

**The Corporation of the
Municipality of West Grey
Consolidated Financial
Statements**
For the year ended December 31, 2018

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Contents

The Corporation of the Municipality of West Grey

Statement of Responsibility	2
Independent Auditor's Report	3 - 5
Consolidated Statement of Financial Position	6
Consolidated Statement of Operations	7
Consolidated Statement of Change in Net Financial Assets	8
Consolidated Statement of Cash Flow	9
Summary of Significant Accounting Policies	10 - 13
Notes to Financial Statements	14 - 32

The Corporation of the Municipality of West Grey Trust Funds

Independent Auditor's Report	33 - 34
Balance Sheet and Statement of Continuity	35
Notes to Financial Statements	36 - 37

The Corporation of the Municipality of West Grey Public Library Board

Independent Auditor's Report	38 - 40
Statement of Financial Position	41
Statement of Operations	42
Statement of Change in Net Financial Assets	43
Statement of Cash Flow	44
Summary of Significant Accounting Policies	45 - 46
Notes to Financial Statements	47 - 49



Statement of Administrative Responsibility

Management's Responsibility for the Consolidated Financial Statements

The management of The Corporation of the Municipality of West Grey have prepared the accompanying consolidated financial statements and are responsible for their accuracy and integrity. The consolidated financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board [PSAB] of the Canadian Institute of Chartered Professional Accountants.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, administration has developed and maintained a system of internal control designed to provide reasonable assurance that the Municipality's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

The Chief Administrative Officer and Director of Finance/Treasurer review the financial statements before such statements are submitted to Council and published for the residents of West Grey. The external auditors have access to, and meet with Administration and Council to discuss their audit and the results of their examination.

Council meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to council's approval of the consolidated financial statements.

The financial statements have been audited by BDO Canada LLP, independent external auditors appointed by council. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Laura Johnston
Chief Administrative Officer

Kerri Mighton
Director of Finance/Treasurer





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Independent Auditor's Report

**To the Members of Council of
The Corporation of the Municipality of West Grey**

Opinion

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

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

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the 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.

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

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



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



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

Chartered Professional Accountants, Licensed Public Accountants

Hanover, Ontario
July 30, 2019

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

December 31	2018	2017
Financial assets		
Cash (Note 1)	\$ 5,833,552	\$ 5,202,692
Temporary investments (Note 2)	492,312	409,307
Taxes receivable	2,489,005	2,662,463
Grants and subsidies receivable	114,323	55,711
Trade receivables	1,193,835	1,101,008
Loans receivable (Note 3)	414,534	454,283
	<u>10,537,561</u>	<u>9,885,464</u>
Commitments and Contingencies (Notes 19 and 20)		
Liabilities		
Accounts payable and accrued liabilities	1,887,062	2,032,038
Deferred revenue (Note 4)	1,665,870	1,240,375
Long-term debt (Note 5)	668,102	884,550
Landfill site closure and post-closure care liability (Note 6)	375,983	581,208
Employee future benefits liability (Note 7)	289,988	283,235
	<u>4,887,005</u>	<u>5,021,406</u>
Net financial assets	<u>5,650,556</u>	<u>4,864,058</u>
Non-financial assets		
Prepaid expenses	31,345	25,656
Inventory of supplies	222,157	197,665
Tangible capital assets (Note 8)	74,364,591	74,912,948
	<u>74,618,093</u>	<u>75,136,269</u>
Accumulated surplus (Note 9)	<u>\$80,268,649</u>	<u>\$ 80,000,327</u>

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

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

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
Taxation	\$ 9,479,190	\$ 9,524,416	\$ 9,326,234
Government transfers (Note 12)	2,597,221	2,769,573	2,713,067
Water and wastewater charges	1,457,500	1,364,604	1,327,132
User fees and service charges	1,458,856	1,792,699	1,763,378
Investment income	27,000	132,335	82,261
Other income (Note 13)	375,950	844,870	1,534,612
Obligatory reserve fund revenue recognized	-	142,756	23,256
	<u>15,395,717</u>	<u>16,571,253</u>	<u>16,769,940</u>
Expenses			
General government	1,502,500	1,559,073	1,345,540
Protection services	4,803,065	4,882,957	4,650,640
Transportation services	5,011,138	6,107,594	5,333,367
Environmental services	1,915,660	1,732,469	1,851,071
Health and social services	54,180	60,634	55,691
Recreation and cultural services	1,528,608	1,770,383	1,667,708
Planning and development	200,515	189,821	145,337
	<u>15,015,666</u>	<u>16,302,931</u>	<u>15,049,354</u>
Annual surplus (deficit)	<u>380,051</u>	<u>268,322</u>	<u>1,720,586</u>
Accumulated surplus, beginning of the year	<u>80,000,327</u>	<u>80,000,327</u>	<u>78,279,741</u>
Accumulated surplus, end of the year	<u>\$ 80,380,378</u>	<u>\$80,268,649</u>	<u>\$ 80,000,327</u>

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

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

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
Annual surplus (deficit)	\$ 380,051	\$ 268,322	\$ 1,720,586
Acquisition of tangible capital assets	(3,258,103)	(2,761,855)	(3,999,022)
Proceeds on disposal of tangible capital assets	40,000	361,614	77,377
Amortization expense	2,648,600	2,961,351	2,861,895
(Gain)/loss on disposal of tangible capital assets	-	(12,753)	(42,916)
	(569,503)	548,357	(1,102,666)
Increase in prepaid expenses	-	(5,689)	(495)
Decrease (Increase) in inventory of supplies	-	(24,492)	(28,815)
	-	(30,181)	(29,310)
Change in net financial assets	(189,452)	786,498	588,610
Net financial assets, beginning of year	4,864,058	4,864,058	4,275,448
Net financial assets, end of year	\$ 4,674,606	\$ 5,650,556	\$ 4,864,058

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

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

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating activities		
Annual surplus (deficit)	\$ 268,322	\$ 1,720,586
Items not involving cash		
Amortization of tangible capital assets	2,961,351	2,861,895
Employee future benefits	6,753	15,242
Landfill site closure and post-closure care	(205,225)	11,662
(Gain)/loss on disposal of tangible capital assets	(12,753)	(42,916)
	<u>3,018,448</u>	4,566,469
Change in balances		
Taxes receivable	173,458	225,786
Accounts receivable	(151,439)	(194,998)
Loan receivable	39,749	21,205
Accounts payable	(144,976)	660,125
Deferred revenue	425,495	84,388
Non-financial assets	(30,181)	(29,310)
	<u>3,330,554</u>	5,333,665
Capital activities		
Acquisition of tangible capital assets	(2,761,855)	(3,999,022)
Proceeds on disposal of tangible capital assets	361,614	77,377
	<u>(2,400,241)</u>	(3,921,645)
Financing activities		
Repayment of long-term liabilities	(216,448)	(246,902)
	<u>713,865</u>	1,165,118
Net change in cash and cash equivalents	713,865	1,165,118
Cash and cash equivalents, beginning of year	5,611,999	4,446,881
Cash and cash equivalents, end of year	\$ 6,325,864	\$ 5,611,999
Comprised of:		
Cash	\$ 5,833,552	\$ 5,202,692
Temporary investments	492,312	409,307
	<u>\$ 6,325,864</u>	<u>\$ 5,611,999</u>

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

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

December 31, 2018

Basis of Accounting

The consolidated financial statements of The Corporation of the Municipality of West Grey are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board (PSAB) of CPA Canada.

Basis of Consolidation

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

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

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

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

Elmwood Fire Department	57%
Saugeen Mobility and Regional Transit	11%
Elmwood Community Centre Board	50%
Saugeen Municipal Airport	27%

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. Estimates are used when accounting for items such as accrued grant receivables, accrued liabilities, useful lives of capital assets, post-employment benefits, solid waste landfill closure and post-closure costs and taxation revenue. 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.

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

December 31, 2018

Revenue Recognition

Revenues are recognized as follows:

- a) Taxation revenues 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. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.
- b) Fines and donations are recognized when collected.
- c) Fees, user charges and other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- d) Government transfers are recognized as revenue in the financial statements 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.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances and short term highly liquid investments that are readily converted into cash.

Temporary Investments

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

County and School Board

The municipality collects taxation revenue on behalf of the school boards and the County of Grey. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Grey are not reflected in these financial statements.

Inventory

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

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

December 31, 2018

Loans Receivable Loans receivable are recorded at cost.

Tangible Capital Assets Tangible capital assets are recorded at cost less accumulated amortization. Costs include 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 lives of the assets are based on estimates made by management as follows:

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

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue. Where fair market value cannot be reasonably determined, contributed tangible capital assets are recorded at a nominal amount.

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

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 is not aware of any contaminated sites.

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

December 31, 2018

Trust Funds

Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial position and activity of the trust funds are reported separately on the trust fund balance sheet and statement of continuity.

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

December 31, 2018

1. Cash

	2018	2017
Unrestricted	\$ 4,741,894	\$ 4,378,813
Restricted	1,091,658	823,879
	\$ 5,833,552	\$ 5,202,692

At December 31, 2018, the municipality had an undrawn line of credit of \$2,500,000 that bears interest at the bank's prime rate minus 0.5%.

2. Temporary Investments

	2018	2017
GICs	\$ 221,035	\$ 159,307
Mutual Funds	271,277	250,000
	\$ 492,312	\$ 409,307
Market value	\$ 477,787	\$ 412,238

3. Loans Receivable

	2018	2017
Mortgage receivable, 2485400 Ontario Inc., 4.79% \$2,421 payable monthly principal and interest secured by building and property	\$ 396,375	\$ 406,371
Tile drainage loans receivable	18,159	47,912
	\$ 414,534	\$ 454,283

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

December 31, 2018

4. Deferred Revenue

		Contributions	Investment	Revenue		Ending
		Opening	Received	Income	Recognized	
Development charges	\$ 893,555	\$ 195,000	\$ 16,243	\$ (132,497)	\$ 972,301	
28,892	2,500	674	-		32,066	
243,361	173,715	7,046	(10,259)		413,863	
		1,165,808	371,215	23,963	(142,756)	1,418,230
Deposits	24,450	4,100	-	(3,600)	24,950	
-	1,000	-	-		1,000	
8,689	391,321	179	(391,321)		8,868	
-	339,349	336	(159,183)		180,502	
41,428	-	-	(9,108)		32,320	
		\$ 1,240,375	\$ 1,106,985	\$ 24,478	\$ (705,968)	\$1,665,870

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

December 31, 2018

5. Long-Term Liabilities

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

	2018	2017
Tile drainage loans payable, 6%, due from 2019 to 2021	\$ 18,159	\$ 47,912
Loan payable (Durham Wastewater), 4.83% - 4.85%, payable \$902 monthly principal and interest, due May 2023	114,494	123,064
Loan payable (Durham Water), 4.83% - 4.85%, payable \$10,592 monthly principal and interest, due May 2023	178,115	249,663
Loan payable (Public Works), 0%, payable \$28,250 principal annually, due July 2018	-	28,250
OIPC loan payable (Durham Water), 5.26%, payable \$37,224 semi-annually principal and interest, due September 2022	265,424	323,606
OIPC loan payable (Durham Wastewater), 5.26%, payable \$12,889 semi-annually principal and interest, due September 2022	91,910	112,055
	\$ 668,102	\$ 884,550

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

2019	\$	150,441
2020		158,235
2021		166,433
2022		168,264
2023		24,729
	\$	668,102

The Corporation of the Municipality of West Grey

Notes to Financial Statements

December 31, 2018

6. Landfill Site Closure and Post-Closure Care Liability

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

The liability recorded is \$375,983 (2017 - \$581,208) and represents the present value of closure and post-closure costs for three active sites and two closed sites, using the municipality's average long-term borrowing rate of 5.25% adjusted for inflation. The liability is recorded based on the capacity of the landfills used to date. The total estimated future expenditures for closure and post-closure care are \$513,162 leaving an amount to be recognized of \$137,179.

The estimated remaining capacity of the three sites is approximately 181,550 (2017 - 191,185) cubic meters. The sites have remaining life of 1 to 19 years. Post-closure care is estimated to continue for a period of 20 years.

7. Employee Future Benefits Liability

Pension Plan

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 53 (2017 - 53) members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed to OMERS by the municipality for 2018 was \$423,045 (2017 - \$392,988). The contribution rate for 2018 was 9.0% to 15.8% depending on age and income level (2017 - 9.0% to 15.8%).

OMERS is a multi-employer plan, therefore, any pension plan surpluses or deficits is the joint responsibility of the Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was as at December 31, 2018. At that time, the plan reported an actuarial deficit of \$4.19 billion (2017 - deficit of \$5.40 billion), based on actuarial liabilities of \$99.06 billion (2017 - \$93.61 billion) and actuarial assets of \$94.87 billion (2017 - \$88.21 billion). Ongoing adequacy of the current contribution rates will need to be monitored as fluctuations in financial markets may lead to increased future funding requirements.

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

December 31, 2018

7. Employee Future Benefits Liability (continued)

Other Benefits

The municipality provides post-employment health and dental insurance benefits to eligible retired employees. The municipality recognizes these post-employment costs in the period in which the employees rendered the services. Payments for these benefits totalled \$32,641 for the year and are included as an expenditure on the consolidated statement of operations. The accrued benefit obligation at December 31, 2018 was \$289,988 (2017 - \$283,235).

Actuarial valuations for accounting purposes are performed using the projected benefit method, pro-rated on services. The most recent actuarial report was prepared as at December 31, 2018.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, employee turnover and mortality rates. The assumptions used reflect management's best estimates. A discount rate of 3.75% was assumed to determine the accrued benefit obligation, along with an annual rate of increase in extended health benefit costs of 6.5%, decreasing annually to an ultimate rate of 4% in 10 years and an annual rate of increase in dental benefit costs of 3.5%. The post-employment benefit expenditure includes current period benefit costs of \$27,561, interest on the obligation of \$10,815 and amortization of gains (losses) of \$1,084.

	<u>2018</u>	<u>2017</u>
Other benefits	<u>\$ 289,988</u>	<u>\$ 283,235</u>

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

December 31, 2018

8. Tangible Capital Assets

For the year ended December 31, 2018

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Construction in progress	2018 Total
Cost, beginning of year	\$ 6,353,190	\$ 12,974,865	\$ 8,974,837	\$ 8,104,122	\$ 94,054,791	\$ 1,001,762	\$131,463,567
Additions	329,684	100,366	492,015	593,165	630,653	615,972	2,761,855
Disposals	(7,300)	(224,882)	(410,121)	(130,442)	(55,338)	-	(828,083)
Transfers from Construction in progress	1,000	-	423,768	-	364,914	(789,682)	-
Cost, end of year	<u>6,676,574</u>	<u>12,850,349</u>	<u>9,480,499</u>	<u>8,566,845</u>	<u>94,995,020</u>	<u>828,052</u>	<u>133,397,339</u>
Accumulated amortization, beginning of year	996,630	6,451,755	4,841,420	3,807,334	40,453,480	-	56,550,619
Amortization	74,361	266,933	447,386	444,040	1,728,629	-	2,961,349
Disposals	-	(32,781)	(320,371)	(97,084)	(28,984)	-	(479,220)
Accumulated amortization, end of year	<u>1,070,991</u>	<u>6,685,907</u>	<u>4,968,435</u>	<u>4,154,290</u>	<u>42,153,125</u>	<u>-</u>	<u>59,032,748</u>
Net carrying amount, end of year	<u>\$ 5,605,583</u>	<u>\$ 6,164,442</u>	<u>\$ 4,512,064</u>	<u>\$ 4,412,555</u>	<u>\$ 52,841,895</u>	<u>\$ 828,052</u>	<u>\$ 74,364,591</u>

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

December 31, 2018

8. Tangible Capital Assets (continued)

For the year ended December 31, 2017

	Land and Land Improvements	Buildings	Equipment	Vehicles		Construction in progress	2017 Total
Cost, beginning of year	\$ 6,258,916	\$ 12,667,419	\$ 8,587,449	\$ 7,099,471	\$ 93,504,363	\$ 202,310	\$ 128,319,928
Additions	94,274	307,446	758,693	1,306,149	799,452	3,999,022	
Disposals	-	-	(371,305)	(301,498)	-	(855,383)	
Cost, end of year	<u>6,353,190</u>	<u>12,974,865</u>	<u>8,974,837</u>	<u>8,104,122</u>	<u>94,054,791</u>	<u>1,001,762</u>	<u>131,463,567</u>
Accumulated amortization, beginning of year	927,808	6,186,001	4,793,312	3,699,152	38,903,373	-	54,509,646
Amortization	68,822	265,754	409,414	401,474	-	2,861,896	
Disposals	-	-	(361,306)	(293,292)	-	(820,923)	
Accumulated amortization, end of year	<u>996,630</u>	<u>6,451,755</u>	<u>4,841,420</u>	<u>3,807,334</u>	<u>40,453,480</u>	<u>-</u>	<u>56,550,619</u>
Net carrying amount, end of year	<u>\$ 5,356,560</u>	<u>\$ 6,523,110</u>	<u>\$ 4,133,417</u>	<u>\$ 4,296,788</u>	<u>\$ 53,601,311</u>	<u>\$ 1,001,762</u>	<u>\$ 74,912,948</u>

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

December 31, 2018

8. Tangible Capital Assets (continued)

Expenses reported on the consolidated statement of operations include the gain/(loss) on disposal of assets during the year of \$12,753 (2017 - \$42,916) and write down of assets during the year of \$nil (2017 - \$nil).

The carrying value of tangible capital assets not being amortized because they are under construction, development, or have been removed from service is \$828,052 (2017 - \$1,001,762).

9. Accumulated Surplus

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

	2018	2017
General surplus (deficit)	\$ (178,984)	\$ 352,313
Capital amounts to be spent (financed)	(231,550)	(414,226)
Amounts invested in tangible capital assets	74,364,591	74,912,948
Reserves and reserve funds set aside for specific purpose by council (Note 10)	7,630,506	6,850,373
Amounts to be recovered (Note 11)	(1,315,914)	(1,701,081)
	\$80,268,649	\$ 80,000,327

The general surplus is comprised of the following:

General area taxation	\$ (151,382)	\$ 332,455
Waterworks system	(114,770)	(68,871)
Wastewater system	76,621	80,362
Cemeteries	21,077	23,150
Business Improvement Area	30,721	23,392
Elmwood Community Centre	3,777	3,777
Saugeen Municipal Airport	(45,338)	(42,307)
Saugeen Mobility and Regional Transit	310	355
	\$ (178,984)	\$ 352,313

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

Acquisition of capital assets to be financed through:		
Taxation or user charges	\$ (231,550)	\$ (414,226)

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

December 31, 2018

10. Reserves and Reserve Funds

	2018	2017
Reserves set aside for specific purpose by Council:		
Working funds	\$ 1,922,943	\$ 1,890,416
Contingencies	135,044	135,044
Recreation facilities	337,727	346,252
Protection services	1,067,325	874,607
Roadways	995,747	499,041
Water/wastewater services	173,463	164,735
Waste disposal	416,514	416,514
Library	43,919	32,988
General government	1,522,267	1,525,811
Planning and development	464,647	432,947
Other	330,675	314,000
	7,410,271	6,632,355
Reserve funds set aside for specific purpose by Council:		
Roadways	14,427	14,342
Parks	74,108	72,568
Protection services	101,496	100,510
Elmwood Hydro proceeds	18,792	18,443
St. George's Cemetery	11,412	12,155
	220,235	218,018
Reserves and reserve funds, end of the year	\$ 7,630,506	\$ 6,850,373

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

December 31, 2018

11. Amounts to be recovered

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

	<u>2018</u>	<u>2017</u>
Long-term debt	\$ 649,943	\$ 836,638
Employee future benefits liability	289,988	283,235
Landfill closure and post-closure care liability	375,983	581,208
	<u>\$ 1,315,914</u>	<u>\$ 1,701,081</u>

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

	<u>2018</u>	<u>2017</u>
Principal payments on long-term debt	\$ (186,695)	\$ (235,232)
Increase (decrease) in employee future benefits liability	6,753	15,242
Change in Solid Waste Closure and Post Closure Liability	(205,225)	11,662
	<u>\$ (385,167)</u>	<u>\$ (208,328)</u>

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

December 31, 2018

12. Government Transfers

	2018 Budget	2018 Actual	2017 Actual
Operating			
Province of Ontario Municipal Partnership Fund (OMPF)	\$ 1,615,800	\$ 1,615,800	\$ 1,625,800
Province of Ontario conditional grants			
Protection services	73,500	93,946	78,191
Transit	56,000	95,856	96,419
Other	167,996	161,247	202,123
	<u>1,913,296</u>	<u>1,966,849</u>	<u>2,002,533</u>
Government of Canada conditional grants	-	-	1,482
Other Municipalities conditional grants			
Protection services	37,000	37,743	37,222
Other	40,925	41,447	48,824
	<u>77,925</u>	<u>79,190</u>	<u>86,046</u>
Total operating transfers	<u>1,991,221</u>	<u>2,046,039</u>	<u>2,090,061</u>
Capital			
Province of Ontario conditional grants			
Roadways	205,092	159,183	36,339
Water and wastewater	-	48,552	168,753
Recreation and cultural services	-	-	3,527
	<u>205,092</u>	<u>207,735</u>	<u>208,619</u>
Government of Canada conditional grants			
Roadways	373,533	391,321	384,787
Water and wastewater	-	97,103	-
	<u>373,533</u>	<u>488,424</u>	<u>384,787</u>
Other Municipalities conditional grants	<u>27,375</u>	<u>27,375</u>	<u>29,600</u>
Total capital transfers	<u>606,000</u>	<u>723,534</u>	<u>623,006</u>
Total government transfers	<u>\$ 2,597,221</u>	<u>\$ 2,769,573</u>	<u>\$ 2,713,067</u>

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

December 31, 2018

13. Other Income

	2018	2018	2017
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 288,500	\$ 353,333	\$ 379,218
Donations and prepaid special charges	18,800	418,163	141,628
Rents	43,450	40,464	44,666
Insurance proceeds from aerial fire truck	-	-	893,507
Other	25,200	32,910	75,593
	\$ 375,950	\$ 844,870	\$ 1,534,612

14. Segmented Information

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

General Government

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

Protection to Persons and Property

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

Transportation

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

The Corporation of the Municipality of West Grey

Notes to Financial Statements

December 31, 2018

14. Segmented Information (continued)

Wastewater and Water

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

Environmental

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

Health

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

Recreational and Cultural Services

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

Planning and Development

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

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

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

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

December 31, 2018

14. Segmented Information (continued)

For the year ended December 31, 2018	General Government	Protection Services	Transportation Services	Wastewater and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2018 Total
Revenue									
Taxation	\$ 857,197	\$ 3,524,034	\$ 4,095,499	\$ -	\$ -	\$ -	\$ 952,442	\$ 95,244	\$ 9,524,416
Fees and user charges	75,859	614,452	134,193	1,364,782	420,573	43,992	446,335	57,117	3,157,303
Specific grants	-	159,064	682,635	145,656	127,294	-	27,283	11,841	1,153,773
OMPF grant	145,422	597,846	694,794	-	-	-	161,580	16,158	1,615,800
Other revenue	514,814	10,596	520,030	4,413	-	6,817	63,272	19	1,119,961
	<u>1,593,292</u>	<u>4,905,992</u>	<u>6,127,151</u>	<u>1,514,851</u>	<u>547,867</u>	<u>50,809</u>	<u>1,650,912</u>	<u>180,379</u>	<u>16,571,253</u>
Expenses									
Salaries and benefits	966,213	3,137,283	1,621,205	42,042	135,799	1,183	719,282	25,243	6,648,250
Interest on debt	-	-	-	30,751	-	85	-	2,396	33,232
Materials and supplies	484,838	617,805	2,520,753	386,773	(29,690)	21,142	713,573	111,793	4,826,987
Contracted services	6,151	442,734	25,813	443,703	346,981	31,005	43,005	50,389	1,389,781
Other transfers	28,112	337,615	37,214	-	-	-	31,457	-	434,398
Rents and financial expenses	11,889	3,432	-	-	-	6,367	-	-	21,688
Amortization and Loss on Disposal	61,870	344,088	1,902,609	353,262	22,848	852	263,066	-	2,948,595
	<u>1,559,073</u>	<u>4,882,957</u>	<u>6,107,594</u>	<u>1,256,531</u>	<u>475,938</u>	<u>60,634</u>	<u>1,770,383</u>	<u>189,821</u>	<u>16,302,931</u>
Annual surplus (deficit)	\$ 34,219	\$ 23,035	\$ 19,557	\$ 258,320	\$ 71,929	\$ (9,825)	\$ (119,471)	\$ (9,442)	\$ 268,322

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

December 31, 2018

14. Segmented Information (continued)

For the year ended December 31, 2017	General Government	Protection Services	Transportation Services	Wastewater and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2017 Total
Revenue									
Taxation	\$ 746,099	\$ 2,984,395	\$ 4,476,592	\$ -	\$ -	\$ -	\$ 1,025,886	\$ 93,262	\$ 9,326,234
Fees and user charges	32,329	553,736	175,977	1,327,455	430,641	36,509	475,970	57,893	3,090,510
Specific grants	-	145,013	561,720	168,753	141,880	-	43,019	26,882	1,087,267
OMPF grant	130,064	520,256	780,384	-	-	-	178,838	16,258	1,625,800
Other revenue	539,299	894,927	99,733	10,298	-	6,677	89,185	10	1,640,129
	<u>1,447,791</u>	<u>5,098,327</u>	<u>6,094,406</u>	<u>1,506,506</u>	<u>572,521</u>	<u>43,186</u>	<u>1,812,898</u>	<u>194,305</u>	<u>16,769,940</u>
Expenses									
Salaries and benefits	833,980	2,976,719	1,618,987	34,513	102,124	2,253	659,684	23,859	6,252,119
Interest on debt	-	-	-	45,851	-	192	-	3,437	49,480
Materials and supplies	381,772	621,840	1,844,639	351,706	132,752	16,856	676,357	56,271	4,082,193
Contracted services	5,169	414,565	25,082	413,745	332,765	28,396	39,459	61,769	1,320,950
Other transfers	57,743	332,845	44,953	-	-	-	36,905	-	472,446
Rents and financial expenses	42,419	3,345	-	-	-	7,140	284	-	53,188
Amortization and Loss on Disposal	24,458	301,326	1,799,706	422,978	14,637	854	255,019	-	2,818,978
	<u>1,345,541</u>	<u>4,650,640</u>	<u>5,333,367</u>	<u>1,268,793</u>	<u>582,278</u>	<u>55,691</u>	<u>1,667,708</u>	<u>145,336</u>	<u>15,049,354</u>
Annual surplus (deficit)	<u>\$ 102,250</u>	<u>\$ 447,687</u>	<u>\$ 761,039</u>	<u>\$ 237,713</u>	<u>\$ (9,757)</u>	<u>\$ (12,505)</u>	<u>\$ 145,190</u>	<u>\$ 48,969</u>	<u>\$ 1,720,586</u>

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

December 31, 2018

15. Government Partnerships

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

	Municipal Airport 27%	Elmwood Department	S.M.A.R.T. Fire 57%	Elmwood Community Centre 50%
Financial Assets				
Cash and temporary investments	46,369	\$ 175,211	\$ 12,736	\$ 13,746
Accounts receivable		1,226	240,887	116
Other financial assets		-	-	10,659
		<u>65,387</u>	<u>176,437</u>	<u>253,623</u>
				<u>24,521</u>
Liabilities				
Accounts payable		2,134	159,953	2,232
Other liabilities		-	140,670	22,659
		<u>215,577</u>	<u>2,134</u>	<u>300,623</u>
				<u>24,891</u>
Net financial assets		174,303	(47,000)	(370)
Non-financial assets		789,310	540,385	-
Accumulated Surplus	695,127	\$ 963,613	\$ 493,385	\$ (370)
Accumulated Surplus				
General surplus	(169,552)	\$ -	\$ 2,812	\$ (370)
Invested in tangible capital assets	788,970	490,573	-	-
Reserves and reserve funds	174,643	-	-	-
	<u>\$ 695,127</u>	<u>\$ 963,613</u>	<u>\$ 493,385</u>	<u>\$ (370)</u>
Revenues	199,697	\$ 249,437	\$ 1,929,610	\$ 64,733
Expenses	(271,956)	(1,942,578)	(66,948)	-
Annual surplus (deficit)	<u>(56,985)</u>	<u>\$ (22,519)</u>	<u>\$ (12,968)</u>	<u>\$ (2,215)</u>

The Elmwood Community Centre financial statements do not include adjustments for tangible capital assets.

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

December 31, 2018

15. Government Partnerships (continued)

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

16. Budget Amounts

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

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

	2018 Budget	2018 Actual	2017 Actual
Annual surplus (deficit)	\$ 380,051	\$ 268,322	\$ 1,720,586
Acquisition of tangible capital assets	(3,258,103)	(2,761,855)	(3,999,022)
Proceeds on disposal of tangible capital assets	40,000	361,614	77,377
Amortization	2,648,600	2,961,351	2,861,895
(Gain)/loss on disposal of tangible capital assets	-	(12,753)	(42,916)
Proceeds from issue of long-term debt	249,443	-	-
Debt principal repayments	(232,134)	(186,694)	(235,232)
	(172,143)	629,985	382,688
Transfers from (to) reserves for operations	(96,149)	(398,850)	(362,101)
Transfers from (to) reserves for capital	266,383	(377,889)	(64,193)
Change in unfunded liabilities	-	(198,472)	26,904
Reserve funds annual surplus	-	(3,394)	(1,966)
Capital projects not funded (expended)	-	(182,677)	(42,292)
	(1,909)	(531,297)	(60,960)
General surplus, beginning of year	1,909	352,313	413,273
	\$ -	\$ (178,984)	\$ 352,313

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

December 31, 2018

17. Operations of School Boards and the County of Grey

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

	2017	
School boards	\$ 3,417,042	\$ 3,411,415
County of Grey	5,523,808	5,334,076
	\$ 8,940,850	\$ 8,745,491

18. Trust Funds

The trust funds administered by the municipality amounting to \$377,467 (2017 - \$369,069) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of financial activities. At December 31, 2018, the trust fund balances are as follows:

	2018		2017	
Cemetery Pre-need Assurance Fund	\$ 4,380		\$ 4,297	
Cemetery Care and Maintenance Funds	372,379		364,064	
Ontario Home Renewal Program	708		708	
	\$ 377,467		\$ 369,069	

19. Contractual Commitments

The municipality has pledged support to the Markdale Hospital in the amount of \$190,000 over 10 years, contingent on the building project proceeding. At December 31, 2018 \$170,000 was set aside in reserve for this purpose.

The municipality has outstanding contractual commitments for tangible capital assets at December 31, 2018 in the amount of \$1,725,500.

The Corporation of the Municipality of West Grey

Notes to Financial Statements

December 31, 2018

20. Contingencies

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

The municipality has been named as a defendant in a lawsuit regarding the dismissal of an employee. The municipality has contested the claim. Legal counsel for the municipality has advised that it is premature to make any evaluation of the possible outcome. Consequently, no provision for this claim has been made in the financial statements.



Independent Auditor's Report

**To the Members of Council of
The Corporation of the Municipality of West Grey**

Opinion

We have audited the accompanying financial information of The Corporation of the Municipality of West Grey Trust Funds (the Trust Funds), which comprise the balance sheet as at December 31, 2018 and the statement of continuity for the year then ended, and notes to the financial information including a summary of significant accounting policies.

In our opinion, the accompanying financial information present fairly, in all material respects, the balance sheet of the Trust Funds as at December 31, 2018, and the statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

Those charged with governance are responsible for overseeing the Trust Funds financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information as a



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

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

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

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

Chartered Professional Accountants, Licensed Public Accountants

Hanover, Ontario
July 30, 2019

The Corporation of the Municipality of West Grey Trust Funds Balance Sheet

December 31, 2018

Assets	Cemetery Pre-Need Assurance Fund	Cemetery Care and Maintenance Fund	Ontario Home Renewal Program	Total
Cash	\$ 4,380	\$ 94,764	\$ -	\$ 99,144
Investment and accrued interest	-	274,492	-	274,492
Loans receivable	-	-	708	708
Due from general account	-	3,123	-	3,123
	\$ 4,380	\$ 372,379	\$ 708	\$ 377,467
Liabilities and Fund Balances				
Fund balance	4,380	372,379	708	377,467
	\$ 4,380	\$ 372,379	\$ 708	\$ 377,467

Statement of Continuity

For the year ended December 31, 2018

	Cemetery Pre-Need Assurance Fund	Cemetery Care and Maintenance Fund	Ontario Home Renewal Program	Total
Balance, beginning of the year	\$ 4,297	\$ 364,064	\$ 708	\$ 369,069
Receipts				
Bank interest	83	8,127	-	8,210
Care and maintenance	-	8,315	-	8,315
	83	16,442	-	16,525
Expenses				
Transfer to municipality	-	8,127	-	8,127
	-	8,127	-	8,127
Balance, end of the year	\$ 4,380	\$ 372,379	\$ 708	\$ 377,467

The accompanying notes are an integral part of these consolidated financial statements.

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

December 31, 2018

1. Summary of Significant Accounting Policies

Basis of Accounting	The financial information of The Corporation of the Municipality of West Grey Trust Funds are the representation of management prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board (PSAB) of CPA Canada as prescribed by the Ontario Ministry of Municipal Affairs and Housing.
Use of Estimates	The preparation of financial information 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 information, 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.
Basis of Consolidation	These trust funds have not been consolidated with the financial statements of the Municipality of West Grey.
Temporary Investments	Temporary investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market.

2. Temporary Investments

Temporary investments consist of mutual funds. No temporary investments are callable at the option of the issuer in 2018. The investments have a market value of \$271,691 at the end of the year.

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

December 31, 2018

3. Ontario Home Renewal Program

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans were limited to \$7,500, of which the maximum forgivable portion was \$4,000.

Ontario Home Renewal Program loans receivable at December 31, 2018 comprise repayable loans of \$708 and forgivable loans of \$nil. Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continuous ownership and occupancy. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balance of the repayable loan and the unearned forgivable loan immediately becomes due and payable by the homeowner.

As of July 16, 1993 the Ontario Home Renewal Program was discontinued and municipalities were prohibited from issuing further loans as of that date. All OHRP funds held in municipal trust accounts as of December 31, 1993 were remitted to the Province by March 1, 1994. Any loans receivable under the program which are collected subsequent to December 31, 1993 were remitted to the Province by March 1st of the following year. However, municipalities will be provided an administration fee of five per cent of the balances collected after December 31, 1993 and are permitted to retain the interest earned on unremitted OHRP trust account balances.



Independent Auditor's Report

**To the Members of Council of
The Corporation of the Municipality of West Grey**

Opinion

We have audited the financial statements of The Corporation of the Municipality of West Grey Public Library Board (the Entity), which comprise the statement of financial position as at December 31, 2018 and the statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

Chartered Professional Accountants, Licensed Public Accountants

Hanover, Ontario
July 30, 2019

**The Corporation of the Municipality of West Grey
Public Library Board
Statement of Financial Position**

December 31	2018	2017
Financial assets		
Cash	\$ 33,037	\$ 33,496
Accounts receivable	4,996	7,997
Due from Municipality of West Grey	13,598	4,839
	<u>51,631</u>	<u>46,332</u>
Commitments (Note 5)		
Liabilities		
Accounts payable and accrued liabilities	<u>7,711</u>	13,345
Net financial assets	43,920	32,987
Non-Financial Assets		
Tangible capital assets (Note 1)	<u>215,834</u>	219,924
Accumulated surplus (Note 3)	\$ 259,754	\$ 252,911

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

**The Corporation of the Municipality of West Grey
Public Library Board
Statement of Operations**

For the year ended December 31	2018	2018	2017
	Budget	Actual	Actual
Revenue			
Province of Ontario grants	\$ 24,990	\$ 25,329	\$ 32,529
Municipal grants	285,492	305,695	294,803
Investment income	-	364	226
Miscellaneous	4,050	23,026	18,336
	<u>314,532</u>	<u>354,414</u>	<u>345,894</u>
Expenses			
Amortization of tangible capital assets	-	30,718	30,871
Materials and periodical purchases	2,000	2,199	2,110
Supplies and office	76,575	97,002	94,384
Wages and benefits	216,957	217,652	209,625
	<u>295,532</u>	<u>347,571</u>	<u>336,990</u>
Annual surplus (deficit)	<u>19,000</u>	<u>6,843</u>	<u>8,904</u>
Accumulated surplus, beginning of year	<u>252,911</u>	<u>252,911</u>	<u>244,007</u>
Accumulated surplus, end of year	<u>\$ 271,911</u>	<u>\$ 259,754</u>	<u>\$ 252,911</u>

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

**The Corporation of the Municipality of West Grey
Public Library Board
Statement of Change in Net Financial Assets**

For the year ended December 31	2018	2018	2017
	Budget	Actual	Actual
Annual surplus (deficit)	\$ 19,000	\$ 6,843	\$ 8,904
Acquisition of tangible capital assets	(24,000)	(26,628)	(30,733)
Amortization	-	30,718	30,871
	(24,000)	4,090	138
Change in net financial assets	(5,000)	10,933	9,042
Net financial assets, beginning of year	32,987	32,987	23,945
Net financial assets, end of year	\$ 27,987	\$ 43,920	\$ 32,987

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

**The Corporation of the Municipality of West Grey
Public Library Board
Statement of Cash Flow**

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating activities		
Annual surplus (deficit)	\$ 6,843	\$ 8,904
Items not involving cash		
Amortization	30,718	30,871
Decrease (increase) in accounts receivable	3,001	(4,289)
Increase in Due from Municipality	(8,759)	(523)
Increase (decrease) in accounts payable	(5,634)	4,504
	<u>26,169</u>	<u>39,467</u>
Capital activities		
Acquisition of tangible capital assets	<u>(26,628)</u>	<u>(30,733)</u>
Net change in cash	(459)	8,734
Cash, beginning of year	<u>33,496</u>	<u>24,762</u>
Cash, end of year	<u>\$ 33,037</u>	<u>\$ 33,496</u>

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

The Corporation of the Municipality of West Grey Public Library Board Summary of Significant Accounting Policies

December 31, 2018

Management Responsibility	The management of The Corporation of the Municipality of West Grey Public Library Board has prepared and is responsible for the integrity, objectivity and accuracy of the financial information presented in these financial statements. The Board reviews and approves the financial statements.
Basis of Accounting	The financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada.
Use of Estimates	The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.
Revenue Recognition	User fee revenue is recognized when earned, as services are rendered to customers, providing the amount is fixed or determinable, and collectibility is reasonably assured.
Government Transfers	Government transfers are recognized in the financial statements as revenue in the period that the events giving rise to the transfer occur; providing that the transfer is authorized, eligibility criteria, if any, have been met by the recipient, and a reasonable estimate of the amount can be made.
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.

**The Corporation of the Municipality of West Grey
Public Library Board
Summary of Significant Accounting Policies**

December 31, 2018

**Tangible
Capital Assets**

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair market value at the date of contribution. Where fair market value cannot be reasonably determined, contributed tangible capital assets are recorded at a nominal amount. Amortization is calculated on a straight-line basis over the estimated useful life of the asset. The useful lives of the assets are based on estimates made by management as follows:

Books - 15 years
Furniture, fixtures, and computers - 7 to 50 years

**Employee
Future Benefits**

Defined contribution plan accounting is applied to the board's multi-employer defined benefit pension plan.

The Corporation of the Municipality of West Grey
Public Library Board
Notes to Financial Statements

December 31, 2018

1. Tangible Capital Assets

	2018		2017	
	Furniture, fixtures, books, and computer	Total	Furniture, fixtures, books, and computer	Total
Cost, beginning of year	\$ 507,435	\$ 507,435	\$ 500,785	\$ 500,785
Additions	26,628	26,628	30,733	30,733
Disposals	(24,816)	(24,816)	(24,083)	(24,083)
Cost, end of year	509,247	509,247	507,435	507,435
Accumulated amortization, beginning of year	287,511	287,511	280,723	280,723
Amortization	30,718	30,718	30,871	30,871
Disposals	(24,816)	(24,816)	(24,083)	(24,083)
Accumulated amortization, end of year	293,413	293,413	287,511	287,511
Net carrying amount, end of year	\$ 215,834	\$ 215,834	\$ 219,924	\$ 219,924

The Corporation of the Municipality of West Grey Public Library Board Notes to Financial Statements

December 31, 2018

2. Employee Future Benefits Liability

Pension Plan

The Board makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 2 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 for 2018 was \$9,405 (2017 - \$5,845). The contribution rate for 2018 was 9.0% to 15.8% depending on age and income level (2017 - 9.0% to 15.8%).

OMERS is a multi-employer plan, therefore, any pension plan surplus or deficit is 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 December 31, 2018. At that time the plan reported an actuarial deficit of \$4.2 billion (2017 - deficit of \$5.4 billion), based on actuarial liabilities of \$99.06 billion (2017 - \$93.6 billion) and actuarial assets of \$94.9 billion (2017 - \$88.2 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.

3. Accumulated Surplus

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

	2018	2017
Amount invested in tangible capital assets	\$ 215,834	\$ 219,924
Reserves	43,920	32,987
	<u>\$ 259,754</u>	<u>\$ 252,911</u>

The Corporation of the Municipality of West Grey Public Library Board Notes to Financial Statements

December 31, 2018

4. Budget Amounts

Under Canadian generally accepted accounting principles, budget amounts are to be reported on the statement of financial activities for comparative purposes. The budget amounts for The Corporation of the Municipality of West Grey Public Library Board are as approved by council and have been restated to conform to the basis of presentation of the revenues and expenditures on the statement of financial activities.

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

	2018 Budget	2018 Actual	2017 Actual
Annual surplus (deficit)	\$ 19,000	\$ 6,843	\$ 8,904
Capital acquisitions, disposals and write-down	(24,000)	(26,628)	(30,733)
Amortization	-	30,718	30,871
Transfers from reserves for operations	5,000	(10,933)	(11,073)
Transfers (to) from reserves for capital	-	-	2,031
General surplus (deficit), end of year	\$ -	\$ -	\$ -

5. Contractual Commitments

The Board has entered into a five year agreement with the Municipality of Grey Highlands dated February 8, 2017 which expires December 31, 2021, to allow West Grey residents to use the Grey Highlands Library services at no cost. In exchange the board will pay Grey Highlands Library \$14,905 per year, increasing by 2% per year.
