

The Corporation of the
County of Grey
Financial Information
For the year ended December 31, 2016

The Corporation of the County of Grey
Financial Information
For the year ended December 31, 2016

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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, 2016, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the County of Grey as at December 31, 2016 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 25, 2017

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

December 31	2016	2015
Financial assets		
Cash and temporary investments (Note 1)	\$ 59,619,551	\$ 58,928,067
Trade and other receivables	2,450,026	3,659,837
Inventory held for resale	11,138	11,539
	<u>62,080,715</u>	<u>62,599,443</u>
Liabilities		
Accounts payable and accrued liabilities	8,945,687	10,768,924
Vacation pay, post-employment benefits and WSIB Schedule II liabilities (Note 10)	8,265,984	6,201,179
Deferred revenue (Page 26)	7,379,465	6,114,239
Net long-term liabilities (Note 2)	2,000,000	2,993,195
	<u>26,591,136</u>	<u>26,077,537</u>
Net financial assets	<u>35,489,579</u>	<u>36,521,906</u>
Non-financial assets		
Prepaid expenses	197,966	35,064
Tangible capital assets (Note 3)	174,169,747	172,294,241
Inventory of supplies	1,209,825	1,405,741
	<u>175,577,538</u>	<u>173,735,046</u>
Accumulated surplus (Note 4)	<u>\$ 211,067,117</u>	<u>\$ 210,256,952</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	2016 Budget (Note 6)	2016 Actual	2015 Actual
Revenue			
Taxation	\$ 52,999,620	\$ 52,760,353	\$ 51,377,416
Fees and user charges	9,915,922	10,476,788	12,467,632
Government transfers (Note 7)	49,104,368	47,870,293	49,391,046
Other income (Note 8)	7,196,343	7,325,329	6,629,090
Obligatory reserve fund revenue recognized	813,789	3,770,933	3,983,932
	<u>120,030,042</u>	<u>122,203,696</u>	<u>123,849,116</u>
Expenses			
General government	7,747,565	7,987,793	11,915,208
Provincial offences	2,060,205	1,986,772	2,007,910
Transportation services	9,462,328	22,167,302	20,453,563
Health unit	1,906,851	1,695,252	1,787,027
Paramedic services	12,390,319	13,642,525	12,888,442
Social services	29,155,608	28,395,585	28,525,347
Social housing	11,021,502	12,636,988	12,199,517
Long-term care	26,550,681	28,413,062	27,379,737
Grey Roots	1,993,790	2,249,078	2,321,693
Planning and development	2,648,340	2,219,174	2,174,895
	<u>104,937,189</u>	<u>121,393,531</u>	<u>121,653,339</u>
Annual surplus (Note 6)	15,092,853	810,165	2,195,777
Accumulated surplus, beginning of the year	<u>210,256,952</u>	<u>210,256,952</u>	<u>208,061,175</u>
Accumulated surplus, end of the year	<u>\$225,349,805</u>	<u>\$ 211,067,117</u>	<u>\$210,256,952</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

<u>For the year ended December 31</u>	2016	2016	2015
	Budget (Note 6)	Actual	Actual
Annual surplus (Page 5)	\$ 15,092,853	\$ 810,165	\$ 2,195,777
Acquisition of tangible capital assets	(34,971,268)	(16,270,850)	(17,682,650)
Amortization of tangible capital assets	-	13,924,239	13,443,194
Loss on disposal of capital assets	-	201,996	572,092
Proceeds on disposal of capital assets	-	269,109	202,009
	<u>(34,971,268)</u>	<u>(1,875,506)</u>	<u>(3,465,355)</u>
Change in prepaid expenses	-	(162,902)	(8,872)
Change in inventory of supplies	-	195,916	18,957
	<u>-</u>	<u>33,014</u>	<u>10,085</u>
Decrease in net financial assets	(19,878,415)	(1,032,327)	(1,259,493)
Net financial assets, beginning of the year	<u>36,521,906</u>	<u>36,521,906</u>	<u>37,781,399</u>
Net financial assets, end of the year	<u>\$ 16,643,491</u>	<u>\$ 35,489,579</u>	<u>\$ 36,521,906</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 Cash Flows

For the year ended December 31	2016	2015
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 810,165	\$ 2,195,777
Items not involving cash		
Vacation pay, post-employment benefits and WSIB Schedule II liabilities	2,064,805	(219,340)
Net long-term commitment recognized	-	1,600,000
Amortization	13,924,239	13,443,194
Contributed capital assets	(413,000)	-
Loss on disposal of capital assets	201,996	572,092
Deferred revenue recognized	(4,776,301)	(7,647,975)
	<u>11,811,904</u>	<u>9,943,748</u>
Changes in non-cash working capital balances		
Trade and other receivables	1,209,811	(1,311,215)
Inventory held for resale	401	1,025
Prepaid expenses	(162,902)	(8,872)
Accounts payable and accrued liabilities	(1,823,237)	4,662,120
Inventory of supplies	195,916	18,957
Deferred revenue received	6,041,527	6,027,391
	<u>17,273,420</u>	<u>19,333,154</u>
Capital transactions		
Cash used to acquire capital assets	(15,857,850)	(17,682,650)
Proceeds on disposal of capital assets	269,109	202,009
	<u>(15,588,741)</u>	<u>(17,480,641)</u>
Financing activities		
Repayment of long-term liabilities	(993,195)	(588,082)
Net change in cash and temporary investments	691,484	1,264,431
Cash and temporary investments, beginning of the year	58,928,067	57,663,636
Cash and temporary investments, end of the year	\$ 59,619,551	\$ 58,928,067

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, 2016

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, 2016

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

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

December 31, 2016

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, 2016

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, 2016

1. Cash and Temporary Investments

	2016	2015
Unrestricted	\$ 59,619,551	\$ 58,928,067

A cash balance of \$21,317,465 is being held in one bank account earning interest at a rate of prime less 1.75%. Cash balances of \$5,494,940 and investment deposits of \$19,923,826 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. Deposits of \$12,567,012 are also held at other financial institutions.

Temporary investments included in the balance above consists of:

	2016	2015
Cash	\$ -	\$ 4,578
Bond Fund	4,238,620	4,138,379
Term Deposits 1.12% to 1.17% (2015 - 1.44% to 1.62%)	19,923,826	19,709,861
Guaranteed Investment Certificates 1.14% to 2.10% (2015 - 1.90% to 2.20%)	8,136,391	8,097,009
Membership share	1	25
	\$ 32,298,838	\$ 31,949,852

Temporary investments have a market value of \$32,290,222 (2015 - \$31,978,009) 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, 2016, 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, 2016

2. Long-Term Liabilities

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

	2016	2015
Georgian College Marine Emergency Duties Training and Research Centre, payable in equal instalments of \$200,000 from 2015 to 2024	\$ 1,600,000	\$ 1,800,000
Grey Bruce Health Services, payable in equal instalments of \$200,000 from 2014 to 2018	400,000	600,000
Ontario Strategic Infrastructure Financing Authority, 4.73%, blended semi-annual payments of \$307,160, due 2016	-	593,195
	\$ 2,000,000	\$ 2,993,195

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

2017	\$	400,000
2018		400,000
2019		200,000
2020		200,000
2021		200,000
Thereafter		600,000
	\$	2,000,000

Interest of \$21,126 (2015 - \$48,451) 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

	2016						
	Land and Land Improvements	Buildings	Machinery & Equipment	Roads	Bridges and Culverts	Vehicles	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

The Corporation of the County of Grey
Notes to Financial Statements

December 31

3. Tangible Capital Assets - (continued)

										2015
	Land and Land Improvements	Buildings	Machinery & Equipment	Roads	Bridges and Culverts	Vehicles	Total			
Cost, beginning of the year	\$ 2,162,052	\$ 88,377,233	\$ 11,990,397	\$ 247,581,089	\$ 36,800,423	\$ 8,764,666	\$ 395,675,860			
Additions	114,776	2,986,117	645,811	12,675,786	499,537	760,623	17,682,650			
Disposals	(9,330)	(214,719)	(644,199)	(3,892,359)	(77,099)	(260,354)	(5,098,060)			
Cost, end of the year	2,267,498	91,148,631	11,992,009	256,364,516	37,222,861	9,264,935	408,260,450			
Accumulated amortization, beginning of the year	870,308	43,506,336	7,282,171	146,590,571	23,958,306	4,639,282	226,846,974			
Amortization	65,526	2,816,176	791,029	8,119,490	690,815	960,158	13,443,194			
Disposals	(9,330)	(153,273)	(497,899)	(3,350,563)	(77,099)	(235,795)	(4,323,959)			
Accumulated amortization, end of the year	926,504	46,169,239	7,575,301	151,359,498	24,572,022	5,363,645	235,966,209			
Net carrying amount, end of the year	\$ 1,340,994	\$ 44,979,392	\$ 4,416,708	\$ 105,005,018	\$ 12,650,839	\$ 3,901,290	\$ 172,294,241			

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2016

3. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction is \$5,011,689 (2015 - \$1,642,397).

In 2016, \$413,000 (2015 - \$Nil) in contributed capital assets were recognized in the financial statements during the year.

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

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

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

4. Accumulated Surplus

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

	<u>2016</u>	<u>2015</u>
Invested in tangible capital assets		
Tangible capital assets purchased	\$ 174,169,747	\$ 172,294,241
Unfinanced capital assets	(779,503)	(853,565)
Capital assets financed by long-term liabilities and to be funded in future years	-	(593,195)
	<u>173,390,244</u>	<u>170,847,481</u>
Total invested in capital assets	173,390,244	170,847,481
Unfunded post-employment benefits	(7,664,898)	(5,615,745)
Unfunded commitment to Grey Bruce Health Services	(400,000)	(600,000)
Unfunded commitment to Georgian College	(1,600,000)	(1,800,000)
Other surplus	1,209,825	1,405,741
	<u>164,935,171</u>	<u>164,237,477</u>
Reserves (Note 5)	46,131,946	46,019,475
Accumulated surplus	<u>\$ 211,067,117</u>	<u>\$ 210,256,952</u>

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2016

5. Reserves Set Aside for Specific Purpose by Council

	2016	2015
Working funds	\$ 1,930,799	\$ 1,930,799
Insurance, sick leave and WSIB	3,374,622	3,461,496
Current purposes	9,060,933	8,471,630
Capital purposes	31,765,592	32,155,550
	\$ 46,131,946	\$ 46,019,475

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 2016 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.

	2016 Budget	2016 Actual	2015 Actual
Annual surplus (Page 5)	\$ 15,092,853	\$ 810,165	\$ 2,195,777
Transfers to reserves	(3,793,889)	(7,633,759)	(8,968,964)
Transfers from reserves	14,509,268	7,521,288	9,510,291
Capital acquisitions, disposals and write-down	(34,971,268)	(15,799,745)	(16,908,549)
Amortization	-	13,924,239	13,443,194
Proceeds from long-term debt	9,812,953	-	-
Debt principal repayments	(649,917)	(593,195)	(588,082)
Change in unfunded liabilities	-	2,049,153	(210,141)
Change in long-term commitments	-	(400,000)	1,600,000
Change in other surplus	-	195,916	18,957
	-	74,062	92,483
Prior year capital projects funded	-	(74,062)	(92,483)
	\$ -	\$ -	\$ -

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2016

7. Government Transfers

	2016	2016	2015
	Budget	Actual	Actual
Operating			
Province of Ontario			
Paramedic services	\$ 6,986,317	\$ 6,982,396	\$ 6,835,140
Social services	23,420,250	22,474,231	21,868,201
Social housing	1,064,000	1,338,409	698,369
Long-term care	15,641,013	15,615,709	15,333,150
Other	151,983	95,271	144,270
	<u>47,263,563</u>	<u>46,506,016</u>	<u>44,879,130</u>
Government of Canada			
Social housing	518,597	635,370	681,506
Other	12,500	26,873	23,255
	<u>531,097</u>	<u>662,243</u>	<u>704,761</u>
Other municipalities			
Transportation services	911,500	279,725	203,558
Other	73,693	97,794	79,713
	<u>985,193</u>	<u>377,519</u>	<u>283,271</u>
Total operating transfers	<u>48,779,853</u>	<u>47,545,778</u>	<u>45,867,162</u>
Capital			
Province of Ontario			
Transportation services	324,515	324,515	2,906,281
Other municipalities			
Transportation services	-	-	617,603
Total capital transfers	<u>324,515</u>	<u>324,515</u>	<u>3,523,884</u>
Total government transfers	<u>\$ 49,104,368</u>	<u>\$ 47,870,293</u>	<u>\$ 49,391,046</u>

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2016

8. Other Income

	2016	2016	2015
	Budget	Actual	Actual
Provincial Offences (POA)	\$ 2,415,000	\$ 2,368,938	\$ 2,474,738
Investment income, penalties and interest	680,400	697,337	775,989
Licenses, permits and rents	3,727,254	3,781,531	3,756,881
Donations	244,200	187,877	133,394
Gain (loss) on disposal of assets	108,489	(201,996)	(572,092)
Contributed assets	-	413,000	-
Other	21,000	78,642	60,180
	<u>\$ 7,196,343</u>	<u>\$ 7,325,329</u>	<u>\$ 6,629,090</u>

9. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 691 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 2016 was \$3,424,265 (2015 - \$3,365,154). The contribution rate for 2016 was 9.0% to 14.6% depending on age and income level (2015 - 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, 2016. At that time the plan reported a \$5.72 billion actuarial deficit (2015 - \$7.0 billion actuarial deficit), based on actuarial liabilities of \$86.96 billion (2015 - \$81.9 billion) and actuarial assets of \$81.24 billion (2015 - \$74.9 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.

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2016

10. Post-Employment Benefits

	2016	2015
WSIB	\$ 2,739,055	\$ 2,439,289
Vacation pay liability	2,363,763	2,214,182
Post-employment benefits	3,094,051	1,494,245
Other	69,115	53,463
	\$ 8,265,984	\$ 6,201,179

- 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, 2016 has calculated the liability to be \$2,739,055. 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 expense is \$299,766 and prior year recovery was \$260,382. At December 31, 2016, the County provided \$3,061,371 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, 2016.
- 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.

	2016	2015
Retirement benefit expense	\$ 85,407	\$ 83,495
Interest costs	59,874	57,159
	\$ 145,281	\$ 140,654

The Corporation of the County of Grey
Notes to Financial Statements

December 31, 2016

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, 2016 indicates the following:

Principal payments on debentures during the year	\$ 673,493
Interest payments on debentures during the year	<u>268,366</u>
Total	<u>\$ 941,859</u>
Debentures outstanding at year-end	<u>\$ 3,584,236</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 2016 was \$149,289 (2015 - \$108,102) 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 approved a capital grant of money in the amount of \$1,000,000 to the Grey Bruce Health Services for the The Hospital Campaign. The money will be paid in five equal annual instalments, with the first three instalment payments were paid in 2014, 2015 and 2016. The remaining has been included in liabilities.
- (d) 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 \$4,999,872 released as of December 31, 2016. If the units remain as affordable housing units for a period of 25 years, no amount will be repayable.
- (e) The County of Grey has approved a capital grant in the amount of \$2,000,000 to Georgian College to support the development of the Marine Emergency Duties Training and Research Centre. The amount will be paid in ten equal instalments. The full amount has been accrued and \$400,000 has been paid out to date.

The Corporation of the County of Grey Notes to Financial Statements

December 31, 2016

11. Contractual Commitments - (continued)

- (f) The County of Grey has undertaken significant capital projects which remain in progress at the end of the year. Commitments relating to these projects amount to \$10,500,000 at December 31, 2016.
-

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.
 - (d) The County is currently reviewing pay equity issues for employees of long-term care operations. Pay equity settlements, if any, will be reflected in operations in the period in which they become determinable.
-

13. Trust Funds

The trust funds administered by the municipality amounting to \$58,801 (2015 - \$66,365) 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, 2016 were \$2,368,938 (2015 - \$2,474,738). Net revenues after deduction of operating expenses were \$471,295 (2015 - \$573,966).

The Corporation of the County of Grey Notes to Financial Statements

December 31, 2016

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

The Corporate Services Committee is responsible to oversee 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 committee is also responsible for the administration of the taxation budget, which includes supplementary tax and tax write-offs, as well as the Federal Gas Tax funding.

Planning and Community Development

The Planning and Community Development Committee is responsible for Planning (including civic addressing), Heritage, Agriculture, Forestry, Trails, Tourism and Economic Development mandates.

Social Services, Housing and Long-Term Care

The Social Services Committee oversees 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

The Committee oversees the Transportation Services Department (responsible for providing a safe transportation network of 877 kilometers of County roads and 189 culverts and bridges) and the Paramedic Services Department.

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	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
Notes to Financial Statements

December 31

	Corporate Services	Planning and Community Development	Social Services, Housing and Long-Term Care	Transportation and Public Safety	2015 Total
Revenue					
Taxation	\$ 8,730,538	\$ 4,017,148	\$ 16,554,273	\$ 22,075,457	\$ 51,377,416
Fees and user charges	34,748	646,120	10,055,086	1,731,678	12,467,632
Specific grants	9,681	214,496	38,602,226	10,564,643	49,391,046
Other revenue	3,259,589	82,760	3,773,883	(487,142)	6,629,090
Transfers from obligatory reserve	79,706	233,319	-	3,670,907	3,983,932
	12,114,262	5,193,843	68,985,468	37,555,543	123,849,116
Expenses					
Salaries and benefits	4,045,581	2,404,940	28,027,437	15,225,029	49,702,987
Interest on debt	-	-	83,290	2,458	85,748
Materials and supplies	1,124,169	1,030,897	5,354,155	4,216,267	11,725,488
Contracted services	2,606,625	573,239	5,563,125	2,238,288	10,981,277
Other transfers	7,453,545	148,439	25,645,381	568,542	33,815,907
Rents and financial expenses	378,766	30,584	730,274	759,114	1,898,738
Amortization	101,459	308,489	2,700,939	10,332,307	13,443,194
	15,710,145	4,496,588	68,104,601	33,342,005	121,653,339
Annual surplus (deficit)	\$ (3,595,883)	\$ 697,255	\$ 880,867	\$ 4,213,538	\$ 2,195,777

The Corporation of the County of Grey
Schedule of Deferred Revenue

For the year ended December 31, 2016

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
Development charges	\$ 3,585,057	\$ 1,989,653	\$ 34,831	\$(1,147,122)	\$4,462,419
Federal gas tax	2,348,672	2,814,362	22,767	(2,623,811)	2,561,990
	<u>5,933,729</u>	<u>4,804,015</u>	<u>57,598</u>	<u>(3,770,933)</u>	<u>7,024,409</u>
Other					
Social Services	5,250	21,000	-	(21,000)	5,250
Initiatives grant	13,754	28,600	-	(42,354)	-
Paramedicine program	-	254,600	-	(239,781)	14,819
Housing Allowance and Build program	39,292	492,600	-	(423,062)	108,830
Aggregate Fund	54,709	40,145	-	-	94,854
Affordable housing administration	6,479	153,100	-	(150,048)	9,531
Affordable housing	22,700	90,797	-	(90,797)	22,700
Electricity Efficiency Program	-	98,371	-	-	98,371
Miscellaneous	38,326	701	-	(38,326)	701
	<u>180,510</u>	<u>1,179,914</u>	<u>-</u>	<u>(1,005,368)</u>	<u>355,056</u>
	<u>\$ 6,114,239</u>	<u>\$ 5,983,929</u>	<u>\$ 57,598</u>	<u>\$(4,776,301)</u>	<u>\$7,379,465</u>

Grey Roots - Museum
Statement of Operations
(Unaudited)

For the year ended December 31	2016	2015
Revenue		
Province of Ontario	\$ 63,534	\$ 67,534
Canada	20,229	17,631
County of Grey	1,527,446	1,493,186
City of Owen Sound	-	272
Donations	12,315	4,107
Donation in kind	24,915	50,357
Admissions and sales	129,760	161,506
Sale of assets	4,638	-
	<u>1,782,837</u>	<u>1,794,593</u>
Expenditures		
Advertising	87,735	73,337
Donation in kind	24,915	50,357
Supplies, postage and telephone	53,270	59,125
Payments to other organizations	972	-
Professional	3,012	7,638
Purchases for resale	5,776	11,364
Occupancy	277,090	235,497
Special events	136,990	100,339
Salaries and benefits	1,007,489	1,103,237
Travel and convention fees	18,907	21,393
Vehicle operations and licensing	2,300	2,545
Transfer to County of Grey reserve	161,446	126,219
	<u>1,779,902</u>	<u>1,791,051</u>
Change in unfinanced liabilities	<u>1,164</u>	<u>(3,676)</u>
	<u>1,778,738</u>	<u>1,794,727</u>
Net revenue for the year	<u>\$ 4,099</u>	<u>\$ (134)</u>

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

For the year ended December 31	2016	2015
Revenue		
Fines	\$ 2,368,938	\$ 2,474,738
Province of Ontario	-	1,120
Investment income	846	978
Transcripts	4,047	4,601
Cost recoveries	67	176
	<u>2,373,898</u>	<u>2,481,613</u>
Expenditures		
Salaries and benefits	573,849	454,914
Administrative charges	296,703	320,445
Victim fine surcharge	389,893	417,175
Dedicated fines	34,821	34,617
Prosecution expenses	309,736	279,300
Transfers to County of Bruce	315,611	384,562
	<u>1,920,613</u>	<u>1,891,013</u>
Change in unfunded liabilities	18,010	(16,634)
	<u>1,902,603</u>	<u>1,907,647</u>
Net revenue before transfer to reserves	471,295	573,966
Transfer to reserve	16,417	134,243
Net revenue for the year	<u>\$ 454,878</u>	<u>\$ 439,723</u>

The Corporation of the
County of Grey
Trust Funds
Financial Information
For the year ended December 31, 2016

The Corporation of the County of Grey
Trust Funds
Financial Information
For the year ended December 31, 2016

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The Corporation of the County of Grey Trust Funds

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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, 2016 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, 2016 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.



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, 2016 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 25, 2017

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

December 31, 2016

Assets	Total	Rockwood Terrace	Grey Gables	Lee Manor	Residents' Activities
Cash and investments Due from the County of Grey	\$ 58,473 328	\$ 17,333 -	\$ 5,816 328	\$ 18,841 -	\$ 16,483 -
Fund balance	\$ 58,801	\$ 17,333	\$ 6,144	\$ 18,841	\$ 16,483

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

For the year ended December 31, 2016

	Total	Rockwood Terrace	Grey Gables	Lee Manor	Residents' Activities
Balance, beginning of the year	\$ 66,365	\$ 23,684	\$ 6,616	\$ 19,582	\$ 16,483
Receipts					
Residents' net deposits	64,013	28,841	11,319	23,853	-
Expenses					
Residents' net withdrawals	71,577	35,192	11,791	24,594	-
Balance, end of the year	\$ 58,801	\$ 17,333	\$ 6,144	\$ 18,841	\$ 16,483

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

The Corporation of the County of Grey
Long-Term Care - Trust Funds
Note to Financial Statements

December 31, 2016

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.
