

**The Corporation of the  
City of Owen Sound  
Financial Information  
For the year ended December 31, 2017**

**The Corporation of the City of Owen Sound  
Financial Information  
December 31, 2017**

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## Independent Auditor's Report

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### To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Owen Sound

We have audited the accompanying consolidated financial statements of the Corporation of the City of Owen Sound, 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 debt 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 City of Owen Sound as at December 31, 2017 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario  
August 21, 2018

**The Corporation of the City of Owen Sound**  
**Consolidated Statement of Financial Position**

December 31	2017	2016
<b>Financial assets</b>		
Cash (Note 1)	\$ 389,409	\$ 739,110
Temporary investments (Note 2)	4,145,655	4,135,397
Taxes receivable	2,399,015	2,142,969
Trade and other receivables	10,774,921	9,114,855
Inventory held for resale	59,649	70,291
Other receivables (Note 3)	1,757,841	75,000
	<u>19,526,490</u>	<u>16,277,622</u>
<b>Liabilities</b>		
Temporary borrowings (Note 4)	10,360,000	140,000
Accounts payable and accrued liabilities	7,143,630	11,081,331
Solid waste landfill closure and post-closure liabilities (Note 5)	3,213,182	2,665,793
Post-employment benefits (Note 16)	4,871,718	4,875,318
Deferred revenue (Page 27)	3,156,155	2,418,203
Long-term liabilities (Note 6)	21,192,999	23,799,458
	<u>49,937,684</u>	<u>44,980,103</u>
<b>Net debt</b>	(30,411,194)	(28,702,481)
<b>Non-financial assets</b>		
Inventory of supplies	427,753	498,518
Prepaid expenses	155,326	724,030
Tangible capital assets (Note 7)	241,727,787	233,031,253
	<u>242,310,866</u>	<u>234,253,801</u>
<b>Accumulated surplus (Note 8)</b>	<u>\$ 211,899,672</u>	<u>\$ 205,551,320</u>

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

**The Corporation of the City of Owen Sound**  
**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 10)	Actual	Actual
<b>Revenue</b>			
Taxation	\$ 27,864,623	\$28,379,905	\$ 26,343,753
Fees and user charges	13,288,880	14,363,904	14,276,501
Government transfers (Note 15)	11,781,967	12,450,486	15,537,238
Other income (Note 11)	5,801,806	2,048,166	2,893,219
	<u>58,737,276</u>	<u>57,242,461</u>	<u>59,050,711</u>
<b>Expenses</b>			
General government	4,192,892	4,514,602	5,234,083
Protection services	14,849,748	15,537,396	15,962,610
Transportation services	5,084,414	8,617,291	8,385,498
Environmental services	8,052,626	10,686,712	10,015,777
Health services	251,007	459,628	456,672
Recreation and cultural services	6,137,391	9,778,959	8,457,794
Planning and development	571,057	1,299,521	978,625
	<u>39,139,135</u>	<u>50,894,109</u>	<u>49,491,059</u>
<b>Annual surplus (Note 10)</b>	19,598,141	6,348,352	9,559,652
<b>Accumulated surplus, beginning of the year</b>	<u>205,551,320</u>	<u>205,551,320</u>	<u>195,991,668</u>
<b>Accumulated surplus, end of the year</b>	<u>\$225,149,461</u>	<u>\$ 211,899,672</u>	<u>\$205,551,320</u>

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



**The Corporation of the City of Owen Sound**  
**Consolidated Statement of Changes in Net Debt**

<u>For the year ended December 31</u>	<u>2017</u>	<u>2017</u>	<u>2016</u>
	Budget (Note 10)	Actual	Actual
Annual surplus (Page 5)	\$ 19,598,141	\$ 6,348,352	\$ 9,559,652
Acquisition of tangible capital assets	(27,534,237)	(16,255,964)	(20,577,686)
Amortization of tangible capital assets	-	6,293,536	5,985,860
Proceeds on disposal of assets	-	261,334	179,275
Loss on disposal of assets	-	207,005	569,586
Write-downs of tangible capital assets	-	797,555	-
	<u>(27,534,237)</u>	<u>(8,696,534)</u>	<u>(13,842,965)</u>
Change in prepaid expenses	-	568,704	70,348
Change in inventories of supplies	-	70,765	(77,055)
	<u>-</u>	<u>639,469</u>	<u>(6,707)</u>
Increase in net debt	(7,936,096)	(1,708,713)	(4,290,020)
Net debt, beginning of the year	<u>(28,702,481)</u>	<u>(28,702,481)</u>	<u>(24,412,461)</u>
<b>Net debt, end of the year</b>	<b>\$ (36,638,577)</b>	<b>\$ (30,411,194)</b>	<b>\$ (28,702,481)</b>

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

**The Corporation of the City of Owen Sound**  
**Consolidated Statement of Cash Flows**

For the year ended December 31	2017	2016
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus	\$ 6,348,352	\$ 9,559,652
Items not involving cash		
Amortization	6,293,536	5,985,860
Post-employment benefits	(3,600)	1,230,538
Solid waste landfill liability	547,389	(104,503)
Loss on disposal of assets	1,004,560	569,586
Deferred revenue recognized	(1,059,487)	(1,098,736)
Change in inventory of supplies	70,765	(77,055)
	<u>13,201,515</u>	<u>16,065,342</u>
Changes in non-cash working capital balances		
Taxes receivable	(256,046)	(149,602)
Trade and other receivables	(1,660,066)	649,357
Inventory held for resale	10,642	7,697
Accounts payable and accrued liabilities	(3,937,701)	154,698
Deferred revenue received	1,797,439	1,068,710
Prepaid expenses	568,704	70,348
	<u>9,724,487</u>	<u>17,866,550</u>
<b>Capital transactions</b>		
Cash used to acquire capital assets	(16,255,964)	(20,577,686)
Proceeds on sale of capital assets	261,334	179,275
	<u>(15,994,630)</u>	<u>(20,398,411)</u>
<b>Investing activities</b>		
Increase in long-term receivables	(1,682,841)	-
<b>Financing activities</b>		
Additions to long-term liabilities	-	10,000,000
Repayment of long-term liabilities	(2,606,459)	(2,385,969)
Increase (decrease) in temporary borrowings	10,220,000	(5,590,000)
	<u>7,613,541</u>	<u>2,024,031</u>
<b>Net change in cash and cash equivalents</b>	<b>(339,443)</b>	<b>(507,830)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>4,874,507</b>	<b>5,382,337</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 4,535,064</b>	<b>\$ 4,874,507</b>
<b>Cash and cash equivalents are comprised of:</b>		
Cash	\$ 389,409	\$ 739,110
Temporary investments	4,145,655	4,135,397
	<u>\$ 4,535,064</u>	<u>\$ 4,874,507</u>

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

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## The Corporation of the City of Owen Sound Summary of Significant Accounting Policies

December 31, 2017

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<b>Management Responsibility</b>	<p>The management of the Corporation of the City of Owen Sound has prepared and is responsible for the integrity, objectivity and accuracy of the financial information presented in these consolidated financial statements. The Corporate Services Committee reviews and approves the consolidated financial statements before they are submitted to Council.</p>
<b>Basis of Accounting</b>	<p>The consolidated 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 as prescribed by the Ministry of Municipal Affairs and Housing.</p> <p>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.</p>
<b>Basis of Consolidation</b>	<p>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.</p> <p>The following boards controlled by Council have been consolidated:</p> <p>Owen Sound and North Grey Union Public Library</p> <p>Owen Sound Downtown Improvement Area Board of Management</p>
<b>Use of Estimates</b>	<p>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 grant receivables, accrued liabilities, useful lives of capital assets, post-employment benefits liability, solid waste landfill post-closure liabilities and taxes receivable.</p>

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## The Corporation of the City of Owen Sound Summary of Significant Accounting Policies

December 31, 2017

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### Revenue Recognition

Revenues are recognized as follows:

- a) Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. 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) Investment income earned on surplus funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is recorded directly to each fund balance and forms part of the respective deferred revenue balances.
- e) 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.
- f) 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 financial activities in the year in which it is used for the specified purpose.

### Cash and Cash Equivalents

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

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## The Corporation of the City of Owen Sound

### Summary of Significant Accounting Policies

December 31, 2017

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<b>Temporary Investments</b>	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.												
<b>County and School Board</b>	The municipality collects taxation revenue on behalf of the school boards and the County of Grey. The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Grey, are not reflected in these financial statements.												
<b>Inventory</b>	<p>Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.</p> <p>Inventory held for consumption is recorded at the lower of cost and replacement cost.</p>												
<b>Tangible Capital Assets</b>	<p>Tangible capital assets are recorded at cost which 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 useful lives are used:</p> <table><tr><td>Land improvements</td><td>40 - 75 years</td></tr><tr><td>Buildings and structures</td><td>15 - 40 years</td></tr><tr><td>Vehicles, machinery and equipment</td><td>3 - 20 years</td></tr><tr><td>Roads and sidewalks</td><td>10 - 80 years</td></tr><tr><td>Bridges and other structures</td><td>40 - 80 years</td></tr><tr><td>Water and sewer infrastructure</td><td>40 - 90 years</td></tr></table> <p>Tangible capital assets received as contributions are recorded at fair value at the date of receipt.</p>	Land improvements	40 - 75 years	Buildings and structures	15 - 40 years	Vehicles, machinery and equipment	3 - 20 years	Roads and sidewalks	10 - 80 years	Bridges and other structures	40 - 80 years	Water and sewer infrastructure	40 - 90 years
Land improvements	40 - 75 years												
Buildings and structures	15 - 40 years												
Vehicles, machinery and equipment	3 - 20 years												
Roads and sidewalks	10 - 80 years												
Bridges and other structures	40 - 80 years												
Water and sewer infrastructure	40 - 90 years												
<b>Intangible Assets</b>	Intangible assets, art and historic treasures are not recognized in these financial statements.												

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## The Corporation of the City of Owen Sound

### Summary of Significant Accounting Policies

December 31, 2017

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#### Post-Employment Benefits

The municipality 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.

Previously the municipality was an employer included under Schedule 2 of the Workplace Safety and Insurance Act. It self-insured the entire risk of its own WSIB claims and was individually liable for reimbursing the WSIB for all costs relating to its workers' WSIB claims. The municipality is still liable for claims relating to Schedule 2 employer status. The cost of the claims are determined using management's best estimate.

The contributions to the 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 is not aware of any contaminated sites for which a liability needs to be recognized.

#### Solid Waste Landfill Closure and Post-Closure Costs

Site closure and post-closure care costs were recognized over the operating life of the landfill based on capacity used. The liability is recorded at its discounted value, based on the average long-term borrowing rate of the municipality. The landfill is now in the post-closure phase.

#### 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.

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2017

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1. Cash

	2017	2016
Cash and bank	\$ 389,409	\$ 739,110

The municipality's bank accounts are all held at one financial institution. The Canadian Deposit Insurance Corporation insures deposits up to a maximum of \$100,000 per depositor per financial institution.

Interest is earned at the average monthly prime rate less 1.75%.

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2. Temporary Investments

	2017	2016
Unrestricted	\$ 4,145,655	\$ 4,135,397

Investments include government bonds, municipal debentures and commercial paper from chartered banks with effective interest rates of 1.3% to 4.875%. Interest is receivable on a semi-annual basis. Investments have a market value of \$4,207,504 (2016 - \$4,265,114) at the end of the year.

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3. Other Receivables

	2017	2016
Loan, non-interest bearing, due on demand	\$ 75,000	\$ 75,000
Loan, interest at 2.0%, due August 2018	882,841	-
Loan, interest at 2.0%, due August 2022	800,000	-
	\$ 1,757,841	\$ 75,000

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**The Corporation of the City of Owen Sound**  
Notes to Financial Statements

**December 31, 2017**

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**4. Temporary Borrowings**

The City of Owen Sound has a demand operating facility with a financial institution at prime less 0.75%. At December 31, 2017, the City had a \$4,640,000 unused credit facility.

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**5. Solid Waste Landfill Closure and Post-Closure Liabilities**

The landfill was closed May 2005. The liability for the landfill site is recorded at \$3,213,182 (2016 - \$2,665,793) and represents the present value of post-closure costs for the closed site, using the Government of Canada's average long-term borrowing rate of 3.5%. Post closure costs include removal of ground water and leachates and ongoing environmental monitoring, site inspection and maintenance. The total estimated future expenditures for post-closure care are \$3,593,094 leaving an amount to be recognized of \$379,912. Post-closure care is estimated to continue for a period of 25 years.

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**6. 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
Debentures payable, 2.69% - 4.0%, principal and interest payable semi- annually, various maturities	\$ 25,653,564	\$ 28,818,542
Less: Debentures issued internally	(4,460,565)	(5,019,084)
	<b>\$ 21,192,999</b>	<b>\$ 23,799,458</b>

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

2018	\$	2,201,870
2019		2,190,137
2020		2,175,296
2021		1,686,934
2022		1,193,588
Thereafter		11,745,174
		<b>\$ 21,192,999</b>

Interest paid during the year on long-term debt was \$779,582 (2016 - \$849,255).

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**The Corporation of the City of Owen Sound**  
Notes to Financial Statements

December 31

**7. Tangible Capital Assets**

								2017
	Land	Land Improvement	Buildings and Structures	Vehicles, Machinery and Equipment	Roads and Sidewalks	Bridges	Water and Sewer Infrastructure	Total
Cost, beginning of the year	\$ 6,744,258	\$ 12,048,132	\$ 124,167,292	\$ 27,605,222	\$ 81,785,809	\$ 11,391,339	\$ 93,518,479	\$ 357,260,531
Additions		-	3,576,920	1,235,175	79,301	151,849	11,212,719	16,255,964
Disposals		-	-	(487,254)	(217,730)	-	(1,322,447)	(2,027,431)
Write-downs during the year	-	-	-	-	(724,149)	-	(73,406)	(797,555)
Cost, end of the year	6,744,258	12,048,132	127,744,212	28,353,143	80,923,231	11,543,188	103,335,345	370,691,509
Accumulated amortization, beginning of the year	-	5,056,345	26,806,029	13,424,902	32,142,197	2,355,751	44,444,054	124,229,278
Amortization	-	276,865	1,755,419	1,634,903	1,528,441	163,636	934,272	6,293,536
Disposals	-	-	-	(435,907)	(115,268)	-	(1,007,917)	(1,559,092)
Accumulated amortization, end of the year	-	5,333,210	28,561,448	14,623,898	33,555,370	2,519,387	44,370,409	128,963,722
Net carrying amount, end of the year	\$ 6,744,258	\$ 6,714,922	\$ 99,182,764	\$ 13,729,245	\$ 47,367,861	\$ 9,023,801	\$ 58,964,936	\$ 241,727,787

**The Corporation of the City of Owen Sound**  
Notes to Financial Statements

December 31

7. Tangible Capital Assets - (continued)

								2016
	Land	Land Improvement	Buildings and Structures	Vehicles, Machinery and Equipment	Roads and Sidewalks	Bridges	Water and Sewer Infrastructure	Total
Cost, beginning of the year	\$ 6,755,148	\$ 12,048,132	\$ 109,639,601	\$ 25,857,399	\$ 81,075,195	\$ 11,291,601	\$ 92,982,065	\$ 339,649,141
Additions	-	-	14,554,084	2,958,693	1,090,384	99,738	1,874,787	20,577,686
Disposals	(10,890)	-	(26,393)	(1,210,870)	(379,770)	-	(1,338,373)	(2,966,296)
Cost, end of the year	6,744,258	12,048,132	124,167,292	27,605,222	81,785,809	11,391,339	93,518,479	357,260,531
Accumulated amortization, beginning of the year	-	4,775,364	25,070,256	12,934,991	31,004,500	2,192,017	44,483,725	120,460,853
Amortization	-	280,981	1,749,774	1,546,082	1,317,935	163,734	927,354	5,985,860
Disposals	-	-	(14,001)	(1,056,171)	(180,238)	-	(967,025)	(2,217,435)
Accumulated amortization, end of the year	-	5,056,345	26,806,029	13,424,902	32,142,197	2,355,751	44,444,054	124,229,278
Net carrying amount, end of the year	\$ 6,744,258	\$ 6,991,787	\$ 97,361,263	\$ 14,180,320	\$ 49,643,612	\$ 9,035,588	\$ 49,074,425	\$ 233,031,253

**The Corporation of the City of Owen Sound**  
**Notes to Financial Statements**

**December 31, 2017**

**7. Tangible Capital Assets - (continued)**

The net book value of tangible capital assets not being amortized because they are under construction is \$9,715,588 (2016 - \$57,067,209).

Interest of \$289,824 (2016 - \$Nil) was capitalized to tangible capital assets 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.

**8. Accumulated Surplus**

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

	2017	2016
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$ 241,727,787	\$233,031,253
Unfinanced capital assets	(24,540,037)	(18,960,102)
Capital assets financed by long-term liabilities and to be funded in future years (Note 6)	(25,653,564)	(28,818,542)
Total invested in capital assets	191,534,186	185,252,609
Unfunded post-employment benefits	(4,871,718)	(4,875,318)
Unfunded solid waste closure and post-closure costs	(3,213,182)	(2,665,793)
General surplus (deficit) (Note 10)	11,037	(12,391)
Unfunded tax adjustments	(27,235)	(389,882)
Library Adult Learning Centre surplus	70,126	69,110
Art Gallery	(532,868)	-
	182,970,346	177,378,335
Reserves and reserve funds (Note 9)	28,929,326	28,172,985
Accumulated surplus	\$ 211,899,672	\$205,551,320

**The Corporation of the City of Owen Sound**  
**Notes to Financial Statements**

December 31, 2017

9. Reserves and Reserve Funds Set Aside for Specific Purpose by Council

	2017	2016
<b>Reserves</b>		
Working funds	\$ 959,475	\$ 929,282
Capital purposes	2,785,767	2,617,973
	3,745,242	3,547,255
<b>Reserve funds</b>		
Sick leave	13,424	32,653
Capital purposes	25,170,660	24,593,077
	25,184,084	24,625,730
<b>Total reserves and reserve funds</b>	<b>\$28,929,326</b>	<b>\$ 28,172,985</b>

10. Budgets

Under Canadian Public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net debt for comparative purposes. The 2017 budget amounts for the City of Owen Sound approved by Council have been reclassified to conform to the presentation of the consolidated statements of operations and accumulated surplus and changes in net debt. The following is a reconciliation of the budget approved by Council.

	2017 Budget	2017 Actual	2016 Actual
Annual surplus (Page 5)	\$ 19,598,141	\$ 6,348,352	\$ 9,559,652
Prior year general surplus (deficit)	-	(12,391)	79,392
Net budget transfers from (to) reserves	3,730,645	(756,341)	(405,309)
Capital acquisitions, disposals and write-down	(27,534,237)	(14,990,070)	(19,828,825)
Amortization	-	6,293,536	5,985,860
Proceeds from long-term debt	7,389,547	-	11,426,942
Debt principal repayments	(3,184,096)	(3,164,978)	(2,804,461)
Change in unfunded liabilities	-	181,142	1,515,917
Change in Art Gallery	-	532,868	-
Change in other surpluses	-	(1,016)	(8,130)
	-	(5,568,898)	5,521,038
Change in capital projects not funded	-	5,579,935	(5,533,429)
	-	\$ 11,037	\$ (12,391)

**The Corporation of the City of Owen Sound**  
**Notes to Financial Statements**

**December 31, 2017**

**11. Other Income**

	2017	2017	2016
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 285,000	\$ 352,719	\$ 331,206
Other fines and penalties	135,000	152,167	171,757
Investment income	50,000	488,978	644,362
Licenses, permits and rents	1,357,560	1,476,130	1,431,484
Donations	255,150	514,071	532,153
Loss on disposal of capital assets and writedowns of assets	-	(1,004,560)	(569,586)
Contributions from developers	3,500,000	-	-
Contributions from non-consolidated entities	25,000	27,655	24,137
Other and miscellaneous	194,096	41,006	327,706
	<b>\$ 5,801,806</b>	<b>\$ 2,048,166</b>	<b>\$ 2,893,219</b>

**12. Pension Agreements**

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 273 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement income to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed to OMERS for 2017 by the City was \$1,840,382 (2016 - \$1,870,874). The contribution rate for 2017 was 9.0% to 15.8% depending on age and income level (2016 - 9.0% to 15.8%).

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 \$5.4 billion actuarial deficit (2016 - \$5.72 billion), based on actuarial liabilities of \$93.6 billion (2016 - \$86.96 billion) and actuarial assets of \$88.2 billion (2016 - \$81.24 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

**The Corporation of the City of Owen Sound**  
**Notes to Financial Statements**

**December 31, 2017**

**13. Owen Sound Downtown Improvement Area Board of Management**

The following summarizes the financial position and operations of the Owen Sound Downtown Improvement Area, which is controlled by the municipality. The Owen Sound Downtown Improvement Area has been consolidated into these financial statements.

	2017	2016
Financial assets	\$ 107,242	\$ 152,535
Liabilities	23,807	20,020
Net financial assets	83,435	132,515
Non-financial assets	11,042	6,736
Accumulated surplus	\$ 94,477	\$ 139,251
Revenues	\$ 250,385	\$ 248,740
Expenses	295,159	245,647
Annual surplus (deficit)	\$ (44,774)	\$ 3,093

**14. Owen Sound & North Grey Union Public Library**

The following summarizes the financial position and operations of the Owen Sound & North Grey Union Public Library, which is controlled by the municipality. The Owen Sound & North Grey Union Public Library has been consolidated into these financial statements.

	2017	2016
Financial assets	\$ 1,103,621	\$ 1,082,494
Liabilities	667,960	664,178
Net financial assets	435,661	418,316
Non-financial assets	930,221	937,001
Accumulated surplus	\$ 1,365,882	\$ 1,355,317
Revenues	\$ 2,496,164	\$ 2,294,765
Expenses	2,485,599	2,276,942
Annual surplus	\$ 10,565	\$ 17,823

**The Corporation of the City of Owen Sound**  
Notes to Financial Statements

December 31, 2017

15. Government Transfers

	2017	2017	2016
	Budget	Actual	Actual
<b>Operating</b>			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF) \$	754,900	\$ 754,900	\$ 654,000
- Other	1,302,733	1,851,258	1,700,351
	<u>2,057,633</u>	<u>2,606,158</u>	<u>2,354,351</u>
Government of Canada			
- Other	368,953	137,227	322,443
	<u>368,953</u>	<u>137,227</u>	<u>322,443</u>
Other municipalities			
- Library	-	640,152	593,627
- Police	1,464,921	1,459,044	1,423,132
- Roads	150,000	146,398	147,154
- Other	14,000	12,807	13,733
	<u>1,628,921</u>	<u>2,258,401</u>	<u>2,177,646</u>
<b>Total operating contributions</b>	<u>4,055,507</u>	<u>5,001,786</u>	<u>4,854,440</u>
<b>Capital</b>			
Province of Ontario			
- Roads	619,048	223,715	381,325
- Sewer and water	2,508,242	2,957,798	4,334,931
	<u>3,127,290</u>	<u>3,181,513</u>	<u>4,716,256</u>
Government of Canada			
- Roads	746,000	3,120	-
- Sewer and water	3,588,242	3,814,604	5,421,415
- Other	264,928	449,463	241,565
	<u>4,599,170</u>	<u>4,267,187</u>	<u>5,662,980</u>
Other municipalities			
- Roads	-	-	303,562
	<u>-</u>	<u>-</u>	<u>303,562</u>
<b>Total capital contributions</b>	<u>7,726,460</u>	<u>7,448,700</u>	<u>10,682,798</u>
<b>Total contributions</b>	<u>\$ 11,781,967</u>	<u>\$ 12,450,486</u>	<u>\$ 15,537,238</u>

**The Corporation of the City of Owen Sound**  
Notes to Financial Statements

December 31, 2017

**16. Post-Employment Benefits**

	2017	2016
Sick leave liability	\$ 7,622	\$ 26,380
Vacation pay liability	971,428	1,076,172
Post-employment benefits	3,828,468	3,571,166
WSIB future benefit	64,200	201,600
	\$ 4,871,718	\$ 4,875,318

- a) Sick leave liability includes amounts earned by employees as defined by applicable union contract but not taken during the year. This amount is funded through reserves.
- b) The vacation liability includes vacation earned. 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 start date to December 31, 2017. This amount is not funded.
- c) The City pays certain life insurance, health and dental benefits on behalf of its retired employees to the age of 65. The City recognizes these post-employment costs in the period in which the employees rendered the services. An actuarial valuation has been performed using the assumption of a 3.4% per year borrowing rate and a 4% per year inflation rate. This amount has not been funded. The post-employment benefit shown above is net of unamortized loss of \$1,528,400 ( 2016 - \$1,698,200).

	2017	2016
Current period benefit cost	\$ 266,100	\$ 257,400
Amortization of actuarial loss	169,800	169,800
Plan amendments incurred	-	859,500
Interest costs	182,200	177,700
Total expense for the year	\$ 618,100	\$ 1,464,400

- d) The City became a Schedule I employer under the Workplace Safety Insurance Act effective January 1, 2010. The City was a Schedule II employer for the years 1998 to 2009 and, as such, the municipality self-insured for WSIB benefits.

The municipality is still liable for events which took place while they were a Schedule 2 employer. An actuarial valuation has been performed using the projected benefit method. The most recent actuarial report was prepared as at December 31, 2016. The total benefits not yet awarded and provision for presumptive cancer legislation for firefighters for the period in which the municipality was a Schedule 2 employer was determined using a 3.4% per year borrowing rate and a 2.5% per year inflation rate. This amount has not been funded.



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**The Corporation of the City of Owen Sound**  
**Notes to Financial Statements**

**December 31, 2017**

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**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:

	<u>2017</u>	<u>2016</u>
School boards	\$ 6,777,867	\$ 7,764,598
County of Grey	7,526,143	7,693,377
	<u>\$14,304,010</u>	<u>\$ 15,457,975</u>

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**18. Trust Funds**

The trust funds administered by the City have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At December 31, 2017, the trust fund balances are as follows:

	<u>2017</u>	<u>2016</u>
Cemetery Care and Maintenance Funds	\$ 1,273,456	\$ 1,251,651
Art Collection and Gallery Building Trust	115,680	114,410
	<u>\$ 1,389,136</u>	<u>\$ 1,366,061</u>

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**19. Contractual Commitments**

The Corporation of the City of Owen Sound has awarded construction contracts for the purposes of City Hall renovations, storm water management, a fire pumper truck, as well as some other smaller capital projects. At December 31, 2017, \$5,310,600 remains to be spent on these contracts.

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**20. Comparative Amounts**

The comparative amounts have been reclassified to conform with current year presentation.

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# The Corporation of the City of Owen Sound

## Notes to Financial Statements

December 31, 2017

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### 21. Segmented Information

The Corporation of the City of Owen Sound is a diversified municipal government institution that provides a wide range of services to its citizens such as policing, fire protection, clean water and waste water treatment, waste collection and disposal, recreation and cultural services, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segment and activities they encompass are as follows:

#### Administration Services

This item relates to the revenues and expenses that are generated and incurred by the governance operations and are not specifically attributed to a specific segment. This item includes City Council, Clerk and Legal Services, Human Resources, Financial Services and Information Technology.

#### Operation Services

This item includes all revenues and expenditures as they related to the City's Operations departments. Included in this item are Transportation Infrastructure, Water and Waste Water Services, Engineering, Transit, Air Transportation and Street Lighting.

#### Community Services

This service area encompasses revenues and expenses associated with services provided to the community that are meant to improve the health and development of the municipality's citizens. Included in Community Services are the Building and Planning Departments as well as Recreation Programs and Facilities.

#### Parks and Cemeteries

This service area encompasses revenues and expenses associated with Greenspaces including Parks, Cemeteries and Playgrounds.

#### Economic Development

The departments included under the item Economic Development are responsible for Tourism, Small Business Support Services and Downtown Revitalization.

#### Protection Services

This item includes the services in place to ensure the safety and protection of the citizens and their property. Protection is comprised of police services, fire protection, parking and bylaw enforcement, and animal control.

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The Corporation of the City of Owen Sound  
Notes to Financial Statements

December 31, 2017

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21. Segmented Information - (continued)

**Cultural Services**

This item includes the revenues and expenses generated by both the Art Gallery and the Consolidated Library Board.

Taxation, payments-in lieu and penalties and interest as well as the Ontario Municipal Partnership Fund Grant are allocated to each segment based on the funding requirements for total expenses less segment specific revenues. Amortization expenses are not included in determining this allocation.

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**The Corporation of the City of Owen Sound**  
Notes to Financial Statements

For the year ended December 31	Administration Services	Operation Services	Community Services	Parks and Cemeteries	Economic Development	Protection Services	Cultural Services	2017 Total
<b>Revenue</b>								
Taxation	\$ 1,418,995	\$ 7,662,574	\$ -	\$ 1,702,794	\$ -	\$ 14,189,953	\$ 3,405,589	\$ 28,379,905
Fees and user charges	153,808	12,854,803	625,709	167,036	60,076	235,984	266,488	14,363,904
Specific grants	44,000	7,780,720	-	2,713	242,069	1,940,399	1,685,685	11,695,586
OMPF grant	37,745	203,823	-	45,294	-	377,450	90,588	754,900
Other revenue	140,101	196,710	1,113,087	134,237	11,613	261,608	190,810	2,048,166
	<u>1,794,649</u>	<u>28,698,630</u>	<u>1,738,796</u>	<u>2,052,074</u>	<u>313,758</u>	<u>17,005,394</u>	<u>5,639,160</u>	<u>57,242,461</u>
<b>Expenses</b>								
Salaries and benefits	1,537,440	5,446,152	1,153,666	1,271,830	624,329	13,131,960	1,532,612	24,697,989
Interest on debt	45,464	515,438	13,906	1,079	-	203,695	-	779,582
Materials and supplies	1,978,145	6,747,349	1,129,131	967,540	431,638	1,036,592	744,105	13,034,500
Contracted services	436,212	2,981,562	340,818	48,620	175,460	374,329	64,113	4,421,114
Other transfers	80,889	-	-	-	9,047	245,022	1,098,128	1,433,086
Rents and financial expenses	42,068	107,693	18,003	10,395	28,565	13,978	13,599	234,301
Amortization	394,386	3,505,809	926,255	675,998	5,876	535,922	249,291	6,293,537
	<u>4,514,604</u>	<u>19,304,003</u>	<u>3,581,779</u>	<u>2,975,462</u>	<u>1,274,915</u>	<u>15,541,498</u>	<u>3,701,848</u>	<u>50,894,109</u>
<b>Annual surplus (deficit)</b>	<b>\$ (2,719,955)</b>	<b>\$ 9,394,627</b>	<b>\$ (1,842,983)</b>	<b>\$ (923,388)</b>	<b>\$ (961,157)</b>	<b>\$ 1,463,896</b>	<b>\$ 1,937,312</b>	<b>\$ 6,348,352</b>

**The Corporation of the City of Owen Sound**  
Notes to Financial Statements

For the year ended December 31	Administration Services	Operation Services	Community Services	Parks and Cemeteries	Economic Development	Protection Services	Cultural Services	2016 Total
<b>Revenue</b>								
Taxation	\$ 1,317,188	\$ 7,112,813	\$ -	\$ 1,580,625	\$ -	\$ 13,171,877	\$ 3,161,250	\$ 26,343,753
Fees and user charges	160,892	12,811,618	656,653	145,347	62,817	202,264	236,910	14,276,501
Specific grants	-	11,118,829	-	1,569	150,392	1,897,692	1,714,756	14,883,238
OMPF grant	32,700	176,580	-	39,240	-	327,000	78,480	654,000
Other revenue	975,958	265,272	1,417,831	108,260	-	35,750	90,148	2,893,219
	<u>2,486,738</u>	<u>31,485,112</u>	<u>2,074,484</u>	<u>1,875,041</u>	<u>213,209</u>	<u>15,634,583</u>	<u>5,281,544</u>	<u>59,050,711</u>
<b>Expenses</b>								
Salaries and benefits	2,050,242	5,426,833	1,168,120	1,139,787	557,149	13,893,918	1,498,751	25,734,800
Interest on debt	65,239	523,267	39,911	1,277	-	219,561	-	849,255
Materials and supplies	2,442,063	7,477,101	1,076,809	1,115,721	269,177	866,346	578,473	13,825,690
Contracted services	402,901	1,536,752	(235,768)	(421,905)	45,845	212,429	40,734	1,580,988
Other transfers	81,611	-	550	-	4,586	240,458	946,891	1,274,096
Rents and financial expenses	58,864	94,362	16,644	11,389	36,280	7,327	15,504	240,370
Amortization	133,163	3,342,961	935,757	710,099	12,849	531,398	319,633	5,985,860
	<u>5,234,083</u>	<u>18,401,276</u>	<u>3,002,023</u>	<u>2,556,368</u>	<u>925,886</u>	<u>15,971,437</u>	<u>3,399,986</u>	<u>49,491,059</u>
<b>Annual surplus (deficit)</b>	<b>\$ (2,747,345)</b>	<b>\$13,083,836</b>	<b>\$ (927,539)</b>	<b>\$ (681,327)</b>	<b>\$ (712,677)</b>	<b>\$ (336,854)</b>	<b>\$ 1,881,558</b>	<b>\$ 9,559,652</b>

**The Corporation of the City of Owen Sound**  
**Schedule of Deferred Revenue**

**For the year ended December 31, 2017**

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
<b>Obligatory Reserve Funds</b>					
Federal Gas Tax	\$ 70,268	\$ 671,058	\$ 2,832	\$ (512,994)	\$ 231,164
Provincial Transit Gas Tax	405,491	236,100	4,501	(378,460)	267,632
Development charges	1,334,390	213,201	15,161	-	1,562,752
Building development	265,783	100,000	2,711	(50,000)	318,494
Recreational land	111,564	8,586	1,238	-	121,388
	2,187,496	1,228,945	26,443	(941,454)	2,501,430
<b>Other</b>					
Other deferred revenues	230,707	125,925	-	(114,913)	241,719
Ontario Community Infrastructure Fund	-	412,296	3,830	(3,120)	413,006
	\$ 2,418,203	\$ 1,767,166	\$ 30,273	\$(1,059,487)	\$3,156,155

**The Corporation of the  
City of Owen Sound  
Trust Funds  
Financial Information  
For the year ended December 31, 2017**

The Corporation of the City of Owen Sound  
Trust Funds Financial Information  
For the year ended December 31, 2017

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The Corporation of the City of Owen Sound

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Owen Sound ON N4K 5P7 Canada

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## Independent Auditor's Report

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**To the Members of Council, Inhabitants and Ratepayers  
of the Corporation of the City of Owen Sound**

We have audited the accompanying financial information for the trust funds of the City of Owen Sound, which comprise the balance sheet as at December 31, 2017, the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility 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 is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on this financial information 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 financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, 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 financial information 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 financial information.

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 presents fairly, in all material respects, the balance sheet for the trust funds of the City of Owen Sound as at December 31, 2017 and the statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario  
August 21, 2018

**The Corporation of the City of Owen Sound**  
**Trust Funds**  
**Balance Sheet**

December 31, 2017

	Cemetery Care and Maintenance	Art Collection and Gallery Building Trust	Total 2017	Total 2016
<b>Assets</b>				
Cash	\$ 699,564	\$ 115,680	\$ 815,244	\$ 688,998
Investments (Note 2)	454,806	-	454,806	559,489
	1,154,370	115,680	1,270,050	1,248,487
<b>Other</b>				
Due from City of Owen Sound	119,086	-	119,086	117,574
	\$ 1,273,456	\$ 115,680	\$1,389,136	\$ 1,366,061
<b>Fund Balance</b>	<b>\$ 1,273,456</b>	<b>\$ 115,680</b>	<b>\$1,389,136</b>	<b>\$ 1,366,061</b>

**The Corporation of the City of Owen Sound**  
**Trust Funds**  
**Statement of Continuity**

For the year ended December 31, 2017

	Cemetery Care and Maintenance	Art Collection and Gallery Building Trust	Total 2017	Total 2016
Balance, beginning of the year	\$ 1,251,651	\$ 114,410	\$1,366,061	\$ 1,344,520
<b>Receipts</b>				
Share of plot sales	21,805	-	21,805	20,457
Interest earned	23,973	1,270	25,243	25,221
	45,778	1,270	47,048	45,678
<b>Expenditures</b>				
Transfer to City of Owen Sound	23,973	-	23,973	24,137
<b>Balance, end of the year</b>	<b>\$ 1,273,456</b>	<b>\$ 115,680</b>	<b>\$1,389,136</b>	<b>\$ 1,366,061</b>

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**The Corporation of the City of Owen Sound**  
**Trust Funds**  
**Notes to the Financial Statements**

December 31, 2017

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**1. Summary of Significant Accounting Policies**

**Basis of Consolidation**                      These trust funds have not been consolidated with the financial statements of the City of Owen Sound.

**Basis of Accounting**                      The financial statements of the Corporation of the City of Owen Sound Trust Funds are the representation of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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 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.

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**2. Investments**

The total investments of \$454,806 (2016 - \$559,489) reported on the balance sheet at cost have a market value of approximately \$454,806 (2016 - \$559,489) at the end of the year.

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