

**The Corporation of the
County of Grey
Financial Statements
For the year ended December 31, 2018**

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For the year ended December 31, 2018

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The Corporation of the County of Grey

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of the Corporation of the County of Grey (the County), which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated statement of operations and accumulated surplus, statement of changes in net financial assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the County as at December 31, 2018 and the consolidated results of operations, consolidated changes in net financial assets and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the County in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the schedules on pages 29 and 30 of the County's financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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



In preparing the financial statements, management is responsible for assessing the County's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the County or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the County's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the County to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the County or business activities within the County to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
May 23, 2019

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

December 31	2018	2017
Financial assets		
Cash and investments (Note 1)	\$ 64,477,827	\$ 57,084,235
Trade and other receivables	3,174,940	3,080,701
Inventory held for resale	10,024	11,473
	<u>67,662,791</u>	<u>60,176,409</u>
Liabilities		
Accounts payable and accrued liabilities	16,289,339	10,485,315
Vacation pay, post-employment benefits and WSIB Schedule II liabilities (Note 11)	7,619,250	7,661,908
Deferred revenue (Page 28)	11,316,965	9,883,345
Net long-term liabilities (Note 2)	4,493,973	1,600,000
	<u>39,719,527</u>	<u>29,630,568</u>
Net financial assets	<u>27,943,264</u>	<u>30,545,841</u>
Non-financial assets		
Prepaid expenses	26,766	40,939
Tangible capital assets (Note 3)	201,217,731	183,721,051
Inventory of supplies	1,269,853	1,070,647
	<u>202,514,350</u>	<u>184,832,637</u>
Accumulated surplus (Note 4)	<u>\$ 230,457,614</u>	<u>\$ 215,378,478</u>

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

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

For the year ended December 31	2018	2018	2017
	Budget (Note 6)	Actual	Actual
Revenue			
Taxation	\$ 55,520,665	\$ 55,557,664	\$ 54,844,864
Fees and user charges	9,666,846	10,189,431	9,866,339
Government transfers (Note 7)	59,042,445	60,519,460	53,982,270
Assumption of non-profit housing (Note 8)	-	5,009,255	-
Other income (Note 9)	10,231,813	9,181,798	8,939,391
	<u>134,461,769</u>	<u>140,457,608</u>	<u>127,632,864</u>
Expenses			
General government	8,373,000	8,651,593	8,075,517
Provincial offences	1,939,162	1,932,057	1,878,213
Transportation services	10,355,359	19,148,331	22,092,066
Health unit	1,669,619	1,676,724	1,853,813
Paramedic services	12,875,800	14,119,055	13,482,447
Social services	32,704,299	31,797,510	28,974,300
Social housing	11,985,618	13,944,429	13,810,488
Long-term care	27,749,811	29,219,912	28,153,359
Grey Roots	2,045,700	2,276,366	2,278,232
Planning and development	2,837,500	2,612,495	2,723,068
	<u>112,535,868</u>	<u>125,378,472</u>	<u>123,321,503</u>
Annual surplus (Note 6)	21,925,901	15,079,136	4,311,361
Accumulated surplus , beginning of the year	215,378,478	215,378,478	211,067,117
Accumulated surplus , end of the year	<u>\$237,304,379</u>	<u>\$ 230,457,614</u>	<u>\$215,378,478</u>

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

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

For the year ended December 31	2018	2018	2017
	Budget (Note 6)	Actual	Actual
Annual surplus (Page 6)	\$ 21,925,901	\$ 15,079,136	\$ 4,311,361
Acquisition of tangible capital assets	(27,123,969)	(28,853,630)	(23,038,942)
Amortization of tangible capital assets	-	10,171,642	13,169,465
Loss (gain) on disposal of capital assets	-	825,785	(74,064)
Proceeds on disposal of capital assets	-	359,523	392,237
	(27,123,969)	(17,496,680)	(9,551,304)
Change in prepaid expenses	-	14,173	157,027
Change in inventory of supplies	-	(199,206)	139,178
	-	(185,033)	296,205
Decrease in net financial assets	(5,198,068)	(2,602,577)	(4,943,738)
Net financial assets, beginning of the year	30,545,841	30,545,841	35,489,579
Net financial assets, end of the year	\$ 25,347,773	\$ 27,943,264	\$ 30,545,841

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

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

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 15,079,136	\$ 4,311,361
Items not involving cash		
Vacation pay, post-employment benefits and WSIB Schedule II liabilities	(42,658)	(604,076)
Amortization	10,171,642	13,169,465
Contributed capital assets	(6,293,816)	(76,820)
Loss (gain) on disposal of capital assets	825,785	(74,064)
Deferred revenue recognized	(6,718,700)	(5,770,785)
	<u>13,021,389</u>	<u>10,955,081</u>
Changes in non-cash working capital balances		
Trade and other receivables	(94,239)	(630,675)
Inventory held for resale	1,449	(335)
Prepaid expenses	14,173	157,027
Accounts payable and accrued liabilities	5,804,024	1,539,628
Inventory of supplies	(199,206)	139,178
Deferred revenue received	8,152,320	8,274,665
	<u>26,699,910</u>	<u>20,434,569</u>
Capital transactions		
Cash used to acquire capital assets	(22,559,814)	(22,962,122)
Proceeds on disposal of capital assets	359,523	392,237
	<u>(22,200,291)</u>	<u>(22,569,885)</u>
Financing activities		
Additions to long-term liabilities	3,365,378	-
Repayment of long-term liabilities	(471,405)	(400,000)
	<u>2,893,973</u>	<u>(400,000)</u>
Net change in cash and temporary investments	7,393,592	(2,535,316)
Cash and temporary investments, beginning of the year	57,084,235	59,619,551
Cash and temporary investments, end of the year	\$ 64,477,827	\$ 57,084,235

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

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

December 31, 2018

Management Responsibility

The management of the Corporation of the County of Grey has prepared and is responsible for the integrity, objectivity and accuracy of the financial information presented in these consolidated financial statements. The Committee of the Whole reviews and approves the consolidated financial statements before they are submitted to Council.

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 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.

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, useful lives of capital assets, post-employment and WSIB future benefit liabilities and taxation revenue.

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, 2018

Cash and Cash Equivalents Cash and cash equivalents include all cash balances and short-term highly liquid investments that are readily convertible into cash.

Investments Investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

Inventory 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.

Inventory of supplies is recorded at the lower of cost and replacement cost.

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 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:

Land improvements	20 to 25 years
Buildings	15 to 75 years
Machinery and equipment	5 to 50 years
Roads	7 to 75 years
Traffic signals	25 years
Bridges	15 to 75 years
Culverts	40 to 75 years
Vehicles	3 to 40 years

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

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, 2018

Post-Employment Benefits

The County 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 County is an employer under Schedule 2 of the Workplace Safety and Insurance Act (WSIB). As such, it self-insures the entire risk of its own WSIB claims and is individually liable for reimbursing WSIB for all costs relating to workers' WSIB claims. The cost of the claims are determined using management's best estimates and are expensed as incidents occur. The County of Grey, in order to reduce this risk as a Schedule 2 employer, has purchased Occupational Accident and Excess Indemnity Insurance to assist with work related death or permanent impairments.

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

Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries. Management has not identified any contaminated sites for which a liability needs to be recognized.

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

December 31, 2018

Revenue Recognition

Revenues are recognized as follows:

- a) Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied.
- 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 as revenue in the financial statement when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

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, 2018

1. Cash and Investments

	2018	2017
Unrestricted	\$ 64,477,827	\$ 57,084,235

A cash balance of \$21,930,910 is being held in one bank account earning interest at a rate of prime less 1.75%. Other cash balances totalling \$10,567,734 and investment deposits of \$17,149,315 are also held at the same financial institution. The Canadian Deposit Insurance Corporation insures up to a maximum of \$100,000 per depositor per financial institution. Investment deposits of \$12,562,652 are also held at other financial institutions.

Investments included in the balance above consists of:

	2018	2017
Bond Fund	\$ 3,357,151	\$ 4,158,603
Term Deposits 2.27% to 2.42% (2017 - 1.53% to 1.58%)	17,149,315	20,179,707
Guaranteed Investment Certificates 1.90% to 3.07% (2017 - 1.15% to 2.20%)	11,224,185	8,172,701
Membership share	1	1
	\$ 31,730,652	\$ 32,511,012

Investments have a market value of \$31,730,652 (2017 - \$32,351,765) at the end of the year.

The County of Grey has deposits held in an Ontario credit union of \$2,224,172 (2017 - \$2,172,701). The Deposit Insurance Corporation of Ontario (DICO) insures deposits to a maximum of \$250,000 per depositor.

The County of Grey has a demand operating facility agreement with a financial institution at prime less 0.5%. At December 31, 2018, the County of Grey had a \$6,000,000 unused credit facility.

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2018

2. Long-Term Liabilities

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

	2018	2017
Georgian College Marine Emergency Duties Training and Research Centre, payable in equal instalments of \$200,000 from 2015 to 2024	\$ 1,200,000	\$ 1,400,000
Grey Bruce Health Services, payable in equal instalments of \$200,000 from 2014 to 2018	-	200,000
Scotiabank, 1.995%, blended monthly instalments of \$36,224, due 2021	3,181,877	-
Canada Mortgage and Housing Corporation, 1.01%, mortgage payable in blended monthly instalments of \$4,923, due 2020	112,096	-
	\$ 4,493,973	\$ 1,600,000

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

2019	\$	633,095
2020		636,267
2021		2,624,611
2022		200,000
2023		200,000
Thereafter		200,000
	\$	4,493,973

Interest of \$10,689 (2017 - \$NIL) was paid during the year on long-term liabilities.

The Corporation of the County of Grey
Notes to Financial Statements

December 31

3. Tangible Capital Assets

	2018						
	Land and Land Improvements	Buildings	Machinery & Equipment	Roads	Bridges and Culverts	Vehicles	Total
Cost, beginning of the year	\$ 2,742,351	\$ 107,008,623	\$ 12,648,638	\$ 266,100,363	\$ 40,190,488	\$ 9,048,539	\$ 437,739,002
Additions	701,678	10,563,561	1,769,876	13,852,760	382,753	1,583,002	28,853,630
Disposals	-	(850,470)	(439,426)	(2,293,176)	(71,567)	(223,862)	(3,878,501)
Cost, end of the year	3,444,029	116,721,714	13,979,088	277,659,947	40,501,674	10,407,679	462,714,131
Accumulated amortization, beginning of the year	1,066,836	51,543,201	7,834,840	162,366,095	25,819,568	5,387,411	254,017,951
Amortization	85,274	2,229,996	792,870	5,942,659	423,608	697,235	10,171,642
Disposals	-	(236,630)	(382,874)	(1,815,954)	(71,567)	(186,168)	(2,693,193)
Accumulated amortization, end of the year	1,152,110	53,536,567	8,244,836	166,492,800	26,171,609	5,898,478	261,496,400
Net carrying amount, end of the year	\$ 2,291,919	\$ 63,185,147	\$ 5,734,252	\$ 111,167,147	\$ 14,330,065	\$ 4,509,201	\$ 201,217,731

The Corporation of the County of Grey
Notes to Financial Statements

December 31

3. Tangible Capital Assets - (continued)

	2017						
	Land and Land Improvements	Buildings	Machinery & Equipment	Roads	Bridges and Culverts	Vehicles	Total
Cost, beginning of the year	\$ 2,742,351	\$ 96,159,981	\$ 12,118,479	\$ 261,779,195	\$ 38,462,411	\$ 9,207,071	\$ 420,469,488
Additions	-	10,889,188	1,100,906	8,019,782	1,824,724	1,204,342	23,038,942
Disposals	-	(40,546)	(570,747)	(3,698,614)	(96,647)	(1,362,874)	(5,769,428)
Cost, end of the year	2,742,351	107,008,623	12,648,638	266,100,363	40,190,488	9,048,539	437,739,002
Accumulated amortization, beginning of the year	995,665	48,966,229	7,315,581	157,995,313	25,214,723	5,812,230	246,299,741
Amortization	71,171	2,613,312	997,560	7,944,967	701,492	840,963	13,169,465
Disposals	-	(36,340)	(478,301)	(3,574,185)	(96,647)	(1,265,782)	(5,451,255)
Accumulated amortization, end of the year	1,066,836	51,543,201	7,834,840	162,366,095	25,819,568	5,387,411	254,017,951
Net carrying amount, end of the year	\$ 1,675,515	\$ 55,465,422	\$ 4,813,798	\$ 103,734,268	\$ 14,370,920	\$ 3,661,128	\$ 183,721,051

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2018

3. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction is \$1,867,559 (2017 - \$11,867,925).

In 2018, \$6,293,816 (2017 - \$76,820) 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.

During the year, the County updated their tangible capital asset policy to better reflect the estimated useful lives of their tangible capital assets. This change in policy has been applied prospectively as a change in accounting estimate and has resulted in an decrease in amortization in the current year of approximately \$3,600,000.

4. Accumulated Surplus

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

	2018	2017
Invested in tangible capital assets		
Tangible capital assets purchased	\$ 201,217,731	\$ 183,721,051
Unfinanced capital assets	(8,607,784)	(7,295,143)
Capital assets financed by long-term liabilities and to be funded in future years	(3,293,973)	-
Total invested in capital assets	189,315,974	176,425,908
Unfunded post-employment benefits	(7,040,495)	(7,071,121)
Unfunded commitment to Grey Bruce Health Services	-	(200,000)
Unfunded commitment to Georgian College	(1,200,000)	(1,400,000)
Other surplus	1,269,853	1,070,647
	182,345,332	168,825,434
Reserves (Note 5)	48,112,282	46,553,044
Accumulated surplus	\$ 230,457,614	\$ 215,378,478

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2018

5. Reserves Set Aside for Specific Purpose by Council

	2018	2017
Working funds	\$ 1,930,799	\$ 1,930,799
Insurance, sick leave and WSIB	3,136,183	3,084,428
Current purposes	11,354,074	9,519,037
Capital purposes	31,691,226	32,018,780
	\$ 48,112,282	\$ 46,553,044

6. Budgets

Under Canadian Public sector accounting principles, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net financial assets for comparative purposes. The 2018 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 accumulated surplus and changes in net financial assets. The following is a reconciliation of the budget approved by Council.

	2018 Budget	2018 Actual	2017 Actual
Annual surplus (Page 6)	\$ 21,925,901	\$ 15,079,136	\$ 4,311,361
Transfers to reserves	(4,382,582)	(8,683,362)	(7,124,857)
Transfers from reserves	9,980,650	7,124,124	6,703,759
Capital acquisitions, disposals and write-down	(27,123,969)	(27,668,322)	(22,720,769)
Amortization	-	10,171,642	13,169,465
Proceeds from long-term debt	-	3,365,378	-
Debt principal repayments	-	(71,405)	-
Change in unfunded liabilities	-	(30,626)	(593,777)
Change in long-term commitments	(400,000)	(400,000)	(400,000)
Change in other surplus	-	(199,206)	139,178
	-	(1,312,641)	(6,515,640)
Change in unfinanced capital	-	1,312,641	6,515,640
	\$ -	\$ -	\$ -

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2018

7. Government Transfers

	2018 Budget	2018 Actual	2017 Actual
Operating			
Province of Ontario			
Paramedic services	\$ 7,252,200	\$ 7,500,492	\$ 7,186,774
Social services	27,349,477	26,920,854	24,150,271
Social housing	2,255,226	2,566,833	2,126,519
Long-term care	16,378,185	16,623,832	15,883,824
Other	104,900	312,009	98,759
	<u>53,339,988</u>	<u>53,924,020</u>	<u>49,446,147</u>
Government of Canada			
Social housing	635,370	635,370	635,370
Federal Gas Tax - other	13,500	57,305	57,569
Other	40,000	-	48,451
	<u>688,870</u>	<u>692,675</u>	<u>741,390</u>
Other municipalities			
Transportation services	1,112,200	394,021	239,059
Other	34,850	42,237	48,957
	<u>1,147,050</u>	<u>436,258</u>	<u>288,016</u>
Total operating transfers	<u>55,175,908</u>	<u>55,052,953</u>	<u>50,475,553</u>
Capital			
Province of Ontario			
Transportation services	1,066,537	1,056,711	613,059
Social and Family Services	-	246,512	-
Social Housing	-	228,772	530,048
	<u>1,066,537</u>	<u>1,531,995</u>	<u>1,143,107</u>
Government of Canada			
Federal Gas Tax - Transportation	2,800,000	3,456,080	2,059,094
Federal Gas Tax - Social Housing	-	-	304,516
Other	-	42,906	-
	<u>2,800,000</u>	<u>3,498,986</u>	<u>2,363,610</u>
Other municipalities			
Transportation services	-	435,526	-
Total capital transfers	<u>3,866,537</u>	<u>5,466,507</u>	<u>3,506,717</u>
Total government transfers	<u>\$ 59,042,445</u>	<u>\$ 60,519,460</u>	<u>\$ 53,982,270</u>

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2018

8. Assumption of non-profit housing

The County of Grey acts as the service manager to the not-for-profit organization Golden Town Residential Community Inc. (Golden Town). Golden Town provides and operates non-profit residential accommodation and incidental facilities primarily for persons of low income, senior citizens and disabled persons primarily of low or modest income in Meaford Ontario.

During the year, the County of Grey (the County) entered into an agreement with Golden Town to acquire all assets including properties known as Golden Town Manor, Albert Place, and Victoria Village located in the Municipality of Meaford, cash, accounts receivable, investments, furniture, equipment, fixtures, and prepaid expenses in exchange for the assumption of Golden Town's mortgages and accounts payable.

Golden Town discontinued operations on September 28, 2018 and the County assumed the operating activities on September 29, 2018. On October 4, 2018 the properties vested and the mortgages were assumed by the County.

Costs incurred relating to restructuring consist of legal fees.

Details of assets and liabilities assumed as follows:

	2018
Cash	\$ 2,070,970
Long-term debt	(3,355,530)
Tangible capital assets	6,293,815
	\$ 5,009,255

9. Other Income

	2018 Budget	2018 Actual	2017 Actual
Provincial Offences (POA)	\$ 2,210,000	\$ 2,281,651	\$ 2,179,489
Investment income, penalties and interest	593,079	876,585	500,094
Licenses, permits and rents	3,782,498	4,014,981	3,834,869
Donations	23,500	87,057	67,261
Development charges	3,422,975	2,606,404	2,098,323
Gain (loss) on disposal of assets	173,761	(825,785)	74,064
Contributed assets	-	-	76,820
Other	26,000	140,905	108,471
	\$ 10,231,813	\$ 9,181,798	\$ 8,939,391

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2018

10. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 715 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 by the County for 2018 was \$3,528,564 (2017 - \$3,549,135). The contribution rate for 2018 was 9.0% to 14.6% depending on age and income level (2017 - 9.0% to 14.6%).

OMERS is a multi-employer plan, therefore, any pension plan surpluses or deficits are a joint responsibility of 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 on December 31, 2018. At that time the plan reported a \$4.19 billion actuarial deficit (2017 - \$5.40 billion actuarial deficit), based on actuarial liabilities of \$99.06 billion (2017 - \$93.61 billion) and actuarial assets of \$94.87 billion (2017 - \$88.21 billion). Ongoing adequacy of the current contribution rates will need to be monitored as fluctuations in financial markets may lead to increased future funding requirements.

11. Post-Employment Benefits

	2018	2017
WSIB	\$ 2,383,913	\$ 2,446,567
Vacation pay liability	1,729,492	1,877,458
Post-employment benefits	3,459,062	3,279,068
Other	46,783	58,815
	\$ 7,619,250	\$ 7,661,908

- 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, 2018 has calculated the liability to be \$2,383,913. The actuarial valuation was based on a number of assumptions such as, discount rates and WSIB payment rates. The assumptions used reflect management's best estimates. The WSIB benefit liability was determined using a discount rate of 3.30% and a WSIB administration rate of 25%. The current year recovery is \$62,654 and prior year recovery was \$292,488. At December 31, 2018, the County provided \$3,036,599 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, 2018.
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The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2018

11. Post-Employment Benefits

- 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.

Actuarial valuations for accounting purposes are performed using the projected benefit method. The most recent actuarial report was prepared as at December 31, 2016.

The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 4%. For dental, travel and vision premiums, a 4% annual rate of increase was assumed for 2015 and forward. For health care premiums, a 6.25% increase was used for 2016 and a decreasing rate used until 2026 where 4% was used thereafter.

	<u>2018</u>	<u>2017</u>
Retirement benefit expense	\$ 204,876	\$ 200,890
Interest costs	<u>86,472</u>	<u>81,787</u>
Total expense for the year	<u>\$ 291,348</u>	<u>\$ 282,677</u>

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2018

12. 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, 2018 indicates the following:

Principal payments on debentures during the year	\$ 463,868
Interest payments on debentures during the year	<u>189,892</u>
Total	<u>\$ 653,760</u>
Debentures outstanding at year-end	<u>\$ 2,620,501</u>

The principal and interest payments are recovered at source from Federal Social Housing funding provided from 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 2018 was \$240,529 (2017 - \$248,149) 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 \$785,159 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 \$8,616,349 has been committed to developers in order to complete these units with \$5,181,466 released as of December 31, 2018. If the units remain as affordable housing units for a period of 25 years, no amount will be repayable.
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The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2018

13. 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 outcomes of these claims are not determinable at this time.
- (c) 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.

14. Trust Funds

The trust funds administered by the municipality amounting to \$49,313 (2017 - \$55,615) 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.

15. Provincial Offences

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, 2018 were \$2,025,285 (2017 - \$2,009,867). Net revenues after deduction of operating expenses were \$450,618 (2017 - \$396,115).

The Corporation of the County of Grey Notes to Financial Statements

December 31, 2018

16. 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

Corporate Services encompasses the budgets of Council, Corporate Administration, Emergency Management, Assessment, Provincial Offences, County Property, the Grey Bruce Health Unit and Education & Healthcare Initiatives. In addition, this also includes the taxation budget, which includes supplementary tax and tax write-offs, as well as the Federal Gas Tax Funding.

Planning and Community Development

Planning and Community Development encompasses Planning (including civic addressing), Heritage, Agriculture, Forestry, Trails, Tourism and Economic Development mandates.

Social Services

Social Services encompasses the Social Services, Housing and Long-Term Care departments. Social Services includes Social Assistance, Administration, Ontario Works and Child Care. Housing covers operational and capital budgets for Grey County Housing, subsidies provided to Non-Profit Housing Providers and the Affordable Housing Programs. The Long-Term Care component refers to the three Long-Term Care facilities (Grey Gables - Markdale, Rockwood Terrace - Durham and Lee Manor - Owen Sound) that are owned and operated by the County of Grey.

Transportation and Public Safety

Transportation and Public Safety encompasses the Paramedic Services and Transportation Services departments (with Transportation Services responsible for providing a safe transportation network).

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	Social Services, Housing and Long- Term Care	Transportation and Public Safety	2018 Total
Revenue					
Taxation	\$ 9,698,079	\$ 4,452,904	\$ 17,188,479	\$ 24,218,202	\$ 55,557,664
Fees and user charges	175,400	494,331	9,113,718	405,982	10,189,431
Specific grants	19,641	427,751	47,229,238	12,842,830	60,519,460
Assumption of non-profit housing	-	-	5,009,255	-	5,009,255
Other revenue	2,600,273	100,193	4,109,392	2,371,940	9,181,798
	<u>12,493,393</u>	<u>5,475,179</u>	<u>82,650,082</u>	<u>39,838,954</u>	<u>140,457,608</u>
Expenses					
Salaries and benefits	4,696,017	2,785,949	30,117,544	16,878,073	54,477,583
Interest on debt	-	-	47,028	-	47,028
Materials and supplies	1,308,000	979,941	5,574,636	4,342,439	12,205,016
Contracted services	3,049,947	484,847	6,886,778	3,678,439	14,100,011
Other transfers	2,393,605	369,319	29,650,027	10,864	32,423,815
Rents and financial expenses	419,068	36,927	665,592	831,790	1,953,377
Amortization	393,737	231,879	2,020,247	7,525,779	10,171,642
	<u>12,260,374</u>	<u>4,888,862</u>	<u>74,961,852</u>	<u>33,267,384</u>	<u>125,378,472</u>
Annual surplus	\$ 233,019	\$ 586,317	\$ 7,688,230	\$ 6,571,570	\$ 15,079,136

The Corporation of the County of Grey
Notes to Financial Statements

December 31

	Corporate Services	Planning and Community Development	Social Services, Housing and Long- Term Care	Transportation and Public Safety	2017 Total
Revenue					
Taxation	\$ 9,710,514	\$ 4,273,313	\$ 17,086,552	\$ 23,774,485	\$ 54,844,864
Fees and user charges	52,691	327,086	9,100,462	386,100	9,866,339
Specific grants	67,081	165,655	43,651,548	10,097,986	53,982,270
Other revenue	2,742,318	156,955	3,905,383	2,134,735	8,939,391
	<u>12,572,604</u>	<u>4,923,009</u>	<u>73,743,945</u>	<u>36,393,306</u>	<u>127,632,864</u>
Expenses					
Salaries and benefits	4,795,647	2,444,116	28,991,301	16,220,804	52,451,868
Interest on debt	-	-	32,622	-	32,622
Materials and supplies	1,059,776	948,851	5,373,469	4,761,468	12,143,564
Contracted services	2,824,643	519,823	5,656,207	3,394,339	12,395,012
Other transfers	2,563,181	736,755	27,425,952	19,475	30,745,363
Rents and financial expenses	473,432	42,503	706,185	1,161,489	2,383,609
Amortization	90,864	309,252	2,752,411	10,016,938	13,169,465
	<u>11,807,543</u>	<u>5,001,300</u>	<u>70,938,147</u>	<u>35,574,513</u>	<u>123,321,503</u>
<i>Annual surplus (deficit)</i>	<u>\$ 765,061</u>	<u>\$ (78,291)</u>	<u>\$ 2,805,798</u>	<u>\$ 818,793</u>	<u>\$ 4,311,361</u>

The Corporation of the County of Grey
Schedule of Deferred Revenue

For the year ended December 31, 2018

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
Development charges	\$ 6,408,480	\$ 3,853,642	\$ 148,996	\$(2,606,404)	\$7,804,714
Federal gas tax	3,034,313	2,948,379	58,898	(3,456,080)	2,585,510
	9,442,793	6,802,021	207,894	(6,062,484)	10,390,224
Other					
Social Services	15,527	-	-	(15,527)	-
Paramedicine program	47,836	-	-	(47,836)	-
Housing Allowance and Build program	183,681	104,112	-	(174,040)	113,753
Housing Apartment Improvement Program	-	188,285	-	(7,660)	180,625
Social Infrastructure Fund	-	352,000	-	-	352,000
Aggregate Fund	143,000	70,027	-	-	213,027
Affordable housing	43,848	255,797	-	(249,797)	49,848
Affordable housing Business Enterprise Centre	-	172,184	-	(155,862)	16,322
Miscellaneous	6,660	-	-	(5,494)	1,166
	440,552	1,142,405	-	(656,216)	926,741
	\$ 9,883,345	\$ 7,944,426	\$ 207,894	\$(6,718,700)	\$11,316,965

Grey Roots - Museum
Statement of Operations
(Unaudited)

For the year ended December 31	2018	2017
Revenue		
Province of Ontario	\$ 63,534	\$ 68,680
Canada	50,506	34,415
County of Grey	1,542,702	1,548,990
Donations	18,476	6,508
Donation in kind	8,389	49,272
Admissions and sales	156,457	136,875
Transfer from County of Grey reserves	14,000	-
Sale of assets	3,618	6,001
	<u>1,857,682</u>	<u>1,850,741</u>
Expenditures		
Advertising	78,111	67,737
Donation in kind	8,389	49,272
Supplies, postage and telephone	59,982	49,612
Payments to other organizations	486	486
Professional	8,689	14,596
Purchases for resale	5,510	8,341
Occupancy	286,803	288,426
Special events	140,581	119,032
Salaries and benefits	1,153,117	1,062,344
Travel and convention fees	15,133	17,379
Vehicle operations and licensing	2,813	1,746
Transfer to County of Grey reserve	96,589	152,407
	<u>1,856,203</u>	<u>1,831,378</u>
Change in unfinanced liabilities	<u>(9,869)</u>	<u>(21,405)</u>
	<u>1,866,072</u>	<u>1,852,783</u>
Net revenue for the year	<u>\$ (8,390)</u>	<u>\$ (2,042)</u>

County of Grey - Provincial Offences
Statement of Operations
(Unaudited)

For the year ended December 31	2018	2017
Revenue		
Fines	\$ 2,025,285	\$ 2,009,867
Province of Ontario	241,046	169,622
Investment income	1,394	861
Transcripts	5,754	5,761
Cost recoveries	94	17
	<u>2,273,573</u>	<u>2,186,128</u>
Expenditures		
Salaries and benefits	489,270	493,651
Administrative charges	286,936	284,085
Victim fine surcharge	353,359	352,881
Dedicated fines	25,608	38,004
Prosecution expenses	349,517	345,145
Transfers to County of Bruce	318,265	276,247
	<u>1,822,955</u>	<u>1,790,013</u>
Net revenue before transfer to reserves	450,618	396,115
Transfer to (from) reserve	<u>63,690</u>	<u>(55,934)</u>
Net revenue for the year	\$ 386,928	\$ 452,049