



# County of Grey

Report to Members of the Committee of the Whole

May 24, 2018



Tel: 519 376 6110  
Fax: 519 376 4741  
www.bdo.ca

BDO Canada LLP  
1717 2nd Avenue E, Third Floor  
PO Box 397  
Owen Sound ON N4K 5P7 Canada

May 24, 2018

Members of the Committee of the Whole  
County of Grey  
595 9<sup>th</sup> Ave East  
Owen Sound ON N4K 3E3

Dear Sir/Madam:

We are pleased to present the results of our audit of the consolidated financial statements of the County of Grey for the year ended December 31, 2017. The purpose of our report is to summarize certain aspects of the audit that we believe to be of interest to Council and should be read in conjunction with the consolidated financial statements and our audit report which is included as Appendix A.

Our audit, and therefore this report, will not necessarily identify all matters that may be of interest to the Council in fulfilling its responsibilities.

This report has been prepared solely for the use of the Council and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We wish to express our appreciation for the co-operation we received during the audit from the County's management and staff who have assisted us in carrying out our work. We look forward to meeting with you to discuss the contents of this report and any other matters that you consider appropriate.

Yours truly,

Traci Smith, CPA, CGA  
Partner  
BDO & Company LLP\*

\*BDO & Company LLP provides accounting, assurance, tax and other professional advisory services to BDO Canada LLP, Chartered Professional Accountants, Licensed Public Accountants

TS:mh



## TABLE OF CONTENTS

Executive Summary	3
Audit Findings	4
Internal Control Matters	6
Fraud Discussion	7
BDO Publications	7
Appendix A - Financial Report	
Appendix B - Independence	
Appendix C - Representation Letter	



## EXECUTIVE SUMMARY

### Approval of the Financial Statements

As of the date of this report, we have substantially completed our audit of the 2017 financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our final audit report on the financial statements:

- Approval of financial statements by Council
- Receipt of the signed management representation letter dated as of the final report date
- Subsequent events review through to financial statement approval date
- Receipt of the outstanding legal confirmations

### Purpose of the Audit

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance as to whether the financial statements are free of material misstatement. The conclusion of our audit is set out in our auditor's report in Appendix A.

A detailed description of our audit results has been included on page 4.

### Audit Risks

Our overall audit strategy, including risks identified relating to the County of Grey and our planned procedures to address those risks, were outlined in our planning letter dated November 27, 2017. There were no changes to our planned audit procedures, and there were no additional procedures added to our audit plan.

### Independence

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards require us to communicate to Council at least annually, all relationships between BDO Canada LLP and its related entities and the County and its related entities, that, in our professional judgment, may reasonably be thought to bear on our independence with respect to the audit of the County.

Our annual letter confirming our independence is provided in Appendix B. We know of no circumstances that would cause us to amend our previous communication to you in our planning letter.

### Materiality

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

For the audit of the County of Grey for the year ended December 31, 2017, final materiality was \$2,400,000, based on 2% of average total revenues.

## AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the County's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. A summary of the key discussion points are as follows:

### Significant financial statement disclosures

Significant financial statement disclosures include:

#### Accumulated Surplus

A breakdown of the County's accumulated surplus is included in Note 4. This includes the amount invested in capital assets, unfunded liabilities, reserves and reserve funds and other surplus amounts.

#### Contingencies/Litigation Proceedings

We have discussed with the County's management and they have indicated that there are claims outstanding against the County. We have also communicated with the County's legal counsel and insurance company. These claims are disclosed in Note 12.

#### Commitments

Significant commitments relating to debentures used to finance housing properties are disclosed in Note 11.

### Significant accounting policies, estimates and judgments

Management is responsible for determining the County of Grey's significant accounting policies. Significant accounting policies have been disclosed in the financial statements. The choice between accounting policy alternatives can have a significant effect on the financial position and results of the County. The application of those policies often involves significant estimates and judgments by management. Based on the audit work that we have performed, it is our opinion that the estimates are in accordance with the requirements of Canadian public sector accounting policies and have been consistently applied.



Significant accounting estimates include:

#### Post-employment benefits

The County provides post-employment health, dental, life insurance benefits 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. In order to help estimate the liability for post-employment benefits, the County engaged the services of an actuary.

#### WSIB future benefit and commitment

As the County is an employer included under Schedule 2 of the Workplace Safety and Insurance Act, it self-ensures the entire risk of its own WSIB claims and it's individually liable for reimbursing the WSIB for all costs relating to its workers WSIB claims. In order to help estimate the liability for WSIB future benefits, the County engaged the services of an actuary.

#### Taxation revenue estimate

In accordance with PS 3510, amounts have been estimated for taxable events that have occurred but have not yet been assessed. The estimate was based on correspondence with lower tier municipalities. Management has not adjusted this amount on the financial statements.

#### Liability for Contaminated Sites

Management compiled a list of all properties owned by the County or where the County has accepted responsibility for the property and assessed whether each property was contaminated. Management is not aware of any contaminated sites, therefore, no liability is accrued.

## ADJUSTED AND UNADJUSTED DIFFERENCES

We have disclosed all significant adjusted and unadjusted differences identified through the course of our audit engagement. Each of these items has been discussed with Management. We encourage management to correct any misstatements identified throughout the audit process.

Management has determined that the unadjusted difference of \$145,489 is immaterial to the consolidated financial statements taken as a whole (see summary of unadjusted misstatements attached to Appendix C).

## MANAGEMENT REPRESENTATIONS

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the consolidated financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.



A copy of the management representation letter which summarizes the representations we have requested from management has been presented in Appendix C.

## INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the County's internal control environment:

- Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- Discussed and considered potential audit risks with management.
- Tested the operating effectiveness of controls in the payroll, purchases, amortization and social services transaction streams.

The results of these procedures were considered in determining the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

### Social Assistance Management System (SAMS) Benefit Verification

Grey County client data was imported into SAMS in 2014 and users of the software found that there were errors in the benefits being calculated by the system. At the current time caseworkers cannot rely on SAMS to calculate the benefit accurately

The social services department at the County implemented a control to verify that benefits for social assistance per SAMS are being calculated properly and that any errors are identified and corrected. An Excel spreadsheet is used in order to assist in this calculation. Caseworkers are to complete this spreadsheet, print a copy, and file in all new applicants files who are to receive a subsidy as evidence that this has been done. During our testing, it was found that this control was not operating effectively. We performed additional testing in this area and no errors were noted in our subsequent recalculation of the required benefit.

Based on our discussion with management it was determined that there is more confidence with the calculations within the SAMS application. We recommend that this control be reviewed to determine if it is still necessary to be performed.

During the course of our audit, we did not become aware of any additional significant weaknesses in the design or implementation of internal controls. Since an audit is not designed to detect all weaknesses in internal controls, there may be weaknesses which our procedures did not detect.



## FRAUD DISCUSSION

Canadian generally accepted auditing standards require us to discuss fraud risk with the Members of Council on an annual basis. As an update to the letter sent to the Members of Council during the planning of our audit, we have prepared the following comments:

Required Discussion	BDO Response	Council Response
Knowledge of actual, suspected or alleged fraud.	Currently, we are not aware of any actual, suspected or alleged fraud.	If you are aware of any instances of actual, suspected or alleged fraud affecting the County, please contact us directly.

### AUDITORS' RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

The scope of the work performed was substantially the same as that described in our Planning Letter to Council dated November 27, 2017.

## BDO PUBLICATIONS

The County applies Canadian Public Sector Accounting Standards (PSAB). If the County would like additional information about the accounting standards or about upcoming changes please see the website below and review the BDO publications available to our clients. Publications relevant for the County would include the following:

- “Public Sector Accounting Standards Update 2017” which provides you with details on recent changes to PSAB Standards.

<https://www.bdo.ca/en-ca/insights/assurance-accounting/psas/public-sector-accounting-standards-psas-update-2017/>

- “Public Sector at a Glance” which provides you with details on PSAB Standards.

<http://www.bdo.ca/en-ca/services/assurance-and-accounting/a-a-knowledge-centre/psas/>





# APPENDIX A

## Financial Report

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

**DRAFT**

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

---

Contents

The Corporation of the County of Grey

The Corporation of the County of Grey Trust Funds

DRAFT

**The Corporation of the  
County of Grey  
Financial Statements  
For the year ended December 31, 2017**

**DRAFT**

The Corporation of the County of Grey  
Financial Statements  
For the year ended December 31, 2017

**Contents**

---

The Corporation of the County of Grey

Independent Auditor's Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Accumulated Surplus	5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Summary of Significant Accounting Policies	8 - 11
Notes to Financial Statements	12 - 25
Schedule of Deferred Revenue	26
Grey Roots - Museum (Unaudited)	27
Provincial Offences (Unaudited)	28

---

## 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.



## 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.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario  
May 24, 2018

DRAFT

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

December 31	2017	2016
<b>Financial assets</b>		
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
	<u>60,176,409</u>	<u>62,080,715</u>
<b>Liabilities</b>		
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
	<u>29,630,568</u>	<u>26,591,136</u>
<b>Net financial assets</b>	<u>30,545,841</u>	<u>35,489,579</u>
<b>Non-financial assets</b>		
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
	<u>184,832,637</u>	<u>175,577,538</u>
<b>Accumulated surplus (Note 4)</b>	<u>\$ 215,378,478</u>	<u>\$ 211,067,117</u>

DRAFT



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

<b>For the year ended December 31</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>
	Budget (Note 6)	Actual	Actual
<b>Revenue</b>			
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
	<u>128,771,225</u>	<u>127,632,864</u>	<u>122,203,696</u>
<b>Expenses</b>			
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
	<u>111,173,324</u>	<u>123,321,503</u>	<u>121,393,531</u>
<b>Annual surplus (Note 6)</b>	<b>17,597,901</b>	<b>4,311,361</b>	<b>810,165</b>
<b>Accumulated surplus, beginning of the year</b>	<b>211,067,117</b>	<b>211,067,117</b>	<b>210,256,952</b>
<b>Accumulated surplus, end of the year</b>	<b>\$228,665,018</b>	<b>\$ 215,378,478</b>	<b>\$211,067,117</b>

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**

<b>For the year ended December 31</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>
	Budget (Note 6)	Actual	Actual
<b>Annual surplus (Page 5)</b>	\$ 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
	<b>(28,064,247)</b>	<b>(9,551,304)</b>	<b>(1,875,506)</b>
Change in prepaid expenses	-	157,027	(162,902)
Change in inventory of supplies	-	139,178	195,916
	-	296,205	33,014
<b>Decrease in net financial assets</b>	<b>(10,466,346)</b>	<b>(4,943,738)</b>	<b>(1,032,327)</b>
<b>Net financial assets, beginning of the year</b>	<b>35,489,579</b>	<b>35,489,579</b>	<b>36,521,906</b>
<b>Net financial assets, end of the year</b>	<b>\$ 25,023,233</b>	<b>\$ 30,545,841</b>	<b>\$ 35,489,579</b>

DRAFT

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

<b>For the year ended December 31</b>	<b>2017</b>	<b>2016</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
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)
	<u>10,955,081</u>	<u>11,811,904</u>
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
	<u>20,434,569</u>	<u>17,273,420</u>
Capital transactions		
Cash used to acquire capital assets	(22,962,122)	(15,857,850)
Proceeds on disposal of capital assets	392,237	269,109
	<u>(22,569,885)</u>	<u>(15,588,741)</u>
Financing activities		
Repayment of long-term liabilities	(400,000)	(993,195)
<b>Net change in cash and temporary investments</b>	<u>(2,535,316)</u>	<u>691,484</u>
Cash and temporary investments, beginning of the year	<u>59,619,551</u>	<u>58,928,067</u>
<b>Cash and temporary investments, end of the year</b>	<u>\$ 57,084,235</u>	<u>\$ 59,619,551</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 Summary of Significant Accounting Policies

December 31, 2017

---

### 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, 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.

---

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

December 31, 2017

---

### 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.

DRAFT

---

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

December 31, 2017

---

### 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, 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.



**The Corporation of the County of Grey**  
**Notes to Financial Statements**

December 31, 2017

**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.

The Corporation of the County of Grey  
Notes to Financial Statements

December 31

3. Tangible Capital Assets

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

The Corporation of the County of Grey  
Notes to Financial Statements

December 31

3. Tangible Capital Assets - (continued)

							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	<u>2,742,351</u>	<u>96,159,981</u>	<u>12,118,479</u>	<u>261,779,195</u>	<u>38,462,411</u>	<u>9,207,071</u>	<u>420,469,488</u>
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	<u>995,665</u>	<u>48,966,229</u>	<u>7,315,581</u>	<u>157,995,313</u>	<u>25,214,723</u>	<u>5,812,230</u>	<u>246,299,741</u>
Net carrying amount, end of the year	<u>\$ 1,746,686</u>	<u>\$ 47,193,752</u>	<u>\$ 4,802,898</u>	<u>\$ 103,783,882</u>	<u>\$ 13,247,688</u>	<u>\$ 3,394,841</u>	<u>\$ 174,169,747</u>

**The Corporation of the County of Grey  
Notes to Financial Statements**

December 31, 2017

**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:

	<u>2017</u>	<u>2016</u>
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	<u>176,425,908</u>	<u>173,390,244</u>
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
	<u>168,825,434</u>	<u>164,935,171</u>
Reserves (Note 5)	<u>46,553,044</u>	<u>46,131,946</u>
Accumulated surplus	<u>\$ 215,378,478</u>	<u>\$ 211,067,117</u>

**The Corporation of the County of Grey**  
**Notes to Financial Statements**

December 31, 2017

**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
	<b>\$ 46,553,044</b>	<b>\$ 46,131,946</b>

**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)
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**The Corporation of the County of Grey**  
**Notes to Financial Statements**

**December 31, 2017**

**7. Government Transfers**

	2017 Budget	2017 Actual	2016 Actual
<b>Operating</b>			
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
	<u>51,603,646</u>	<u>49,446,147</u>	<u>46,506,016</u>
Government of Canada			
Social housing	635,370	635,370	635,370
Federal Gas Tax - other	-	57,569	-
Other	11,500	48,451	105,684
	<u>646,870</u>	<u>741,390</u>	<u>741,054</u>
Other municipalities			
Transportation services	95,000	239,059	279,725
Other	49,800	48,957	97,794
	<u>144,800</u>	<u>288,016</u>	<u>377,519</u>
<b>Total operating transfers</b>	<u>52,395,316</u>	<u>50,475,553</u>	<u>47,624,589</u>
<b>Capital</b>			
Province of Ontario			
Transportation services	573,710	613,059	324,515
Social and Family Services	10,599	-	-
Social Housing	-	530,048	-
	<u>584,309</u>	<u>1,143,107</u>	<u>324,515</u>
Government of Canada			
Federal Gas Tax - Transportation	2,059,094	2,059,094	2,545,000
Federal Gas Tax - Social Housing	-	304,516	-
	<u>2,059,094</u>	<u>2,363,610</u>	<u>2,545,000</u>
<b>Total capital transfers</b>	<u>2,643,403</u>	<u>3,506,717</u>	<u>2,869,515</u>
<b>Total government transfers</b>	<u>\$ 55,038,719</u>	<u>\$ 53,982,270</u>	<u>\$ 50,494,104</u>

**The Corporation of the County of Grey**  
**Notes to Financial Statements**

**December 31, 2017**

**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
	<b>\$ 9,377,490</b>	<b>\$ 8,939,391</b>	<b>\$ 8,472,451</b>

**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.

**The Corporation of the County of Grey**  
**Notes to Financial Statements**

**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
	<b>\$ 7,661,908</b>	<b>\$ 8,265,984</b>

- 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
	<b>\$ 282,677</b>	<b>\$ 145,281</b>



**The Corporation of the County of Grey**  
Notes to Financial Statements

December 31, 2017

**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
	\$ 721,793
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.

---

**The Corporation of the County of Grey**  
**Notes to Financial Statements**

**December 31, 2017**

---

**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).

---

---

## The Corporation of the County of Grey Notes to Financial Statements

December 31, 2017

---

### 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.

---

The Corporation of the County of Grey  
Notes to Financial Statements

December 31

	Corporate Services	Planning and Community Development	Social Services, Housing and Long-Term Care	Transportation and Public Safety	2017 Total
<b>Revenue</b>					
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
	<u>12,572,605</u>	<u>4,923,009</u>	<u>73,743,945</u>	<u>36,393,306</u>	<u>127,632,865</u>
<b>Expenses</b>					
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
	<u>11,807,545</u>	<u>5,001,299</u>	<u>70,938,147</u>	<u>35,574,513</u>	<u>123,321,504</u>
<b>Annual surplus (deficit)</b>	<u>\$ 765,060</u>	<u>\$ (78,290)</u>	<u>\$ 2,805,798</u>	<u>\$ 818,793</u>	<u>\$ 4,311,361</u>

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
<b>Revenue</b>					
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
	<u>12,293,380</u>	<u>5,352,496</u>	<u>70,133,248</u>	<u>34,424,572</u>	<u>122,203,696</u>
<b>Expenses</b>					
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
	<u>11,669,816</u>	<u>4,468,253</u>	<u>69,445,635</u>	<u>35,809,827</u>	<u>121,393,531</u>
<b>Annual surplus (deficit)</b>	<u>\$ 623,564</u>	<u>\$ 884,243</u>	<u>\$ 687,613</u>	<u>\$ (1,385,255)</u>	<u>\$ 810,165</u>

**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
<b>Obligatory Reserve Funds</b>					
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
	<u>7,024,409</u>	<u>6,844,704</u>	<u>93,182</u>	<u>(4,519,502)</u>	<u>9,442,793</u>
<b>Other</b>					
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
	<u>355,056</u>	<u>1,336,779</u>	<u>-</u>	<u>(1,251,283)</u>	<u>440,552</u>
	<u>\$ 7,379,465</u>	<u>\$ 8,181,483</u>	<u>\$ 93,182</u>	<u>\$(5,770,785)</u>	<u>\$9,883,345</u>

DRAFT

**Grey Roots - Museum**  
**Statement of Operations**  
(Unaudited)

<b>For the year ended December 31</b>	<b>2017</b>	<b>2016</b>
<b>Revenue</b>		
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
	<u>1,850,741</u>	<u>1,782,837</u>
<b>Expenditures</b>		
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
	<u>1,831,378</u>	<u>1,779,902</u>
Change in unfinanced liabilities	<u>(21,405)</u>	<u>1,164</u>
	<u>1,852,783</u>	<u>1,778,738</u>
<b>Net revenue for the year</b>	<b>\$ (2,042)</b>	<b>\$ 4,099</b>

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

<b>For the year ended December 31</b>	<b>2017</b>	<b>2016</b>
<b>Revenue</b>		
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
	<u>2,186,128</u>	<u>2,373,898</u>
<b>Expenditures</b>		
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
	<u>1,790,013</u>	<u>1,920,613</u>
Change in unfunded liabilities	-	18,010
	<u>1,790,013</u>	<u>1,902,603</u>
<b>Net revenue before transfer to reserves</b>	<b>396,115</b>	<b>471,295</b>
Transfer to reserve	(55,934)	16,417
<b>Net revenue for the year</b>	<b>\$ 452,049</b>	<b>\$ 454,878</b>

DRAFT



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

**DRAFT**

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

Contents

---

The Corporation of the County of Grey Trust Funds

Independent Auditor's Report	3 - 4
Statement of Financial Position	5
Statement of Trust Fund Receipts and Disbursements	5
Note to Financial Statements	6

DRAFT

---

## 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.

**Opinion**

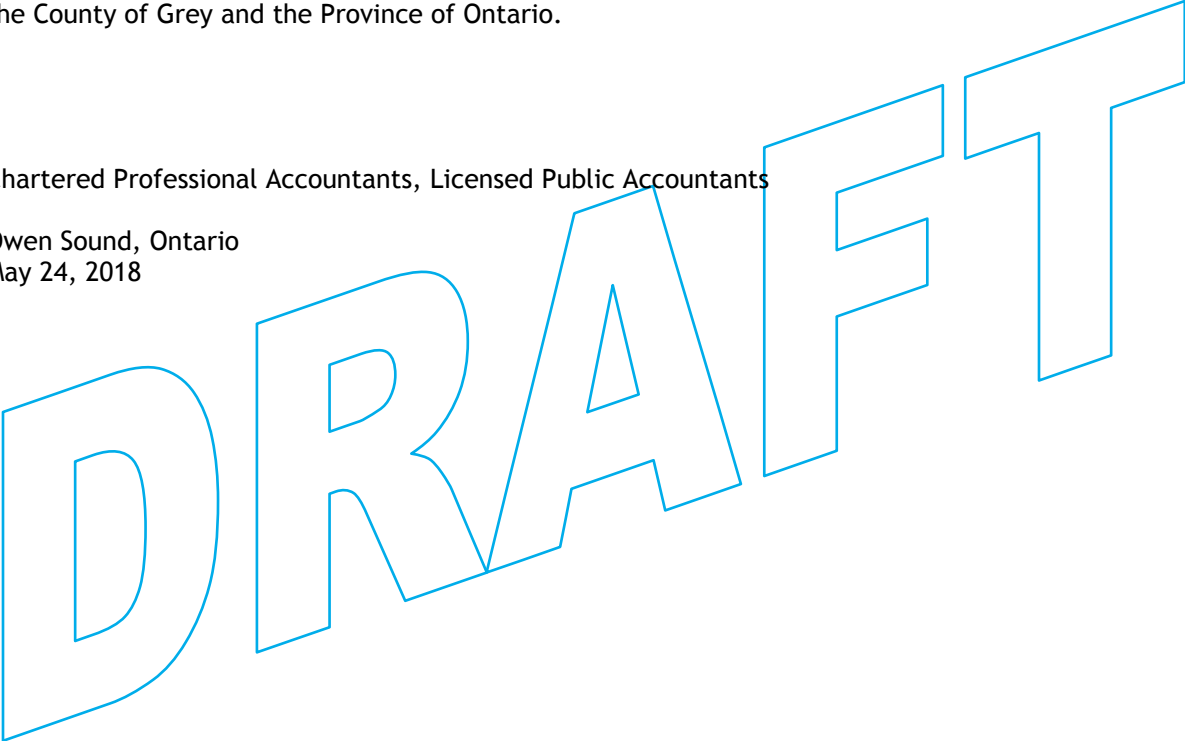
In our opinion, the financial information for the trust funds for the long-term care operations of the County of Grey for the year ended December 31, 2017 is prepared, in all material respects, in accordance with Section 241 of Ontario Regulation 79/10.

**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.

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
<b>Fund balance</b>	<b>\$ 55,615</b>	<b>\$ 14,689</b>	<b>\$ 8,217</b>	<b>\$ 16,226</b>	<b>\$ 16,483</b>

**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
<b>Receipts</b>					
Residents' net deposits	60,652	34,837	10,296	15,519	-
<b>Expenses</b>					
Residents' net withdrawals	63,838	37,481	8,223	18,134	-
<b>Balance, end of the year</b>	<b>\$ 55,615</b>	<b>\$ 14,689</b>	<b>\$ 8,217</b>	<b>\$ 16,226</b>	<b>\$ 16,483</b>

DRAFT

---

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

---

**DRAFT**



**APPENDIX B**  
**Independence Update**



Tel: 519 376 6110  
Fax: 519 376 4741  
www.bdo.ca

BDO Canada LLP  
1717 2nd Avenue E, Third Floor  
PO Box 397  
Owen Sound ON N4K 5P7 Canada

May 24, 2018

Members of the Committee of the Whole  
County of Grey  
595 9<sup>th</sup> Ave East  
Owen Sound ON N4K 3E3

Dear Sir/Madam:

We have been engaged to audit the consolidated financial statements of the County of Grey for the year ended December 31, 2017.

Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between the County and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

We are aware of the following relationships between the County and us that, in our professional judgment, may reasonably be thought to bear on our independence. The following relationships represent matters that have occurred from November 27, 2017 to May 24, 2018.

We provided assistance in the preparation of the financial statements, including adjusting journal entries. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows of the organization in accordance with Canadian Public Sector Accounting Standards.

We, therefore, required that the following safeguards be put in place related to the above:

- Management created the source data for all the accounting entries.
- Management reviewed advice and comments provided and undertook their own analysis considering the County's circumstances and generally accepted accounting principles.
- Management reviewed and approved all journal entries prepared by us, as well as changes to financial statement presentation and disclosure.
- Someone other than the preparer reviewed the proposed journal entries and financial statements.

We hereby confirm that we are independent with respect to the County within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario as of May 24, 2018.





This letter is intended solely for the use of the Council, Management and others within the County, and should not be used for any other purposes.

Yours truly,

Traci Smith, CPA, CGA  
Partner  
BDO & Company LLP\*

\*BDO & Company LLP provides accounting, assurance, tax and other professional advisory services to BDO Canada LLP, Chartered Professional Accountants, Licensed Public Accountants

TS:mh



APPENDIX C  
Representation Letter

**County of Grey**  
595 - 9th Avenue East  
Owen Sound ON N4K 3E3

May 9, 2018

BDO Canada LLP  
Chartered Professional Accountants  
1717 2nd Ave. E., 3rd Floor  
PO Box 397  
Owen Sound ON N4K 5P7

This representation letter is provided in connection with your audit of the financial statements of County of Grey for the year ended December 31, 2017, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated December 13, 2016, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
- All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

#### **Information Provided**

- We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- The minute books of the municipality are a complete record of all meetings and resolutions of Council throughout the year and to the present date.
- We have disclosed to you all significant matters contained in the minutes of all meetings and resolutions of Council throughout the year and to the present date.
- We have identified to you:
  - guarantees;
  - indemnifications against damages, liabilities, costs, charges or expenses suffered or incurred by officers or directors as a result of their service, and/or by any subsidiaries; and
  - non-monetary transactions and transactions for no consideration.

#### **Fraud and Error**

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.
- We have reviewed and approved all journal entries recommended by the auditors during the audit.

#### **Existence, Completeness and Valuation of Specific Financial Statement Balances**

- There are no pledges or assignments of assets as security for liabilities except as disclosed in the financial statements.
- All financial instruments have been appropriately recognized and measured in accordance with Canadian public sector accounting standards. Significant assumptions used in arriving at fair value of financial instruments are reasonable and appropriate in the circumstances.

- Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements or has otherwise been disclosed to you.
- The inventories as set out in the financial statements represent all of the inventories to which the municipality held title as at the balance sheet date. Inventories do not include any goods consigned to the municipality, merchandise billed to customers or any items for which the liability has not been provided in the books. Appropriate provisions have been made for obsolete, slow-moving and defective inventories.
- The employee future benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with Canadian public sector accounting standards. The source data and plan provisions provided are complete and accurate. The plans included in the valuation are complete. The determination of the discount rate and the use of specific actuarial assumptions are our best estimate assumptions. We feel that the extrapolations are accurate and have properly reflected the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.

### General Representations

- The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the municipality, except as disclosed in the financial statements.
- We confirm that there are no derivatives or off-balance sheet financial instruments held at year-end that have not been properly recorded or disclosed in the financial statements.
- We have disclosed to you all significant customers and/or suppliers of the municipality who individually represent a significant volume of business with the municipality. We are of the opinion that the volume of business (sales, services, purchases, borrowing and lending) done by the municipality with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the municipality.
- There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We confirm that operating segments are appropriately identified and disclosed in accordance with Canadian public sector accounting standards.
- No significant matters, other than those disclosed in the financial statements, have arisen that would require a restatement of the comparative financial statements.

### Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. When applicable, these litigation and claims have been accounted for and disclosed in the financial statements.

- We have made the following additional significant representations to you during the course of your audit which we understand that you have relied upon:

Management confirms that to the best of our knowledge and belief, we have:

- Evaluated all land owned by the municipality or where the municipality has accepted responsibility for the land as to whether there are sites in the Scope of PS 3260 Liability for Contaminated Sites.
- Made available to you all financial records and related data relevant to the assessment of the liability for contaminated sites.
- Appropriately set up, accounted for and disclosed all liabilities for contaminated sites.

Yours truly,

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Position

County of Grey  
 Summary of Unadjusted Misstatements  
 December 31, 2017

Description of the Misstatement	Identified Misstatement	Projected Misstatement	Estimates	Pre-Tax Proposed Adjustments			
				Assets Dr(Cr)	Liabilities Dr(Cr)	Opening R/E Dr(Cr)	Income Dr(Cr)
Tax Levy Estimates	-	-	145,489	145,489	-	-	(145,489)
Likely Aggregate Misstatements Before Effect of Previous Year's Errors and Estimates	-	-	145,489	145,489	-	-	(145,489)
Effect of Previous Year's Errors, Net of Tax Effects				-	-	-	-
Tax Effect				-	-	-	-
Likely Aggregate Misstatements				145,489	-	-	(145,489)

Details of why no adjustment has been made to the financial statements for the above items:

Amount not considered significant to the results of the County of Grey.