

**The Corporation of the
Municipality of West Grey
Consolidated Financial
Statements**
For the year ended December 31, 2012

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Tel: 519 364 3790
Fax: 519 364 5334
www.bdo.ca

BDO Canada LLP
485 10th Street
Hanover ON N4N 1R2
Canada

Independent Auditor's Report

To the Members of Council,
Inhabitants and Ratepayers of
The Corporation of the Municipality of West Grey

We have audited the accompanying consolidated financial statements of The Corporation of the Municipality of West Grey, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, change in net debt, and cash flow 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 Municipality of West Grey as at December 31, 2012 and the results of its operations, its change in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Hanover, Ontario
May 27, 2013

The Corporation of the Municipality of West Grey Consolidated Statement of Financial Position

December 31	2012	2011
Financial assets		
Cash (Note 1)	\$ 2,431,658	\$ 1,823,648
Temporary investments (Note 2)	486,618	553,370
Taxes receivable	2,197,862	2,143,262
Grants and subsidies receivable	146,260	146,583
Trade and other receivables (Note 3)	886,811	795,298
	<u>6,149,209</u>	<u>5,462,161</u>
Commitments and Contingencies (Notes 20 and 21)		
Liabilities		
Accounts payable and accrued liabilities	1,432,358	1,321,903
Deferred revenue (Note 5)	793,327	838,361
Long-term debt (Note 6)	2,007,756	2,196,298
Landfill site closure and post-closure care liability (Note 7)	778,070	749,551
Employee future benefits liability (Note 8)	202,276	397,824
	<u>5,213,787</u>	<u>5,503,937</u>
Net financial assets (debt)	<u>935,422</u>	<u>(41,776)</u>
Non-financial assets		
Prepaid expenses	15,783	15,896
Inventory of supplies	148,824	111,357
Tangible capital assets (Note 9)	76,225,551	76,725,058
	<u>76,390,158</u>	<u>76,852,311</u>
Accumulated surplus (Note 10)	<u>\$77,325,580</u>	<u>\$ 76,810,535</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the Municipality of West Grey Consolidated Statement of Operations

For the year ended December 31	2012 Budget	2012 Actual	2011 Actual
Revenue			
Taxation	\$ 6,974,798	\$ 7,053,279	\$ 6,569,857
Government contributions (Note 13)	3,626,967	3,726,595	3,666,393
Water and wastewater charges	979,687	992,757	959,039
User fees and service charges	1,238,038	1,470,492	1,310,424
Investment income	11,800	32,531	26,644
Other income (Note 14)	429,649	767,393	587,563
Obligatory reserve fund revenue recognized	-	47,489	8,011
	<u>13,260,939</u>	<u>14,090,536</u>	<u>13,127,931</u>
Expenses			
General government	1,111,226	1,129,778	1,127,336
Protection services	4,311,820	4,021,622	4,185,251
Transportation services	5,038,997	5,073,697	4,824,447
Environmental services	1,815,453	1,833,398	1,816,728
Health and social services	46,131	37,657	54,404
Recreation and cultural services	1,374,240	1,364,993	1,350,085
Planning and development	123,214	114,346	67,148
	<u>13,821,081</u>	<u>13,575,491</u>	<u>13,425,399</u>
Annual surplus (deficit)	<u>(560,142)</u>	<u>515,045</u>	<u>(297,468)</u>
Accumulated surplus, beginning of the year	<u>76,810,535</u>	<u>76,810,535</u>	<u>77,108,003</u>
Accumulated surplus, end of the year	<u>\$ 76,250,393</u>	<u>\$ 77,325,580</u>	<u>\$ 76,810,535</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the Municipality of West Grey Consolidated Statement of Change in Net Debt

For the year ended December 31	2012 Budget	2012 Actual	2011 Actual
Annual surplus (deficit)	\$ (560,142)	\$ 515,045	\$ (297,468)
Acquisition of tangible capital assets	(1,737,074)	(2,217,917)	(1,667,753)
Proceeds on disposal of tangible capital assets	-	38,407	440,349
Amortization expense	2,596,541	2,618,673	2,609,588
(Gain)/loss on disposal of tangible capital assets	-	60,344	(115,969)
	<u>859,467</u>	<u>499,507</u>	<u>1,266,215</u>
Increase in prepaid expenses	-	113	(4,235)
Increase in inventory of supplies	-	(37,467)	3,157
	<u>-</u>	<u>(37,354)</u>	<u>(1,078)</u>
Change in net debt	299,325	977,198	967,669
Net debt, beginning of year	<u>(41,776)</u>	<u>(41,776)</u>	<u>(1,009,445)</u>
Net financial assets (debt), end of year	<u>\$ 257,549</u>	<u>\$ 935,422</u>	<u>\$ (41,776)</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the Municipality of West Grey Consolidated Statement of Cash Flow

For the year ended December 31	2012	2011
Cash provided by (used in)		
Operating activities		
Annual surplus (deficit)	\$ 515,045	\$ (297,468)
Items not involving cash		
Amortization of tangible capital assets	2,618,673	2,609,588
Employee future benefits	(195,548)	46,124
Landfill site closure and post-closure care	28,519	33,279
(Gain)/loss on disposal of tangible capital assets	60,344	(115,969)
Non-cash donation	(213,440)	-
	<u>2,813,593</u>	<u>2,275,554</u>
Change in balances		
Taxes receivable	(54,600)	(188,841)
Accounts receivable	(91,190)	216,035
Accounts payable	110,455	110,367
Deferred revenue	(45,034)	81,834
Non-financial assets	(37,354)	(1,078)
	<u>2,695,870</u>	<u>2,493,871</u>
Capital activities		
Acquisition of tangible capital assets	(2,004,477)	(1,667,753)
Proceeds on disposal of tangible capital assets	38,407	440,349
	<u>(1,966,070)</u>	<u>(1,227,404)</u>
Financing activities		
Additions to long-term liabilities	85,000	-
Repayment of long-term liabilities	(273,542)	(328,207)
	<u>(188,542)</u>	<u>(328,207)</u>
Net change in cash and cash equivalents	541,258	938,260
Cash and cash equivalents, beginning of year	<u>2,377,018</u>	<u>1,438,758</u>
Cash and cash equivalents, end of year	\$ 2,918,276	\$ 2,377,018
Comprised of:		
Cash	\$ 2,431,658	\$ 1,823,648
Temporary investments	486,618	553,370
	<u>\$ 2,918,276</u>	<u>\$ 2,377,018</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the Municipality of West Grey Summary of Significant Accounting Policies

December 31, 2012

Management Responsibility

The consolidated financial statements of The Corporation of the Municipality of West Grey are the representations of management. They have been prepared in accordance with accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants as prescribed by the Ministry of Municipal Affairs and Housing.

Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the current fund, capital fund, reserves and reserve funds of all municipal organizations, committees, and boards which are controlled by Council. All interfund assets, liabilities, revenues and expenses have been eliminated on consolidation.

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

West Grey Library Board
Ayton Union Cemetery Board
Durham Business Improvement Area
Durham Cemetery Board

A government partnership exists where the municipality has shared control over the board or entity. The municipality's pro-rata share of the assets, liabilities, revenues and expenses are reflected in the financial statements using the proportionate consolidation method. The municipality's proportionate interest of the following government partnerships are reflected in the consolidated financial statements:

Elmwood Fire Department	59%
Saugeen Municipal Airport	27%
Elmwood Community Centre Board	50%
Saugeen Mobility and Regional Transit (S.M.A.R.T.)	11%

Basis of Accounting

Items recognized in the financial statements are accounted for in accordance with the accrual basis of accounting. The accrual basis of accounting recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. Accrual accounting recognizes a liability until the obligation or condition(s) underlying the liability is partly or wholly satisfied. Accrual accounting recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

The Corporation of the Municipality of West Grey Summary of Significant Accounting Policies

December 31, 2012

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.
Revenue Recognition	Tax levies are recognized as revenue when the amounts are levied on the municipality's ratepayers. User fees and other revenues are recognized as goods are delivered or services are rendered, providing the amount is fixed or determinable, and collectibility is reasonably assured.
Deferred Revenue	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 in the year in which it is used for the specified purpose.
Government Transfers	Government transfers are recognized in the financial statements as revenues or expenses in the period that the events giving rise to the transfer occur; providing that the transfer is authorized, eligibility criteria, if any, have been met by the recipient, and a reasonable estimate of the amount can be made.
Temporary Investments	Temporary investments are recorded at the lower of cost and market value.
Inventory	<p>Inventory of goods held for resale are recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.</p> <p>Assets held for sale, where it is not anticipated that the sale will be completed within one year, are reported as a non-financial asset.</p> <p>Inventory of goods held for consumption are recorded as a non-financial asset at the lower of cost and replacement cost.</p>

The Corporation of the Municipality of West Grey Summary of Significant Accounting Policies

December 31, 2012

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 Purchased tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Tangible capital assets received as contributions are recorded at their fair value at the date of contribution. Where fair market value cannot be reasonably determined, contributed tangible capital assets are recorded at a nominal amount. Amortization is calculated on a straight-line basis over the estimated useful life of the asset. The useful lives of the assets are based on estimates made by management as follows:

Land improvements	30 to 100 years
Buildings	50 to 80 years
Building components	10 to 80 years
Equipment	5 to 25 years
Vehicles	2 to 25 years
Infrastructure:	
Road surfaces	20 to 80 years
Utility systems	70 to 100 years

Intangible Assets Intangible assets, art and historic treasures, and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources, are not recognized in these financial statements.

Landfill Site Closure and Post-Closure Care Landfill site closure and post-closure care costs are recognized over the operating life of the landfill, based on capacity used. The liability is recorded at its discounted value, based on the average long-term borrowing rate of the municipality.

The Corporation of the Municipality of West Grey Summary of Significant Accounting Policies

December 31, 2012

Employee Future Benefits	<p>The municipality provides post-employment health and dental insurance benefits to eligible retired employees. The benefits earned by employees are determined using management's best estimate of expected benefit costs and is expensed as services are rendered. Adjustments arising from changes in estimates and experience gains and losses are reflected in current fund expenditures.</p> <p>Defined contribution plan accounting is applied to the municipality's multi-employer defined benefit pension plan.</p>
Cash and Cash Equivalents	<p>Cash and cash equivalents consist of cash on hand, bank balances, and investments with maturities of three months or less.</p>
County and School Board	<p>The municipality collects taxation revenue on behalf of the school boards and the County of Grey. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Grey are not reflected in these financial statements.</p>
Trust Funds	<p>Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial position and activity of the trust funds are reported separately on the trust fund balance sheet and statement of continuity.</p>

The Corporation of the Municipality of West Grey Notes to Financial Statements

December 31, 2012

1. Cash

	<u>2012</u>	<u>2011</u>
Unrestricted	\$ 1,678,131	\$ 1,237,674
Restricted	753,527	585,974
	<u>\$ 2,431,658</u>	<u>\$ 1,823,648</u>

2. Temporary Investments

	<u>2012</u>	<u>2011</u>
Carrying value	<u>\$ 486,618</u>	<u>\$ 553,370</u>
Market value	<u>\$ 486,618</u>	<u>\$ 553,370</u>

3. Trade and Other Receivables

	<u>2012</u>	<u>2011</u>
Trade and other receivable	\$ 749,230	\$ 680,462
Tile drainage loans receivable	137,581	114,836
	<u>\$ 886,811</u>	<u>\$ 795,298</u>

4. Temporary Borrowings

At December 31, 2012, the municipality had an undrawn line of credit of \$2,500,000 that bears interest at the bank's prime rate minus 0.5%.

The Corporation of the Municipality of West Grey Notes to Financial Statements

December 31, 2012

5. Deferred Revenue

		Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds						
Development charges	\$	350,130	\$ 156,500	\$ 4,767	\$ (40,500)	\$ 470,897
Recreational land		34,998	1,500	405	-	36,903
Subdivider contributions		197,245	9,352	2,246	(6,989)	201,854
		582,373	167,352	7,418	(47,489)	709,654
Other						
Deposits		11,850	11,200	-	(1,800)	21,250
Gas tax grant		244,138	374,020	3,043	(558,778)	62,423
	\$	838,361	\$ 552,572	\$ 10,461	\$ (608,067)	\$ 793,327

The Corporation of the Municipality of West Grey Notes to Financial Statements

December 31, 2012

6. Long-Term Liabilities

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

	2012	2011
Tile drainage loans payable, 6 - 8%, due from 2013 to 2018	\$ 137,581	\$ 114,836
Loan payable (Durham Water and Wastewater), 4.83%, payable \$5,250 monthly principal and interest, due May 2018	296,067	343,669
Loan payable (Durham Water and Wastewater), 4.85%, payable \$6,244 monthly principal and interest, due May 2023	609,423	653,922
Loan payable (Durham Fire), 4.4%, payable \$3,650 monthly principal and interest, due July 2015	106,830	145,065
OIPC loan payable (Neustadt Water), 5.2%, payable \$8,126 semi-annually principal and interest, due September 2017	70,752	82,851
OIPC loan payable (Durham Water), 5.26%, payable \$37,224 semi-annually principal and interest, due September 2022	573,224	615,832
OIPC loan payable (Durham Wastewater), 5.26%, payable \$12,889 semi-annually principal and interest, due September 2022	198,488	213,241
Capital leases payable	15,391	26,882
	\$ 2,007,756	\$ 2,196,298

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

2013	\$	241,803
2014		240,786
2015		230,021
2016		215,403
2017		226,516
Thereafter		853,227
	\$	2,007,756

The Corporation of the Municipality of West Grey

Notes to Financial Statements

December 31, 2012

7. Landfill Site Closure and Post-Closure Care Liability

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance.

The liability recorded is \$778,070 (2011 - \$749,551) and represents the present value of closure and post-closure costs for three active sites and two closed sites, using the municipality's average long-term borrowing rate of 5.25% adjusted for inflation. The liability is recorded based on the capacity of the landfills used to date. The total estimated future expenditures for closure and post-closure care are \$924,384 leaving an amount to be recognized of \$146,314.

The liability is currently partially funded in the amount of \$333,032 (2011 - \$281,953) through a reserve. The additional liability is expected to be funded in the year the costs arise through budget allocations to the landfill reserve.

The estimated remaining capacity of the three sites is approximately 227,502 (2011 - 234,900) cubic meters. The sites have remaining life of 3 to 20 years. Post-closure care is estimated to continue for a period of 25 years.

8. Employee Future Benefits Liability

Pension Plan

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 49 (2011 - 51) members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. Depending on retirement age, the contribution rates for 2012 were 8.3% or 9.4% (2011 - 7.4% or 8.9%) on earnings up to the CPP earnings limit, and 12.8% or 13.9% (2011 - 10.7% or 14.1%) thereafter. The amount contributed to OMERS by the municipality for 2012 was \$309,721 (2011 - \$286,875).

OMERS is a multi-employer plan, therefore, any pension plan surplus or deficit is the joint responsibility of the Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was as at December 31, 2012. At that time, the plan reported an actuarial deficit of \$9.9 billion (2011 - deficit of \$7.3 billion), based on an accrued benefit obligation of \$69.1 billion (2011 - \$64.5 billion) and actuarial assets of \$59.2 billion (2011 - \$57.4 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

The Corporation of the Municipality of West Grey Notes to Financial Statements

December 31, 2012

8. Employee Future Benefits Liability (continued)

Other Benefits

The municipality provides post-employment health and dental insurance benefits to eligible retired employees. The municipality recognizes these post-employment costs in the period in which the employees rendered the services. Payments for these benefits totalled \$13,596 for the year and are included as an expenditure on the consolidated statement of financial activities. The accrued benefit obligation at December 31, 2012 was \$202,276 (2011 - \$192,452).

Actuarial valuations for accounting purposes are performed using the projected benefit method, pro-rated on services. The most recent actuarial report was prepared as at December 31, 2011.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, employee turnover and mortality rates. The assumptions used reflect management's best estimates. A discount rate of 4.5% was assumed to determine the accrued benefit obligation, along with an annual rate of increase in benefit costs of 10% after the first year, decreasing annually to an ultimate rate of CPI plus 1% in 10 years. The post-employment benefit expenditure includes current period benefit costs of \$14,971, interest on the obligation of \$8,605 and amortization of gains (losses) of (\$156).

Workplace Safety and Insurance Board (WSIB) Future Liability

Under the provisions of the Workplace Safety and Insurance Board Act, the Municipality of West Grey had elected to be treated as a Schedule 2 employer and had remitted payments to the WSIB as required to fund disability payments. The municipality had an insurance policy to cover the cost of claims over \$350,000. A liability of \$nil (2011 - \$205,372) has been reflected in the financial statements. Effective January 1, 2010, the Municipality of West Grey returned to Schedule 1 employer status.

	2012	2011
Other benefits	\$ 202,276	\$ 192,452
WSIB	-	205,372
	<u>\$ 202,276</u>	<u>\$ 397,824</u>

**The Corporation of the Municipality of West Grey
Notes to Financial Statements**

December 31, 2012

9. Tangible Capital Assets

For the year ended December 31, 2012

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Construction in progress	2012 Total
Cost, beginning of year	\$ 5,421,323	\$ 11,910,845	\$ 6,822,950	\$ 6,484,398	\$ 89,300,501	\$ 129,683	\$120,069,700
Additions	64,421	288,356	495,126	322,811	926,869	120,334	2,217,917
Disposals	(28,525)	(12,360)	(55,999)	(198,988)	(103,825)	-	(399,697)
Transfers from Construction in progress	7,921	-	14,569	-	54,835	(77,325)	-
Cost, end of year	5,465,140	12,186,841	7,276,646	6,608,221	90,178,380	172,692	121,887,920
Accumulated amortization, beginning of year	637,593	4,941,253	3,469,630	3,515,680	30,780,486	-	43,344,642
Amortization	61,115	252,870	308,493	338,761	1,657,434	-	2,618,673
Disposals	(690)	(6,611)	(54,620)	(184,437)	(54,588)	-	(300,946)
Accumulated amortization, end of year	698,018	5,187,512	3,723,503	3,670,004	32,383,332	-	45,662,369
Net carrying amount, end of year	\$ 4,767,122	\$ 6,999,329	\$ 3,553,143	\$ 2,938,217	\$ 57,795,048	\$ 172,692	\$ 76,225,551

The Corporation of the Municipality of West Grey Notes to Financial Statements

December 31, 2012

9. Tangible Capital Assets (continued)

For the year ended December 31, 2011

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Construction in progress	2011 Total
Cost, beginning of year	\$ 5,628,147	\$ 11,603,670	\$ 6,683,935	\$ 6,321,206	\$ 88,771,058	\$ 42,396	\$ 119,050,412
Additions	17,990	312,351	213,467	385,926	650,732	87,287	1,667,753
Disposals	(224,814)	(5,176)	(74,452)	(222,734)	(121,289)	-	(648,465)
Cost, end of year	5,421,323	11,910,845	6,822,950	6,484,398	89,300,501	129,683	120,069,700
Accumulated amortization, beginning of year	584,050	4,696,672	3,239,049	3,360,951	29,178,417	-	41,059,139
Amortization	53,543	249,516	295,594	350,990	1,659,945	-	2,609,588
Disposals		(4,935)	(65,013)	(196,261)	(57,876)	-	(324,085)
Accumulated amortization, end of year	637,593	4,941,253	3,469,630	3,515,680	30,780,486	-	43,344,642
Net carrying amount, end of year	\$ 4,783,730	\$ 6,969,592	\$ 3,353,320	\$ 2,968,718	\$ 58,520,015	\$ 129,683	\$ 76,725,058

The Corporation of the Municipality of West Grey Notes to Financial Statements

December 31, 2012

9. Tangible Capital Assets (continued)

Expenses reported on the consolidated statement of operations include the gain/(loss) on disposal of assets during the year of \$(60,344) (2011 - \$115,969).

The carrying value of tangible capital assets not being amortized because they are under construction, development, or have been removed from service is \$172,692 (2011 - \$129,683).

Contributed tangible capital assets of \$213,439 (2011 - \$135,983) were recognized in the financial statements during the year.

10. Accumulated Surplus

The accumulated surplus reported on the consolidated statement of financial position is comprised of the following:

	2012	2011
General surplus	\$ 827,022	\$ 499,070
Capital amounts to be spent (financed)	(496,655)	(230,743)
Amounts invested in tangible capital assets	76,225,550	76,725,058
Reserves and reserve funds set aside for specific purpose by council (Note 11)	3,620,184	3,045,987
Amounts to be recovered (Note 12)	(2,850,521)	(3,228,837)
	\$ 77,325,580	\$ 76,810,535

The general surplus is comprised of the following:

General area taxation	\$ 842,764	\$ 400,882
Waterworks system	331,011	425,184
Wastewater system	(396,360)	(374,060)
Cemeteries	25,166	25,344
Dornoch Community Centre	205	205
Business Improvement Area	8,119	11,686
Elmwood Community Centre	3,777	3,777
Saugeen Municipal Airport	12,025	5,731
Saugeen Mobility and Regional Transit	315	321
	\$ 827,022	\$ 499,070

The Corporation of the Municipality of West Grey Notes to Financial Statements

December 31, 2012

10. Accumulated Surplus (continued)

The capital amounts to be spent (financed) is comprised of the following:

Acquisition of capital assets to be financed through:

Taxation or user charges	<u>\$ (496,655)</u>	<u>\$ (230,743)</u>
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11. Reserves and Reserve Funds

	2012	2011
Reserves set aside for specific purpose by Council:		
Working funds	\$ 1,290,842	\$ 1,237,861
Contingencies	135,044	135,044
Recreation facilities	69,400	50,701
Protection services	282,868	180,628
Roadways	389,654	258,180
Water/wastewater services	84,888	67,887
Waste disposal	333,032	281,953
Library	35,198	44,870
Other	739,770	549,695
	<u>3,360,696</u>	<u>2,806,819</u>
Reserve funds set aside for specific purpose by Council:		
Roadways	13,734	12,208
Parks	93,304	92,139
Protection services	119,556	101,350
Elmwood Hydro proceeds	17,548	17,298
St. George's Cemetery	15,307	16,134
Durham trails	39	39
	<u>259,488</u>	<u>239,168</u>
Reserves and reserve funds, end of the year	<u>\$ 3,620,184</u>	<u>\$ 3,045,987</u>

The Corporation of the Municipality of West Grey Notes to Financial Statements

December 31, 2012

12. Amounts to be recovered

The balance of the amounts to be recovered is comprised of the following:

	<u>2012</u>	<u>2011</u>
Long-term debt	\$ 1,870,175	\$ 2,081,462
Employee future benefits liability	202,276	397,824
Landfill closure and post-closure care liability	<u>778,070</u>	<u>749,551</u>
	<u>\$ 2,850,521</u>	<u>\$ 3,228,837</u>

The net change during the year in the amounts to be recovered is made up of the following:

	<u>2012</u>	<u>2011</u>
Principal payments on long-term debt	\$ (211,287)	\$ (200,669)
Increase (decrease) in employee future benefits liability	(195,548)	46,124
Change in Solid Waste Closure and Post Closure Liability	<u>28,519</u>	<u>33,279</u>
Decrease in amounts to be recovered during the year	<u>\$ (378,316)</u>	<u>\$ (121,266)</u>

The Corporation of the Municipality of West Grey Notes to Financial Statements

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13. Government Contributions

	2012 Budget	2012 Actual	2011 Actual
Operating Grants			
Province of Ontario Municipal Partnership Fund (OMPF)	\$ 2,561,800	\$ 2,561,800	\$ 2,604,900
Province of Ontario conditional grants			
Protection services	142,000	148,880	163,042
Water and wastewater	32,992	32,992	32,992
Transit	39,312	25,826	28,164
Other	136,041	147,138	120,396
	<u>2,912,145</u>	<u>2,916,636</u>	<u>2,949,494</u>
Government of Canada conditional grants	-	3,913	5,324
Other Municipalities conditional grants			
Protection services	78,182	90,245	73,945
Other	37,500	36,121	36,808
	<u>115,682</u>	<u>126,366</u>	<u>110,753</u>
Total operating grants	<u>3,027,827</u>	<u>3,046,915</u>	<u>3,065,571</u>
Capital Grants			
Province of Ontario conditional grants			
Protection services	-	-	14,798
Roadways	-	-	37,098
Water and wastewater	92,367	91,374	9,713
Recreation and cultural services	-	3,952	-
Other	-	-	12,808
	<u>92,367</u>	<u>95,326</u>	<u>74,417</u>
Government of Canada conditional grants			
Roadways	390,000	524,080	455,535
Recreation and cultural services	-	-	45,589
Other	41,200	34,700	-
	<u>431,200</u>	<u>558,780</u>	<u>501,124</u>
Other Municipalities conditional grants	75,573	25,573	25,281
Total capital grants	<u>599,140</u>	<u>679,679</u>	<u>600,822</u>
Total government contributions	<u>\$ 3,626,967</u>	<u>\$ 3,726,594</u>	<u>\$ 3,666,393</u>

The Corporation of the Municipality of West Grey Notes to Financial Statements

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14. Other Income

	2012	2012		2011
	Budget	Actual		Actual
Penalties and interest on taxation	\$ 243,000	\$ 313,318	\$	295,547
Donations and prepaid special charges	124,500	363,474		221,163
Rents	40,249	39,503		41,430
Other	21,900	51,098		29,423
	\$ 429,649	\$ 767,393	\$	587,563

15. Segmented Information

The Corporation of the Municipality of West Grey is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, wastewater, water, waste collection, disposal and recycling, recreational, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

This item related to the revenues and expenses that relate to the governance and operations of the municipality itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

Protection is comprised of police services, fire protection, conservation authority, emergency measures, animal control and building and structural inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. The building department provides a number of services including maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

Transportation

Transportation is responsible for construction and maintenance of the municipality's roadways, bridges, parking areas and streetlighting. Transportation also includes the provision of air transportation through the Saugeen Municipal Airport.

The Corporation of the Municipality of West Grey

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15. Segmented Information (continued)

Wastewater and Water

This service provides the municipality's drinking water. They process and clean sewage and ensure the municipality's water system meets all Provincial standards.

Environmental

Environmental services consists of providing waste collection, disposal and recycling to its citizens.

Health

Health services include contributions to support local hospitals. Health services also includes the operations of local cemeteries.

Recreational and Cultural Services

This service area provides services meant to improve the health and development of the municipality's citizens. The municipality operates and maintains parks, arenas, a swimming pool and community centres. The municipality also provides library services and recreational programs.

Planning and Development

This department is responsible for planning and zoning including the Official plan. This service area also includes tourist information and promotion, business improvement area, weed control, and drainage.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation and payments-in-lieu	Allocated to those segments that are funded by these amounts based on the net surplus for the year.
OMPF Grants	Allocated to segments based on the net surplus for the year.

The Corporation of the Municipality of West Grey Notes to Financial Statements

December 31, 2012

15. Segmented Information (continued)

For the year ended December 31, 2012	General Government	Protection Services	Transportation Services	Wastewater and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2012 Total
Revenue									
Taxation	\$ 493,730	\$ 2,609,713	\$ 3,244,508	\$ -	\$ 141,066	\$ -	\$ 564,261	\$ -	\$ 7,053,279
Fees and user charges	47,395	443,578	83,205	993,523	328,796	33,480	473,223	60,049	2,463,249
Specific grants	-	264,699	616,814	124,366	110,497	-	39,957	8,462	1,164,795
OMPF grant	179,326	947,866	1,178,428	-	51,236	-	204,944	-	2,561,800
Other revenue	415,099	21,068	235,803	10,729	-	7,705	155,998	1,011	847,413
	<u>1,135,550</u>	<u>4,286,924</u>	<u>5,358,758</u>	<u>1,128,618</u>	<u>631,595</u>	<u>41,185</u>	<u>1,438,383</u>	<u>69,522</u>	<u>14,090,536</u>
Expenses									
Salaries and benefits	734,831	2,680,577	1,266,122	33,608	80,443	1,953	551,259	33,531	5,382,325
Interest on debt	-	7,932	-	91,631	-	75	-	9,671	109,309
Materials and supplies	324,908	605,139	1,989,967	322,302	109,980	12,798	532,861	47,697	3,945,652
Contracted services	5,156	201,099	22,969	382,717	422,896	14,795	27,222	13,073	1,089,927
Other transfers	15,250	287,196	32,241	-	-	-	13,166	-	347,853
Rents and financial expenses	9,844	4,252	-	-	-	7,057	255	-	21,408
Amortization and Loss on Disposal	39,789	235,426	1,762,399	382,688	7,133	980	240,230	10,372	2,679,017
	<u>1,129,778</u>	<u>4,021,621</u>	<u>5,073,698</u>	<u>1,212,946</u>	<u>620,452</u>	<u>37,658</u>	<u>1,364,993</u>	<u>114,344</u>	<u>13,575,491</u>
Annual surplus (deficit)	\$ 5,772	\$ 265,303	\$ 285,060	\$ (84,328)	\$ 11,143	\$ 3,527	\$ 73,390	\$ (44,822)	\$ 515,045

The Corporation of the Municipality of West Grey Notes to Financial Statements

December 31, 2012

15. Segmented Information (continued)

For the year ended December 31, 2011	General Government	Protection Services	Transportation Services	Wastewater and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2011 Total
Revenue									
Taxation	\$ 656,986	\$ 2,496,546	\$ 2,693,641	\$ -	\$ 197,096	\$ -	\$ 525,588	\$ -	\$ 6,569,857
Fees and user charges	14,013	331,491	95,970	959,881	323,143	47,025	432,304	65,637	2,269,464
Specific grants	7,312	277,066	554,018	42,705	81,901	5,495	84,101	8,895	1,061,493
OMPF grant	260,490	989,862	1,068,009	-	78,147	-	208,392	-	2,604,900
Other revenue	174,074	9,150	355,297	4,691	-	9,734	69,088	182	622,216
	<u>1,112,875</u>	<u>4,104,115</u>	<u>4,766,935</u>	<u>1,007,277</u>	<u>680,287</u>	<u>62,254</u>	<u>1,319,473</u>	<u>74,714</u>	<u>13,127,930</u>
Expenses									
Salaries and benefits	717,856	2,838,700	1,173,514	34,186	79,660	1,614	506,629	32,188	5,384,347
Interest on debt	-	10,732	-	99,501	-	135	-	16,832	127,200
Materials and supplies	316,239	636,743	1,944,471	275,095	127,568	18,096	555,507	70,067	3,943,786
Contracted services	5,724	182,328	22,974	368,375	454,105	18,428	28,495	10,309	1,090,738
Other transfers	16,900	262,022	38,234	-	-	-	41,227	-	358,383
Rents and financial expenses	10,419	5,536	-	-	-	11,133	237	-	27,325
Amortization and Loss on Disposal	60,198	249,190	1,645,252	371,105	7,133	4,998	217,991	(62,248)	2,493,619
	<u>1,127,336</u>	<u>4,185,251</u>	<u>4,824,445</u>	<u>1,148,262</u>	<u>668,466</u>	<u>54,404</u>	<u>1,350,086</u>	<u>67,148</u>	<u>13,425,398</u>
Annual surplus (deficit)	<u>\$ (14,461)</u>	<u>\$ (81,136)</u>	<u>\$ (57,510)</u>	<u>\$ (140,985)</u>	<u>\$ 11,821</u>	<u>\$ 7,850</u>	<u>\$ (30,613)</u>	<u>\$ 7,566</u>	<u>\$ (297,468)</u>

The Corporation of the Municipality of West Grey Notes to Financial Statements

December 31, 2012

16. Government Partnerships

The following summarizes the financial position and operations of the municipal joint boards. The Municipality of West Grey's pro-rata share of these amounts have been reported in the financial statements using the proportionate consolidation method:

	Saugeen Municipal Airport 27%	Elmwood Fire Department 59%	S.M.A.R.T. 11%
Financial Assets			
Cash and temporary investments	\$ 71,415	\$ 175,059	\$ -
Accounts receivable	26,195	-	110,687
Other financial assets	-	41,120	-
	<u>97,610</u>	<u>216,179</u>	<u>110,687</u>
Liabilities			
Accounts payable	14,694	11,057	63,871
Other liabilities	18,556	1,351	74,492
	<u>33,250</u>	<u>12,408</u>	<u>138,363</u>
Net financial assets (net debt)	64,360	203,771	(27,676)
Non-financial assets	<u>817,829</u>	<u>419,051</u>	<u>339,236</u>
Accumulated Surplus	<u>\$ 882,189</u>	<u>\$ 622,822</u>	<u>\$ 311,560</u>
Accumulated Surplus			
General surplus	\$ 44,970	\$ -	\$ 2,812
Invested in tangible capital assets	801,406	419,051	308,748
Reserves and reserve funds	35,813	205,122	-
Amount to be recovered	-	(1,351)	-
	<u>\$ 882,189</u>	<u>\$ 622,822</u>	<u>\$ 311,560</u>
Revenues	\$ 178,071	\$ 236,918	\$ 772,134
Expenses	<u>(204,816)</u>	<u>(206,833)</u>	<u>(778,630)</u>
Annual surplus (deficit)	<u>\$ (26,745)</u>	<u>\$ 30,085</u>	<u>\$ (6,496)</u>

The Corporation of the Municipality of West Grey Notes to Financial Statements

December 31, 2012

16. Government Partnerships (continued)

Saugeen Mobility and Regional Transit (S.M.A.R.T.) operates a specialty transit service; Saugeen Municipal Airport operates a municipal airport; and the Elmwood Fire Department provides fire protection services for ratepayers.

Information on the operations of the Elmwood Community Centre as at December 31, 2012 is not available. As such, only this organization's tangible capital assets have been consolidated.

17. Budget Amounts

Under Canadian generally accepted accounting principles, budget amounts are to be reported on the consolidated statements of operations and change in net debt for comparative purposes. The budget amounts for The Corporation of the Municipality of West Grey are as approved by council and have been restated to conform to the basis of presentation of the revenues and expenses on the consolidated statements of operations and change in net debt.

The following is a reconciliation of the budget approved by council:

	2012 Budget	2012 Actual	2011 Actual
Annual surplus (deficit)	\$ (560,142)	\$ 515,045	\$ (297,468)
Acquisition of tangible capital assets	(1,737,074)	(2,217,915)	(1,667,753)
Proceeds on disposal of tangible capital assets	-	38,407	440,349
Amortization	2,596,541	2,618,673	2,609,588
(Gain)/loss on disposal of tangible capital assets	-	60,344	(115,969)
Debt principal repayments	(202,042)	(211,287)	(200,670)
	97,283	803,267	768,077
Transfers from (to) reserves for operations	(139,912)	(533,180)	(210,570)
Transfers from (to) reserves for capital	42,629	(36,721)	231,807
Change in unfunded liabilities	-	(167,028)	79,402
Reserve funds annual surplus	-	(4,296)	(3,193)
Capital projects not funded (expended)	-	265,911	(720,470)
	-	327,953	145,053
General surplus, beginning of year	-	499,070	354,017
	\$ -	\$ 827,023	\$ 499,070

The Corporation of the Municipality of West Grey Notes to Financial Statements

December 31, 2012

18. Operations of School Boards and the County of Grey

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Grey:

	2012	2011
School boards	\$ 3,294,959	\$ 3,417,360
County of Grey	4,724,029	4,586,286
	<u>\$ 8,018,988</u>	<u>\$ 8,003,646</u>

19. Trust Funds

The trust funds administered by the municipality amounting to \$289,173 (2011 - \$219,676) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of financial activities. At December 31, 2012, the trust fund balances are as follows:

	2012	2011
Cemetery Pre-need Assurance Fund	\$ 4,959	\$ 4,890
Cemetery Care and Maintenance Funds	283,506	213,164
Ontario Home Renewal Program	708	1,622
	<u>\$ 289,173</u>	<u>\$ 219,676</u>

20. Contractual Commitments

The municipality has pledged support to the Markdale Hospital in the amount of \$190,000 over 10 years, contingent on the building project proceeding. At December 31, 2012, \$125,000 was set aside in reserve for this purpose.

21. Contingencies

The municipality has entered into an employment contract with certain municipal employees that requires a monthly payment of 100% of the employee's disposable after tax income less payments received from WSIB and Canada Pension Plan to the family of the employee if the employee is killed or dies as a direct result of injuries received in the performance of their duties. The municipality has an insurance policy to minimize the cost to the municipality.
