The Corporation of the County of Grey

Financial Information

For the year ended December 31, 2017

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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 Corporation of the County of Grey, which comprise the consolidated statement of financial position as at December 31, 2017, 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.

BDO

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, 2017 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.

Other Matters

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the schedules on pages 27 and 28 of the Corporation of the County of Grey's financial statements.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
May 24, 2018

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

December 31	2017	2016
Financial assets		
Cash and temporary investments (Note 1)	$ 57,084,235	$ 59,619,551
Trade and other receivables	3,080,701	2,450,026
Inventory held for resale	11,473	11,138
	60,176,409	62,080,715
Liabilities		
Accounts payable and accrued liabilities	10,485,315	8,945,687
Vacation pay, post-employment benefits and WSIB Schedule II liabilities (Note 10)	7,661,908	8,265,984
Deferred revenue (Page 26)	9,883,345	7,379,465
Net long-term liabilities (Note 2)	1,600,000	2,000,000
	29,630,568	26,591,136
Net financial assets	30,545,841	35,489,579
Non-financial assets		
Prepaid expenses	40,939	197,966
Tangible capital assets (Note 3)	183,721,051	174,169,747
Inventory of supplies	1,070,647	1,209,825
	184,832,637	175,577,538
Accumulated surplus (Note 4)	$ 215,378,478	$211,067,117

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	2017 Budget (Note 6)	2017 Actual	2016 Actual
Revenue			
Taxation	$ 54,440,234	**$ 54,844,864**	$ 52,760,353
Fees and user charges	9,914,782	**9,866,339**	10,476,788
Government transfers (Note 7)	55,038,719	**53,982,270**	50,494,104
Other income (Note 8)	9,377,490	**8,939,391**	8,472,451
	128,771,225	**127,632,864**	122,203,696
Expenses			
General government	8,102,798	**8,075,517**	7,987,793
Provincial offences	2,030,498	**1,878,213**	1,986,772
Transportation services	10,027,036	**22,092,066**	22,167,302
Health unit	2,079,043	**1,853,813**	1,695,252
Paramedic services	12,625,722	**13,482,447**	13,642,525
Social services	30,296,184	**28,974,300**	28,395,585
Social housing	14,233,467	**13,810,488**	12,636,988
Long-term care	27,089,143	**28,153,359**	28,413,062
Grey Roots	2,043,300	**2,278,232**	2,249,078
Planning and development	2,646,133	**2,723,068**	2,219,174
	111,173,324	**123,321,503**	121,393,531
Annual surplus (Note 6)	17,597,901	**4,311,361**	810,165
Accumulated surplus, beginning of the year	211,067,117	**211,067,117**	210,256,952
Accumulated surplus, end of the year	$228,665,018	**$ 215,378,478**	$211,067,117

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	2017 Budget (Note 6)	2017 Actual	2016 Actual
Annual surplus (Page 5)	$ 17,597,901	**$ 4,311,361**	$ 810,165
Acquisition of tangible capital assets	(28,064,247)	**(23,038,942)**	(16,270,850)
Amortization of tangible capital assets	-	**13,169,465**	13,924,239
Loss (gain) on disposal of capital assets	-	**(74,064)**	201,996
Proceeds on disposal of capital assets	-	**392,237**	269,109
	(28,064,247)	**(9,551,304)**	(1,875,506)
Change in prepaid expenses	-	**157,027**	(162,902)
Change in inventory of supplies	-	**139,178**	195,916
	-	**296,205**	33,014
Decrease in net financial assets	(10,466,346)	**(4,943,738)**	(1,032,327)
Net financial assets, beginning of the year	35,489,579	**35,489,579**	36,521,906
Net financial assets, end of the year	$ 25,023,233	**$ 30,545,841**	$ 35,489,579

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	2017	2016
Cash provided by (used in)		
Operating activities		
Annual surplus	$ 4,311,361	$ 810,165
Items not involving cash		
Vacation pay, post-employment benefits and WSIB Schedule II liabilities	(604,076)	2,064,805
Amortization	13,169,465	13,924,239
Contributed capital assets	(76,820)	(413,000)
Loss (gain) on disposal of capital assets	(74,064)	201,996
Deferred revenue recognized	(5,770,785)	(4,776,301)
	10,955,081	11,811,904
Changes in non-cash working capital balances		
Trade and other receivables	(630,675)	1,209,811
Inventory held for resale	(335)	401
Prepaid expenses	157,027	(162,902)
Accounts payable and accrued liabilities	1,539,628	(1,823,237)
Inventory of supplies	139,178	195,916
Deferred revenue received	8,274,665	6,041,527
	20,434,569	17,273,420
Capital transactions		
Cash used to acquire capital assets	(22,962,122)	(15,857,850)
Proceeds on disposal of capital assets	392,237	269,109
	(22,569,885)	(15,588,741)
Financing activities		
Repayment of long-term liabilities	(400,000)	(993,195)
Net change in cash and temporary investments	(2,535,316)	691,484
Cash and temporary investments, beginning of the year	59,619,551	58,928,067
Cash and temporary investments, end of the year	$ 57,084,235	$ 59,619,551

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

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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

December 31, 2017

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

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 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

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.

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.

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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.

December 31, 2017

1. Cash and Temporary Investments

	2017	2016
Unrestricted	$ 57,084,235	$ 59,619,551

A cash balance of $16,104,864 is being held in one bank account earning interest at a rate of prime less 1.75%. Cash balances of $8,233,671 and investment deposits of $20,179,707 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 $12,485,879 are also held at other financial institutions.

Temporary investments included in the balance above consists of:

	2017	2016
Bond Fund	$ 4,158,603	$ 4,238,620
Term Deposits 1.53% to 1.58% (2016 - 1.12% to 1.17%)	20,179,707	19,923,826
Guaranteed Investment Certificates 1.15% to 2.20% (2016 - 1.14% to 2.10%)	8,172,701	8,136,391
Membership share	1	1
	$ 32,511,012	$ 32,298,838

Temporary investments have a market value of $32,351,765 (2016 - $32,290,222) 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, 2017, the County of Grey had a $6,000,000 unused credit facility.

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2. Long-Term Liabilities

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

	2017	2016
Georgian College Marine Emergency Duties Training and Research Centre, payable in equal instalments of $200,000 from 2015 to 2024	$ 1,400,000	$ 1,600,000
Grey Bruce Health Services, payable in equal instalments of $200,000 from 2014 to 2018	200,000	400,000
	$ 1,600,000	$ 2,000,000

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

2018	$ 400,000
2019	200,000
2020	200,000
2021	200,000
2022	200,000
Thereafter	400,000
	$ 1,600,000

Interest of $NIL (2016 - $21,126) was paid during the year on long-term liabilities.

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3. Tangible Capital Assets

	Land and Land Improvements	Buildings	Machinery & Equipment	Roads	Bridges and Culverts	Vehicles	2017 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

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3. Tangible Capital Assets - (continued)

	Land and Land Improvements	Buildings	Machinery & Equipment	Roads	Bridges and Culverts	Vehicles	2016 Total
Cost, beginning of the year	$ 2,267,498	$ 91,148,631	$ 11,992,009	$ 256,364,516	$ 37,222,861	$ 9,264,935	$ 408,260,450
Additions	474,853	5,223,191	1,291,340	7,605,545	1,274,935	400,986	16,270,850
Disposals	-	(211,841)	(1,164,870)	(2,190,866)	(35,385)	(458,850)	(4,061,812)
Cost, end of the year	2,742,351	96,159,981	12,118,479	261,779,195	38,462,411	9,207,071	420,469,488
Accumulated amortization, beginning of the year	926,504	46,169,239	7,575,301	151,359,498	24,572,022	5,363,645	235,966,209
Amortization	69,161	2,947,498	787,772	8,586,495	678,086	855,227	13,924,239
Disposals	-	(150,508)	(1,047,492)	(1,950,680)	(35,385)	(406,642)	(3,590,707)
Accumulated amortization, end of the year	995,665	48,966,229	7,315,581	157,995,313	25,214,723	5,812,230	246,299,741
Net carrying amount, end of the year	$ 1,746,686	$ 47,193,752	$ 4,802,898	$ 103,783,882	$ 13,247,688	$ 3,394,841	$ 174,169,747

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3. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction is $11,867,925 (2016 - $5,011,689).

In 2017, $76,820 (2016 - $413,000) 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:

	2017	2016
Invested in tangible capital assets		
Tangible capital assets purchased	$ 183,721,051	$174,169,747
Unfinanced capital assets	(7,295,143)	(779,503)
Total invested in capital assets	176,425,908	173,390,244
Unfunded post-employment benefits	(7,071,121)	(7,664,898)
Unfunded commitment to Grey Bruce Health Services	(200,000)	(400,000)
Unfunded commitment to Georgian College	(1,400,000)	(1,600,000)
Other surplus	1,070,647	1,209,825
	168,825,434	164,935,171
Reserves (Note 5)	46,553,044	46,131,946
Accumulated surplus	$ 215,378,478	$211,067,117

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5. Reserves Set Aside for Specific Purpose by Council

	2017	2016
Working funds	$ 1,930,799	$ 1,930,799
Insurance, sick leave and WSIB	3,084,428	3,374,622
Current purposes	9,519,037	9,060,933
Capital purposes	32,018,780	31,765,592
	$ 46,553,044	$ 46,131,946

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 2017 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.

	2017 Budget	2017 Actual	2016 Actual
Annual surplus (Page 5)	$ 17,597,901	$ 4,311,361	$ 810,165
Transfers to reserves	(4,633,927)	(7,124,857)	(7,633,759)
Transfers from reserves	7,722,873	6,703,759	7,521,288
Capital acquisitions, disposals and write-down	(28,064,247)	(22,720,769)	(15,799,745)
Amortization	-	13,169,465	13,924,239
Debt principal repayments	-	-	(593,195)
Change in unfunded liabilities	-	(593,777)	2,049,153
Change in long-term commitments	-	(400,000)	(400,000)
Change in other surplus	-	139,178	195,916
	(7,377,400)	(6,515,640)	74,062
Change in unfinanced capital	7,377,400	6,515,640	(74,062)
	$ -	$ -	$ -

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7. Government Transfers

	2017 Budget	2017 Actual	2016 Actual
Operating			
Province of Ontario			
Paramedic services	$ 6,995,453	**$ 7,186,774**	$ 6,982,396
Social services	24,775,274	**24,150,271**	22,474,231
Social housing	3,949,640	**2,126,519**	1,338,409
Long-term care	15,803,909	**15,883,824**	15,615,709
Other	79,370	**98,759**	95,271
	51,603,646	**49,446,147**	46,506,016
Government of Canada			
Social housing	635,370	**635,370**	635,370
Federal Gas Tax - other	-	**57,569**	-
Other	11,500	**48,451**	105,684
	646,870	**741,390**	741,054
Other municipalities			
Transportation services	95,000	**239,059**	279,725
Other	49,800	**48,957**	97,794
	144,800	**288,016**	377,519
Total operating transfers	52,395,316	**50,475,553**	47,624,589
Capital			
Province of Ontario			
Transportation services	573,710	**613,059**	324,515
Social and Family Services	10,599	**-**	-
Social Housing	-	**530,048**	-
	584,309	**1,143,107**	324,515
Government of Canada			
Federal Gas Tax - Transportation	2,059,094	**2,059,094**	2,545,000
Federal Gas Tax - Social Housing	-	**304,516**	-
	2,059,094	**2,363,610**	2,545,000
Total capital transfers	2,643,403	**3,506,717**	2,869,515
Total government transfers	$ 55,038,719	**$ 53,982,270**	$ 50,494,104

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8. Other Income

	2017 Budget	2017 Actual	2016 Actual
Provincial Offences (POA)	$ 2,327,000	$ **2,179,489**	$ 2,368,938
Investment income, penalties and interest	801,110	**500,094**	697,337
Licenses, permits and rents	3,751,750	**3,834,869**	3,781,531
Donations	21,500	**67,261**	187,877
Development charges	2,086,267	**2,098,323**	1,147,122
Gain (loss) on disposal of assets	368,863	**74,064**	(201,996)
Contributed assets	-	**76,820**	413,000
Other	21,000	**108,471**	78,642
	$ 9,377,490	$ **8,939,391**	$ 8,472,451

9. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 695 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 2017 was $3,549,135 (2016 - $3,424,265). The contribution rate for 2017 was 9.0% to 14.6% depending on age and income level (2016 - 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, 2017. At that time the plan reported a $5.40 billion actuarial deficit (2016 - $5.72 billion actuarial deficit), based on actuarial liabilities of $93.61 billion (2016 - $86.96 billion) and actuarial assets of $88.21 billion (2016 - $81.24 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.

December 31, 2017

10. Post-Employment Benefits

	2017	2016
WSIB	$ 2,446,567	$ 2,739,055
Vacation pay liability	1,877,458	2,363,763
Post-employment benefits	3,279,068	3,094,051
Other	58,815	69,115
	$ 7,661,908	$ 8,265,984

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, 2017 has calculated the liability to be $2,446,567. 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 2.60% and a WSIB administration rate of 35%. The current year recovery is $292,488 and prior year recovery was $260,382. At December 31, 2017, the County provided $3,059,844 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, 2017.

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.

	2017	2016
Retirement benefit expense	$ 200,890	$ 85,407
Interest costs	81,787	59,874
Total expense for the year	$ 282,677	$ 145,281

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, 2017 indicates the following:

Principal payments on debentures during the year	$	499,867
Interest payments on debentures during the year		221,926
Total	$	721,793
Debentures outstanding at year-end	$	3,084,369

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 2017 was $248,149 (2016 - $149,289) 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 $5,090,669 released as of December 31, 2017. If the units remain as affordable housing units for a period of 25 years, no amount will be repayable.

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 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.

13. Trust Funds

The trust funds administered by the municipality amounting to $55,615 (2016 - $58,801) 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.

14. 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, 2017 were $2,009,867 (2016 - $2,368,938). Net revenues after deduction of operating expenses were $396,115 (2016 - $471,295).

15. 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.

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	9,512	165,655	43,347,032	8,038,892	51,561,091
Other revenue	2,698,122	154,255	3,905,383	83,309	6,841,069
Transfers from obligatory reserve	101,766	2,700	304,516	4,110,520	4,519,502
	12,572,605	4,923,009	73,743,945	36,393,306	127,632,865
Expenses					
Salaries and benefits	4,795,649	2,444,115	28,991,301	16,220,804	52,451,869
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
	11,807,545	5,001,299	70,938,147	35,574,513	123,321,504
Annual surplus (deficit)	*$ 765,060*	*$ (78,290)*	*$ 2,805,798*	*$ 818,793*	*$ 4,311,361*

December 31

	Corporate Services	Planning and Community Development	Social Services, Housing and Long-Term Care	Transportation and Public Safety	2016 Total
Revenue					
Taxation	$ 8,911,146	$ 4,137,900	$ 16,676,199	$ 23,035,108	$ 52,760,353
Fees and user charges	32,589	424,255	9,447,825	572,119	10,476,788
Specific grants	8,131	190,807	40,084,719	7,586,636	47,870,293
Other revenue	3,084,466	598,859	3,845,694	(203,690)	7,325,329
Transfers from obligatory reserve	257,048	675	78,811	3,434,399	3,770,933
	12,293,380	5,352,496	70,133,248	34,424,572	122,203,696
Expenses					
Salaries and benefits	4,838,073	2,387,108	29,406,946	16,531,391	53,163,518
Interest on debt	-	-	55,515	1,066	56,581
Materials and supplies	953,227	930,479	5,634,674	4,413,502	11,931,882
Contracted services	2,937,610	676,936	4,961,200	3,277,825	11,853,571
Other transfers	2,473,578	121,549	25,835,723	43,664	28,474,514
Rents and financial expenses	375,557	39,758	690,482	883,429	1,989,226
Amortization	91,771	312,423	2,861,095	10,658,950	13,924,239
	11,669,816	4,468,253	69,445,635	35,809,827	121,393,531
Annual surplus (deficit)	*$ 623,564*	*$ 884,243*	*$ 687,613*	*$ (1,385,255)*	*$ 810,165*

The Corporation of the County of Grey
Schedule of Deferred Revenue

For the year ended December 31, 2017

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
Development charges	$ 4,462,419	$ 3,980,518	$ 63,866	$(2,098,323)	**$6,408,480**
Federal gas tax	2,561,990	2,864,186	29,316	(2,421,179)	**3,034,313**
	7,024,409	6,844,704	93,182	(4,519,502)	**9,442,793**
Other					
Social Services	5,250	75,803	-	(65,526)	**15,527**
Paramedicine program	14,819	190,952	-	(157,935)	**47,836**
Housing Allowance and Build program	108,830	704,890	-	(630,039)	**183,681**
Aggregate Fund	94,854	48,146	-	-	**143,000**
Affordable housing administration	9,531	48,000	-	(57,531)	**-**
Affordable housing	22,700	262,328	-	(241,180)	**43,848**
Electricity Efficiency Program	98,371	-	-	(98,371)	**-**
Miscellaneous	701	6,660	-	(701)	**6,660**
	355,056	1,336,779	-	(1,251,283)	**440,552**
	$ 7,379,465	$ 8,181,483	$ 93,182	$(5,770,785)	**$9,883,345**

Grey Roots - Museum
Statement of Operations
(Unaudited)

For the year ended December 31	2017	2016
Revenue		
Province of Ontario	$ 68,680	$ 63,534
Canada	34,415	20,229
County of Grey	1,548,990	1,527,446
Donations	6,508	12,315
Donation in kind	49,272	24,915
Admissions and sales	136,875	129,760
Sale of assets	6,001	4,638
	1,850,741	1,782,837
Expenditures		
Advertising	67,737	87,735
Donation in kind	49,272	24,915
Supplies, postage and telephone	49,612	53,270
Payments to other organizations	486	972
Professional	14,596	3,012
Purchases for resale	8,341	5,776
Occupancy	288,426	277,090
Special events	119,032	136,990
Salaries and benefits	1,062,344	1,007,489
Travel and convention fees	17,379	18,907
Vehicle operations and licensing	1,746	2,300
Transfer to County of Grey reserve	152,407	161,446
	1,831,378	1,779,902
Change in unfinanced liabilities	(21,405)	1,164
	1,852,783	1,778,738
Net revenue for the year	$ (2,042)	$ 4,099

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

For the year ended December 31	2017	2016
Revenue		
Fines	$ 2,009,867	$ 2,368,938
Province of Ontario	169,622	-
Investment income	861	846
Transcripts	5,761	4,047
Cost recoveries	17	67
	2,186,128	2,373,898
Expenditures		
Salaries and benefits	493,651	573,849
Administrative charges	284,085	296,703
Victim fine surcharge	352,881	389,893
Dedicated fines	38,004	34,821
Prosecution expenses	345,145	309,736
Transfers to County of Bruce	276,247	315,611
	1,790,013	1,920,613
Change in unfunded liabilities	-	18,010
	1,790,013	1,902,603
Net revenue before transfer to reserves	396,115	471,295
Transfer to reserve	(55,934)	16,417
Net revenue for the year	$ 452,049	$ 454,878

The Corporation of the County of Grey

Trust Funds
Financial Information
For the year ended December 31, 2017

The Corporation of the County of Grey
Trust Funds
Financial Information
For the year ended December 31, 2017

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The Corporation of the County of Grey Trust Funds

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PO Box 397
Owen Sound ON N4K 5P7 Canada

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 Statement of Financial Position as at December 31, 2017 and the Trust Fund Receipts and Disbursements (the "statement") for the trust funds for the long-term care operations of the County of Grey for the year ended December 31, 2017 and a summary of significant accounting policies and other explanatory information. The statement has been prepared by management based on Section 241 of Ontario Regulation 79/10 made under the Long-Term Care Homes Act, 2007.

Management's Responsibility for the Financial Information

Management is responsible for the preparation of the statement in accordance with Section 241 of Ontario Regulation 79/10 and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the statement 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 statement.

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

BDO

Opinion

In our opinion, the financial information for the trust funds for the long-term care operations of the County of Grey for the year ended December 31, 2017 is prepared, in all material respects, in accordance with Section 241 of Ontario Regulation 79/10.

Basis of Accounting and Restrictions on Distribution and Use

Without modifying our opinion, we draw attention to the summary of significant accounting policies in the financial information, which describes the basis of accounting. The financial information is prepared to assist the County of Grey to comply with reporting requirements of the Long-term Care Homes Act, 2007. As a result, the financial information may not be suitable for another purpose. Our report is intended solely for the information and use of the County of Grey and the Province of Ontario and should not be distributed to or used by parties other than the County of Grey and the Province of Ontario.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
May 24, 2018

The Corporation of the County of Grey
Long-Term Care - Trust Funds
Statement of Financial Position

December 31, 2017

Assets	Total	Rockwood Terrace	Grey Gables	Lee Manor	Residents' Activities
Cash and investments	$ 55,615	$ 14,689	$ 8,217	$ 16,226	$ 16,483
Fund balance	$ 55,615	$ 14,689	$ 8,217	$ 16,226	$ 16,483

Long-Term Care - Trust Funds
Statement of Trust Fund Receipts and Disbursements

For the year ended December 31, 2017

	Total	Rockwood Terrace	Grey Gables	Lee Manor	Residents' Activities
Balance, beginning of the year	$ 58,801	$ 17,333	$ 6,144	$ 18,841	$ 16,483
Receipts					
Residents' net deposits	60,652	34,837	10,296	15,519	-
Expenses					
Residents' net withdrawals	63,838	37,481	8,223	18,134	-
Balance, end of the year	$ 55,615	$ 14,689	$ 8,217	$ 16,226	$ 16,483

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

December 31, 2017

1. Summary of Significant Accounting Policies

Basis of Accounting

The financial information for the trust funds of the long-term care operations of the Corporation of the County of Grey is the representation of management. It has been prepared in accordance with Section 241 of Ontario Regulation 79/10 as prescribed by the Long-Term Care Homes Act, 2007.

Revenue and expenses are reported on the cash basis of accounting. The cash basis of accounting recognizes revenues as they are received; expenses are recognized as they are disbursed.

Basis of Consolidation

These trust funds have not been consolidated with the financial statements of the Corporation of the County of Grey.