,974,749	4,004,792
Donations	128,160	20,393	149,412
Gain (loss) on sale of assets	150,000	49,927	38,335
	<u>\$ 7,679,554</u>	<u>\$ 8,086,197</u>	<u>\$ 7,775,930</u>

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2011

8. Government Transfers

	Budget	2011	2010
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ -	\$ 301,400	\$ -
Conditional - General Government	1,054,200	623,716	-
- Land Ambulance	5,281,727	5,481,615	5,274,807
- Social and Family Services	17,077,789	17,857,017	17,088,701
- Homes for the Aged	13,519,899	13,885,649	13,258,403
- Other	456,894	758,820	390,452
	<u>37,390,509</u>	<u>38,908,217</u>	<u>36,012,363</u>
Government of Canada			
Conditional - Social Housing	977,834	978,923	2,960,608
- Other	45,985	49,070	156,217
	<u>1,023,819</u>	<u>1,027,993</u>	<u>3,116,825</u>
Other Municipalities			
Conditional - Transportation Services	186,057	266,141	360,851
- Other	128,836	94,982	73,353
	<u>314,893</u>	<u>361,123</u>	<u>434,204</u>
Total Operating Transfers	<u>38,729,221</u>	<u>40,297,333</u>	<u>39,563,392</u>
Capital			
Province of Ontario			
Conditional - Transportation Services	-	-	2,187,963
- Homes for the Aged	-	-	460,806
- Social Housing	-	73,325	-
- Other	119,000	76,280	79,800
	<u>119,000</u>	<u>149,605</u>	<u>2,728,569</u>
Government of Canada			
- Social Housing	-	-	540,127
Other Municipalities			
Conditional - Transportation Services	747,733	-	-
Total Capital Transfers	<u>866,733</u>	<u>149,605</u>	<u>3,268,696</u>
Total Government Transfers	<u>\$ 39,595,954</u>	<u>\$ 40,446,938</u>	<u>\$ 42,832,088</u>

The Corporation of the County of Grey Notes to Financial Statements

December 31, 2011

9. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 653 members of its staff. This 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. Employees and employers contribute jointly to the plan. The amount contributed to OMERS for 2011 was \$2,313,922 (2010 - \$1,943,971). The contribution rate for 2011 was 7.4% to 10.7% depending on age and income level (2010 - 6.4% to 9.7%).

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. The municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2011. The plan reported a \$7.3 billion actuarial deficit (2010 - \$4.4 billion) at that time, based on actuarial liabilities of \$64.5 billion (2010 - \$60 billion) and actuarial assets of \$57.2 billion (2010 - \$55.6 billion). Ongoing adequacy of the current contribution rates will need to be monitored and the recent severe decline in the financial markets may lead to increased future funding requirements.

10. Post-Employment Benefits

	2011	2010
		(Restated Note 13)
WSIB	\$ 4,158,216	\$ 3,736,316
Vacation pay liability	2,128,603	1,960,093
Post-employment benefits	1,368,621	1,295,207
Other	25,457	46,369
	\$ 7,680,897	\$ 7,037,985

- a) The County is a Schedule II employer under the Workplace Safety and Insurance Act. As a Schedule II employer the County assumes liability for any award made under the Act.

An actuarial valuation performed at December 31, 2009 has calculated the liability to be \$4,158,216. At December 31, 2011 the County provided \$2,575,732 in a reserve to offset this liability.

- b) The vacation year for an employee begins either on their "start date" anniversary or the date defined by the applicable union contract. The vacation liability includes all carry-forward amounts from the previous vacation year and vacation earned from the vacation year start date to December 31, 2011.

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2011

10. Post-Employment Benefits - (continued)

- c) The County pays certain life insurance, health and dental benefits on behalf of its retired employees. The County recognizes these post-retirement costs in the period in which the employees render the services. The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 5%. For future salaries, a 3% annual rate of increase was used for 2011 and forwards. For dental, travel and vision premiums, a 4% annual rate of increase was assumed for 2011 and forwards. For health care premiums, a 7% increase was used for 2011 and a decreasing rate used until 2019 where 4% was used thereafter.

	2011		2010
Retirement benefit expense	\$ 8,444	\$	12,492
Interest costs	64,971		61,379
Total expense for the year	\$ 73,415	\$	73,871

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2011

11. Contractual Commitments

- (a) As part of the Provincial Local Services Realignment Program, the Ontario Housing Corporation (OHC) remains responsible for the servicing of the debentures used to finance the public housing projects transferred to the Grey County and Owen Sound Housing Corporation under the authority of the Social Housing Reform Act, 2000.

Information received from OHC as at December 31, 2011 indicates the following:

Principal payments on debentures during the year	\$ 508,137
Interest payments on debentures during the year	<u>494,321</u>
Total	<u>\$ 1,002,458</u>
Debentures outstanding at year end	<u>\$ 6,703,106</u>

The principal and interest payments are recovered at source from Federal Social Housing funding provided to the Province and the balance is flowed to or recovered from the Consolidated Municipal Services Manager (County of Grey). The net amount recovered from the County of Grey in 2011 was \$161,358 (2010 - \$160,838) and is recorded on the statement of operations as a transfer to the Province.

- (b) The County of Grey has approved a capital grant of land and money in the amount of \$1,000,000 to the Centre Grey Health Services Foundation for the Centre Grey General Hospital Building Fund. The amount of money to be paid will be determined by deducting the value of the lands and will be paid in ten equal instalments contingent upon the approval of funding for completion of the Centre Grey Hospital by the Province of Ontario. Payments will be processed once construction begins. The County has transferred \$294,300 to reserves towards this commitment.
- (c) The County of Grey has been allocated funding for Affordable Housing projects under the Canada-Ontario Affordable Housing Program and Delivering Opportunities for Ontario Renters Program. These funds are being used to create new housing units within the County. A total of \$5,930,300 has been committed to developers in order to complete these units with \$4,529,967 released as of December 31, 2011. If the units remain as affordable housing units for a period of 25 years, no amount will be repayable.
-

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2011

12. Contingencies

- (a) The County of Grey along with the County of Bruce, the Province of Ontario, the Dominion of Canada and several lower tier municipalities have been named as defendants in a land claim action filed by the Chippewas of Saugeen and Nawash, for damages alleged to total \$92,000,000,000. No breakdown as to each municipality's relative share of the \$92,000,000,000 has been provided. The likelihood of the success of this action is undeterminable at the present time.
- (b) The County has been served with various claims as a result of motor vehicle accidents and other incidents. The County is not aware of any possible settlements in excess of its liability insurance coverage. The outcomes of these claims are not determinable at this time.
- (c) A number of assessment appeals relating to properties in the County are currently in process. The impact on taxation revenue as a result of settlement of these appeals is not determinable at this time. The effect on taxation of the settlement of these appeals will be recorded in the fiscal year in which they can be determined.
- (d) The County insured errors and omissions and public liability insurance coverage through the Ontario Municipal Insurance Exchange (OMEX) up until December 31, 2008. OMEX is a separate pooling of the public liability insurance risks of its municipal members. All members are subject to assessment for losses, if any, experienced for the years in which they were members.
- (e) The County is currently reviewing pay equity issues for employees of the Homes For The Aged. Pay equity settlements, if any, will be reflected in operations in the period in which they become determinable.

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2011

13. Prior Period Restatement

During the year it was determined that the post-employment benefit liability was overstated by an unamortized actuarial loss. The unamortized loss was calculated based upon a previous year's management estimate and the balance should have been adjusted to the amount determined on the first actuarial report for the County in a prior period. During the year the unexpended gas tax funds were reclassified as obligatory reserve funds. The prior year balance was adjusted to account for this reclassification. The changes in the statement of financial position and statement of operations are summarized as follows:

Decrease in liabilities - vacation pay, post-employment benefits and WSIB Schedule II liabilities	\$ 2,485,604
Increase in liabilities - deferred revenues	<u>(938,122)</u>
Increase in accumulated surplus	<u>\$ 1,547,482</u>
Increase (decrease) in annual surplus:	
Government transfers	\$ (2,834,708)
Other income	(8,659)
Obligatory reserve fund revenue recognized	2,594,300
General government	(9,121)
Protection services	(2,028)
Transportation services	(32,735)
Land Ambulance	(56,912)
Social and Family Services	(30,155)
Social Housing	(7,101)
Homes for the Aged	(45,374)
Recreational and cultural services	(5,407)
Planning and development	<u>(2,366)</u>
(Decrease) in annual surplus	(440,266)
Increase in opening accumulated surplus	<u>1,987,748</u>
	<u>\$ 1,547,482</u>

14. Letters of Credit

As part of various agreements, the Corporation of the County of Grey has received Letters of Credit to cover contractors' responsibilities in completing the projects as well as covering unpaid county levies. Letters of Credit held by the County at December 31, 2011 amount to \$1,650,000.

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2011

15. Trust Funds

The trust funds administered by the municipality amounting to \$83,189 (2010 - \$91,226) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations and accumulated surplus.

16. Provincial Offences Act

Revenue is recognized on a cash basis for fines levied during the year. The gross revenues collected for the County of Grey for the year ended December 31, 2011 were \$3,404,266 (2010 - \$3,103,641). Net revenues after deduction of operating expenses were \$939,656 (2010 - \$853,067).

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2011

17. Service Contracts with the Ministry of Education, Ministry of Community and Social Services and the Ministry of Child and Youth Services

The County of Grey has Service Contracts/CFSA Approvals with the Ministry of Education, Ministry of Community and Social Services and the Ministry of Child and Youth Services. A reconciliation report summarized by service (project code) reporting all revenues and expenses and identifying any surplus or deficit that is (repayable) or receivable to the respective Ministry has been prepared by the County of Grey.

A review of this report shows the following services to be in a (repayable)/receivable position as at December 31, 2011. Surplus and deficit amounts are reflected in accounts payable and accrued liabilities.

	2011	2010
A371 - Fee Subsidy, DA	\$ (18,118)	\$ -
A375 - Child Care Repairs and Maintenance	-	(2,988)
A376 - Delivery Agent Special Needs Resourcing	-	(5,020)
A380 - Child Care Administration	(1,975)	(804)
A390 - Wage Subsidy Non-Profit	(5,585)	-
A391 - Wage Subsidy Commercial	5,585	-
A400 - Child Care Formal	(6,037)	-
A401 - Child Care Informal	(5,957)	(1,825)
A425 - ELCC Administration	463	(226)
A430 - ELCC Special Needs Resourcing	-	(1,717)
A447 - Best Start Planning	-	(2,701)
A644 - Best Start Wage Improvement Commercial	-	(850)
A462 - Ontario Early Years Centres	(3)	-
A661 - Best Start Operating	-	(2,909)
A663 - 100% Fee Subsidy	-	(1)
A664 - Extended Day Program	-	(3,716)
A665 - Transition, Operating	(12,569)	-
8758 - Emergency Energy Fund	-	(46)
8766 - Domiciliary Hostels	(3,665)	(23,301)
	\$ (47,861)	\$ (46,104)

The Corporation of the County of Grey Notes to Financial Statements

December 31, 2011

18. Segmented Information

The County of Grey is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Corporate Services

The Corporate Services Committee is responsible to oversee the budgets of Council, Corporate Administration, Assessment, Provincial Offences, County Property and Grey Bruce Health Unit. In addition, this committee is also responsible for the administration of the taxation budget, which includes supplementary tax and tax write-offs, as well as the Ontario Municipal Partnership Fund grant and the Federal Gas Tax funding.

Planning and Community Development

Planning and Community Development consists of three specific components: Planning (General) Operating, Planning Studies and Capital. Planning Operating provides the financial resources for the County's planning operations. The Planning Studies component relates to special studies, reports and/or programs where the County contributed funds to undertake certain works. The Planning Capital component covers the completion of the Growth Management Strategy as well as costs related to the 5 year review of the Official Plan.

Heritage, Agriculture and Tourism

This segment includes the heritage, agriculture and tourism mandates of the Planning and Community Development Committee. This comprises: Agriculture, Forestry, Trails, Tourism, Economic Development and Grey Roots. Agriculture includes the County's direct support to agriculture, costs associated with managing the County's forest management by-law and grants for beaver and coyote control.

Social Services, Housing and Long-Term Care

The Social Services component is responsible to oversee Social Assistance, Administration, Ontario Works and Child Care. The Housing component covers capital and operational budgets for Grey County Housing, subsidies provided to Non-Profit Housing Providers and the Affordable Housing Program. The Long-Term Care component covers the operation of three Long-Term Care facilities (Grey Gables, Rockwood Terrace and Lee Manor) within the County of Grey.

Transportation and Public Safety

Transportation and Public Safety is comprised of Roads and Bridges, Civic Addressing and Emergency Management and Land Ambulance operations.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Corporation of the County of Grey
Notes to Financial Statements

December 31

	Corporate Services	Planning and Community Development	Heritage, Agriculture and Tourism	Social Services, Housing and Long-Term Care	Transportation and Public Safety	2011 Total
Revenue						
Taxation	\$ 6,953,542	\$ 502,750	\$ 2,741,419	\$ 17,369,533	\$ 21,207,790	\$ 48,775,034
Fees and user charges	49,291	52,863	310,417	8,418,526	901,075	9,732,172
Specific grants	631,144	720	212,650	33,509,543	5,791,481	40,145,538
OMPF grant	301,400	-	-	-	-	301,400
Other revenue	4,161,227	-	18,964	3,855,320	50,686	8,086,197
Transfers from obligatory reserve	71,486	-	-	-	1,325,449	1,396,935
	<u>12,168,090</u>	<u>556,333</u>	<u>3,283,450</u>	<u>63,152,922</u>	<u>29,276,481</u>	<u>108,437,276</u>
Expenses						
Salaries and benefits	2,776,705	464,405	1,346,943	24,894,038	14,210,396	43,692,487
Interest on debt	-	-	-	301,414	-	301,414
Materials and supplies	386,226	26,905	860,771	5,124,304	5,949,926	12,348,132
Contracted services	3,213,567	76,004	281,102	4,936,003	1,819,523	10,326,199
Other transfers	3,183,701	-	184,466	22,570,276	321,540	26,259,983
Rents and financial expenses	300,949	1,931	30,899	580,909	282,389	1,197,077
Amortization	111,849	5,133	424,646	2,607,853	11,493,184	14,642,665
	<u>9,972,997</u>	<u>574,378</u>	<u>3,128,827</u>	<u>61,014,797</u>	<u>34,076,958</u>	<u>108,767,957</u>
Annual surplus (deficit)	\$ 2,195,093	\$ (18,045)	\$ 154,623	\$ 2,138,125	\$ (4,800,477)	\$ (330,681)

The Corporation of the County of Grey
Notes to Financial Statements

December 31

	Corporate Services	Planning and Community Development	Heritage, Agriculture and Tourism	Social Services, Housing and Long-Term Care	Transportation and Public Safety	2010 Total
Revenue						
Taxation	\$ 6,590,668	\$ 543,417	\$ 2,507,165	\$ 16,871,853	\$ 20,334,581	\$ 46,847,684
Fees and user charges	20,828	78,975	312,599	8,140,293	1,376,359	9,929,054
Specific grants	9,801	-	429,024	34,565,389	7,827,874	42,832,088
OMPF grant	-	-	-	-	-	-
Other revenue	3,771,598	-	77,800	3,895,602	30,930	7,775,930
Transfers from obligatory reserve	-	-	-	-	2,812,463	2,812,463
	<u>10,392,895</u>	<u>622,392</u>	<u>3,326,588</u>	<u>63,473,137</u>	<u>32,382,207</u>	<u>110,197,219</u>
Expenses						
Salaries and benefits	3,141,447	468,207	1,309,143	24,024,560	13,415,557	42,358,914
Interest on debt	-	-	-	333,588	-	333,588
Materials and supplies	903,140	30,954	1,001,630	5,347,076	4,675,650	11,958,450
Contracted services	2,470,585	15,055	285,107	4,439,512	984,621	8,194,880
Other transfers	2,971,006	127,530	160,245	25,724,836	220,000	29,203,617
Rents and financial expenses	340,436	1,919	13,219	586,944	605,889	1,548,407
Amortization	106,964	5,726	415,723	2,522,601	11,313,005	14,364,019
	<u>9,933,578</u>	<u>649,391</u>	<u>3,185,067</u>	<u>62,979,117</u>	<u>31,214,722</u>	<u>107,961,875</u>
Annual surplus (deficit)	\$ 459,317	\$ (26,999)	\$ 141,521	\$ 494,020	\$ 1,167,485	\$ 2,235,344

The Corporation of the County of Grey
Schedule of Deferred Revenue

For the year ended December 31, 2011

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
Development charges	\$ 1,489,554	\$ 601,663	\$ 22,137	\$ (72,624)	\$2,040,730
Federal gas tax	938,124	2,834,707	10,763	(1,324,311)	2,459,283
	<u>2,427,678</u>	<u>3,436,370</u>	<u>32,900</u>	<u>(1,396,935)</u>	<u>4,500,013</u>
Other					
Tourism and Heritage	90,880	40,683	-	(53,360)	78,203
Social Services	5,250	-	-	-	5,250
Ontario Nursing Strategy Initiatives grant	18,371	152,609	-	(144,721)	26,259
Rockwood Terrace Municipal Infrastructure Investment Initiative	90,873	-	-	-	90,873
Rent Bank program	299	37,270	-	(31,029)	6,540
Housing Allowance program	15,461	44,545	-	(38,590)	21,416
Affordable housing administration	-	100,000	-	-	100,000
Affordable housing Investing in Ontario	42,898	66,608	-	(59,594)	49,912
Road and Bridge Capital Investment	726,975	-	-	(29,006)	697,969
Miscellaneous	41,795	-	-	(41,795)	-
	4,289	-	-	(4,289)	-
	<u>1,037,091</u>	<u>441,715</u>	<u>-</u>	<u>(402,384)</u>	<u>1,076,422</u>
	<u>\$ 3,464,769</u>	<u>\$ 3,878,085</u>	<u>\$ 32,900</u>	<u>\$(1,799,319)</u>	<u>\$5,576,435</u>

The Corporation of the County of Grey
Trust Funds
Financial Statements
For the year ended December 31, 2011



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Independent Auditor's Report

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

We have audited the accompanying financial information for the trust funds of the County of Grey, which comprise the statement of financial position as at December 31, 2011, the statement of continuity for the year then ended, and a summary of significant accounting policies.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial information 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 information is free from material misstatement.

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

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

The trust funds of the County derive receipts from and make disbursements to residents of the Grey County Homes for the Aged which are not susceptible to complete audit verification. Accordingly, our verification of such receipts and disbursements was limited to accounting for the amounts recorded in the records of the trust funds and we were not able to determine whether any adjustments might be necessary to receipts, assets and liabilities.

Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial information presents fairly, in all material respects, the statement of financial position for the trust funds of the County of Grey as at December 31, 2011 and the statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario
June 26, 2012

The Corporation of the County of Grey
Trust Funds
Balance Sheet

December 31, 2011

	Grey County Homes for the Aged		
	Total	Residents' Activities	Residents' Trust Accounts
Assets			
Cash	\$ 83,189	\$ 16,483	\$ 66,706
Fund balance	\$ 83,189	\$ 16,483	\$ 66,706

Statement of Continuity

For the year ended December 31, 2011

	Grey County Homes for the Aged		
	Total	Residents' Activities	Residents' Trust Accounts
Balance, beginning of the year	\$ 91,226	\$ 16,483	\$ 74,743
Receipts			
Interest earned	69	-	69
Residents' net deposits	139,829	-	139,829
	139,898	-	139,898
Expenses			
Residents' net withdrawals	147,935	-	147,935
Balance, end of the year	\$ 83,189	\$ 16,483	\$ 66,706

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2011

1. Summary of Significant Accounting Policies

Management Responsibility	The financial statements of the Corporation of the County of Grey Trust Funds are the representation of management. Precise determination of some assets and liabilities may be dependent upon future events and estimates and approximations. These estimates and approximations have been based upon the available information, using careful judgment and review.
Basis of Consolidation	These trust funds have not been consolidated with the financial statements of Corporation of the County of Grey.
Accrual Basis of Accounting	Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

The Corporation of the County of Grey
Trust Funds
Schedule of Residents' Trust Accounts

For the year ended December 31, 2011

	Total	Rockwood Terrace	Grey Gables	Lee Manor
Balance, beginning of the year	\$ 74,743	\$ 25,628	\$ 9,578	\$ 39,537
Receipts				
Interest earned	69	18	10	41
Residents' net deposits	139,829	38,579	3,806	97,444
	<u>139,898</u>	<u>38,597</u>	<u>3,816</u>	<u>97,485</u>
Expenses				
Residents' net withdrawals	147,935	41,697	2,968	103,270
Balance, end of the year	<u>\$ 66,706</u>	<u>\$ 22,528</u>	<u>\$ 10,426</u>	<u>\$ 33,752</u>
Consists of:				
Cash	<u>\$ 66,706</u>	<u>\$ 22,528</u>	<u>\$ 10,426</u>	<u>\$ 33,752</u>

The Corporation of the County of Grey
Other Financial Information
For the year ended December 31, 2011



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Auditor's Comments on Supplementary Financial Information

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

We have audited the consolidated financial statements of the County of Grey, which comprise the consolidated statement of financial position as at December 31, 2011 and the consolidated statements of operations and changes in accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon dated June 26, 2012 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

Opinion

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. The supplementary information is not materially misstated in relation to the financial statements as a whole.

Restriction on Distribution and Use

The supplementary information is prepared to assist the Corporation of the County of Grey to meet the requirements of their funding agencies. As a result, the supplementary information may not be suitable for another purpose. Our report is intended solely for the Corporation of the County of Grey and their funding agencies and should not be distributed to or used by parties other than the Corporation of the County of Grey or their funding agencies.

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario
June 26, 2012

Grey Roots - Museum
Statement of Operations
(See Auditor's Comments on Supplementary Financial Information)

For the year ended December 31	2011	2010
		(Restated)
Revenues		
Province of Ontario	\$ 84,210	\$ 70,894
Canada	44,144	97,052
County of Grey	1,085,410	1,022,395
Donations	5,130	107,292
Donation in kind	25	13,990
Admissions and sales	81,464	121,688
Transfer from County of Grey reserves	9,608	-
	1,309,991	1,433,311
Expenditures		
Advertising	88,251	78,836
Cleaning and supplies	42,142	41,807
Donation in kind	25	13,990
Equipment rentals	4,294	4,923
Heat, light and water	90,589	81,173
Insurance	13,526	12,388
Office supplies, postage and telephone	49,313	55,110
Professional	1,693	365
Purchases for resale	10,290	12,794
Repairs and maintenance	73,032	74,445
Special events	115,281	123,515
Salaries and benefits	803,081	801,616
Travel and convention fees	11,255	14,090
Vehicle operations and licensing	4,348	3,021
Transfer to County of Grey reserve	2,065	108,508
	1,309,185	1,426,581
Less: Change in unfinanced liabilities	7,174	(10,787)
	1,302,011	1,437,368
Net revenues (expenditures) for the year	\$ 7,980	\$ (4,057)

County of Grey - Provincial Offences Act
Statement of Operations
(See Auditor's Comments on Supplementary Financial Information)

<u>For the year ended December 31</u>	<u>2011</u>	<u>2010</u>
		(Restated)
Revenue		
Fines	\$ 3,386,605	\$ 3,097,148
Province of Ontario	1,701	1,120
Investment income	1,624	926
Transcripts	14,267	4,441
Cost recoveries	69	6
	<u>3,404,266</u>	<u>3,103,641</u>
Expenditures		
Salaries and benefits	503,128	464,190
Administrative charges	370,666	337,151
Victim fine surcharge	591,554	534,422
Dedicated fines	63,589	37,818
Prosecution expenses	279,091	273,956
Transfers to County of Bruce	670,901	606,459
	<u>2,478,929</u>	<u>2,253,996</u>
Change in unfunded liabilities	14,319	3,422
	<u>2,464,610</u>	<u>2,250,574</u>
Net revenue before transfer to reserves	939,656	853,067
Transfer to reserve	288,800	164,210
Net revenue	\$ 650,856	\$ 688,857